

# **BREAKAWAY RESOURCES LIMITED**

ABN 160 6159 5051

(formerly Amalg Resources NL)



**BREAKAWAY**  
Resources Limited

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## **FINANCIAL REPORT**

**For the Year Ended**

**30 June 2003**

## DIRECTOR'S REPORT

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The Directors present their report together with the financial report of Breakaway Resources Limited ("Breakaway or the Company") and the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditors' report thereon.

### DIRECTORS

The names and details of the Directors of the Company at any time during or since the end of the financial year are:

**Michael Geoffrey Mulrone** - Managing Director  
(Managing Director since March 2003)

Michael has over 24 years experience in the natural resources and finance sectors. He spent 13 years as a geologist and mining company executive in a broad range of commodities throughout Australia and South East Asia with Selection Trust, CRA Exploration, Carpentaria Exploration, Paragon Resources NL and Kalbara Mining NL.

He joined leading international merchant bank N M Rothschild & Sons (Australia) Limited in 1991 and ultimately became the Director of N M Rothschild & Sons responsible for Western Australia which included senior roles in Banking and Investment Banking within the natural resources sector. He brings extensive experience in project assessment and development, structuring and arranging, corporate and project fund raising, mergers and acquisitions, currency and commodity hedging and commodity sales arrangements in the global financial and commodity markets.

Michael holds a Bachelor of Applied Science (Geology) and Master of Business Administration from Curtin University and is a Member of the Australasian Institute of Mining and Metallurgy.

**Jonathan Alister Young** - Chairman  
(Director and Chairman since March 2003)

Jon graduated from UWA with a Bachelor of Commerce Degree. He qualified as a Chartered Accountant with Price Waterhouse in 1981 spending 7 years in their Perth, Melbourne and Sydney offices.

The following 18 years have been spent in the Finance and Stockbroking industry and Jon is currently Director Private Clients with leading Perth based stockbroking firm Paterson Ord Minnett.

For the past 7 years Jon has served as non Executive Chairman of the Barmingo Group of companies, one of Australia's largest privately owned underground mining contractors and a major shareholder of Breakaway Resources Limited.

**Garry Patrick Connell** - Director  
(Director since 1999)

Garry Connell has gained valuable experience in the mining industry through his successful involvement in substantial fuel supply and earthmoving businesses. From 1984 and 1998 he was Managing Director of the Kalgoorlie Fuel Company one of BP Australia Limited's largest independent fuel distributors in Australia and supplier to many of the leading mining and industrial companies in the Kalgoorlie/Goldfields region.

He also has extensive experience in the earthmoving business and has undertaken many large and complex projects. He has a 'hands on' approach to management and is well-known in both the Perth and Kalgoorlie business communities.

**John Charles Hocking**  
(Resigned 24 April 2003)

**John Albert Alman**  
(Resigned 10 March 2003)

# DIRECTOR'S REPORT

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## COMPANY SECRETARY

### Grant Jonathan Mooney

Grant is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies.

Currently, Grant acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

Grant is a member of the Institute of Chartered Accountants in Australia.

## DIRECTORS' INTERESTS AND MEETINGS OF DIRECTORS

The following table sets out the relevant interests of each Director in the share capital of the Company at the date of this report and their participation in Board meetings during the year.

Name of Director	Directors' Interests in Ordinary Shares	Number of Directors' Meetings Attended	Number of Directors' Meetings Held during the Time the Director Held Office During the Year	Number of Audit Committee Meetings Attended	Number of Audit Committee Meetings Held
M G Mulroney	1,750,000*	4	4	-	-
J A Young	4,990,019*	4	4	1	1
G P Connell	33,878,552*	7	7	1	1
J C Hocking <sup>1</sup>	**	3	3	-	-
J A Alman <sup>2</sup>	**	2	3	-	-

\* includes shares in which the director holds a relevant interest but is not the registered holder

<sup>1</sup> Resigned as Chairman on 10 March 2003 and as a Director on 24 April 2003

<sup>2</sup> Resigned on 10 March 2003

\*\* Interests in ordinary shares have not been disclosed, as Directors were not in place at the date of this report

The Audit Committee was formed on 24 April 2003 comprising of Jonathan Alister Young (Chairman), Garry Patrick Connell and Grant Jonathan Mooney (Secretary).

No options have been issued to Directors of the Company.

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were those of copper, gold, silver, limestone and quicklime production and the mineral exploration and development of gold, nickel and copper.

## RESULT

The consolidated loss after income tax for the financial year was \$8.51 million (2002: loss of \$34.8 million).

A major portion of the loss resulted from write offs of:

- Capital development for the Eloise Mine of \$4.09 million,
- Barbara Surprise tenement carrying value of \$0.25 million, and
- Work in progress on the Loongana Lime Pty Ltd's plant and equipment of \$0.75 million.

The consolidated loss for the financial year excluding the write offs was \$3.42 million.

## **DIRECTOR'S REPORT**

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### **DIVIDENDS**

No dividend was paid during the year and no dividend will be paid in respect of the current financial year.

### **REVIEW OF OPERATIONS**

The following is a summary of the activities undertaken by the Company over the past financial year.

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

Operations continued at the Company's 100% owned Eloise Copper Gold Mine located in north-west Queensland. Mine production for the year increased by 6.8% from the previous year to 68,215 dry metric tonnes of concentrate containing 20,265 tonnes of copper, 9,404 ounces of gold and 207,797 ounces of silver. Cash operating costs for the year were US\$0.628/lb Cu equ with total costs (including in mine exploration) of US\$0.70/lb Cu equ.

Exploration down plunge of the Eloise ore body successfully located the Eloise Deeps ore body resulting in an increase in 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.

#### **Loongana Lime (Parkeston, Western Australia)**

In April 2003, the Company divested its wholly owned subsidiary Loongana Lime Pty Ltd to a group of private investors for the sum of \$3.05 million in cash and receivables (prepaid insurance premiums and environmental bond obligations).

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

At the Company's 100% owned Spargoville Nickel Project, the Company sold 19,381 dry metric tonnes of oxidised nickel ore from the 5A deposit to OMG Cawse Pty Ltd for treatment through the Cawse facility.

Continued exploration below the existing 5A pit has delineated further high-grade nickel mineralisation. Feasibility studies are underway and a production decision is expected in the near future. Resource calculations are underway at the adjacent 5B nickel deposit prior to commencing further exploration. The Company completed several ground geophysical surveys across the Spargoville tenements that delineated additional exploration targets warranting further exploration.

### **Exploration**

With acquisition of Breakaway Resources Limited by Amalg Resources NL, the Company acquired a range of assets that include the Bannockburn, Vivien and Miranda Projects in the North Eastern Goldfields of Western Australia.

#### **Vivien (20km east of Leinster, Western Australia)**

At the Vivien Gold Project, joint venture partner Gold Fields Australasia Pty Ltd ("Gold Fields"), completed a significant resource definition drilling program increasing the global resource by 90% to 191,000 ounces of contained gold. Gold Field are finalising a feasibility study to mine the Vivien deposit with the ore to be processed at the Agnew Mill located 5 km to the west.

#### **Miranda (Agnew, Western Australia)**

Gold Fields are also earning a 60% interest in the Company's Miranda project by spending \$3.6 million on exploration over three years. Gold Fields reported highly encouraging drill intersections from several prospects and has commenced mining studies on the 50,000 ounce Cams gold resource.

## DIRECTOR'S REPORT

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### Bannockburn (60 km north west of Leonora, Western Australia)

At Bannockburn, Jubilee Mines NL ("Jubilee") has earned a 70% interest in the nickel and base metal rights of the project tenements. Jubilee has completed an extensive exploration program that successfully located narrow zones of massive and disseminated nickel sulphide mineralisation at a number of locations. Jubilee informed the Company that it has met its expenditure commitments and had earned a 70% interest in the nickel and base metal rights. Breakaway will contribute 30% of all future nickel and base metal exploration expenditure within the project.

Breakaway has retained a 100% equity interest in the rights to gold mineralisation within the Bannockburn tenements. The Company completed no significant work during the year.

No significant work was completed at the Company's other tenements.

### 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. 13 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 \$4.5 million (includes oversubscriptions of \$0.5 million) less transaction costs of \$0.28 million.	4,216
2. 13 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	6,188
Increase in fully paid share capital	<u>10,404</u>
• On 10 March 2003, Mr John Charles Hocking resigned as Chairman of Amalg Resources NL and was replaced by Mr Jonathan Alister Young. On 24 April 2003 Mr John Charles Hocking resigned from his position as director of Breakaway Resources Limited.	
• On 10 March 2003, Mr John Albert Alman resigned as Director of Amalg Resources NL.	
• On 10 March 2003, Mr Michael Geoffrey Mulroney was appointed as Managing Director of Amalg Resources NL.	
• On 10 March 2003, Mr Jonathan Alister Young was appointed as Chairman of Amalg Resources NL.	
• On 22 April 2003 the Company changed its name from Amalg Resources NL to Breakaway Resources Limited.	
• During the period, Breakaway Resources Limited repaid in full the issued a convertible note for \$2.1 million to Barmenco Pty Ltd.	
• Loongana Lime Pty Ltd, a wholly owned subsidiary, was disposed on 7 April 2003 for total consideration of \$3.05 million in accordance with an executed sale and purchase agreement.	

### EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## DIRECTOR'S REPORT

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### LIKELY DEVELOPMENTS

Information as to likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the Company's interests.

### ENVIRONMENTAL REGULATION

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining and exploration activities situated in Queensland and Western Australia. There are significant environmental regulations under the Queensland and Western Australian Mining and Environmental Protection Acts, including licence requirements relating to waste disposal, water and air pollution and the handling of dangerous goods in relation to these operations.

The Company is not aware of any matter that requires disclosure regarding any significant environmental regulation in respect to its operating activities.

### DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

The Board of Directors' is responsible for setting the remuneration of executive Board members and senior executives of the Company. Their broad policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and to ensure remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Company's performance is taken into consideration when setting remuneration.

Details of the nature and amount of remuneration provided whilst in office to Directors of the Company during the financial year are as follows:

Name of Director	Base Emolument	Superannuation Contributions	Non Cash Benefits	Termination Payments	Total
<b>Executive Directors</b>					
M G Mulroney	51,125	4,601	6,870	-	62,596
<b>Non Executive Directors</b>					
J A Young	-*	12,274	-	-	12,274
G P Connell	-*	24,403	-	-	24,403
J C Hocking	27,204	2,448	-	-	29,652
J A Alman	15,198	-	-	-	15,198
<b>Executive Officers (excluding directors)</b>					
G C Lucas	121,900	10,971	-	-	132,871

\* Paid into superannuation fund.

Jonathan Alister Young and Garry Patrick Connell are due \$12,274 and \$9,205 respectively as at balance date.

### INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts, for the current Directors and current and former officers, including executive officers and secretaries of the Company.

## **DIRECTOR'S REPORT**

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The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as disclosure is prohibited under the terms of the contract.

### **OPTIONS**

There are no ordinary shares under option, nor were any shares issued during the year pursuant to the exercise of options.

### **ROUNDING OFF**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts stated in the financial reports have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been signed in accordance with a resolution of the Directors made at Perth on 30 September 2003.



**M G Mulroney**  
*Managing Director*

# **DIRECTOR'S REPORT**

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## **CORPORATE GOVERNANCE STATEMENT**

This statement outlines the main Corporate Governance practices that were in place throughout the financial year unless otherwise stated.

## **BOARD OF DIRECTORS**

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

The Board operates in accordance with Breakaway Resources Limited's Constitution, ASX Listing Rules, the Corporations Act, various Mining Acts and other applicable laws while achieving these goals.

At commencement of the financial year, the Board of Directors comprised two non-executive Directors, and one executive Director, who was Managing Director and Chairman. However, the Board of Directors was restructured during the year following the acquisition of BMV Properties Pty Ltd (formerly Breakaway Resources Limited).

The Board is now comprised of a Non Executive Chairman, Managing Director and a Non Executive Director. Full details of the company's directors and their relevant experience and skills are detailed in the Directors' Report.

The current structure of the Board of Directors does not include an independent director for the purposes of the Australian Stock Exchange - Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations". It is the intention of the Board of Directors to appoint an independent director during the current financial year.

With the exception of an Audit Committee, the consolidated entity is not considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate committees. Accordingly all matters, which may be capable of delegation to a committee, are dealt with by the full Board.

In addition to formal Board meetings, the Board regularly meets informally to retain full and effective control over the consolidated entity and monitor the executive management. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company's Constitution and the Listing Rules of Australian Stock Exchange Limited govern the procedures for election and retirement of Directors.

All Directors have the right to seek independent legal and accounting advice concerning any aspect of the Company's operations and undertakings.

## **AUDIT AND AUDIT COMMITTEE**

During April 2003 the Company formed an Audit Committee with an established Charter.

The Audit Committee comprises Jon Young (Non Executive Chairman), Garry Connell (Non Executive Director) and Grant Mooney (Company Secretary).

The Audit Committee has met twice since its establishment with all members in attendance. The Company's auditors, managing director and financial controller attend only upon invitation.

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The Company has appointed, with their consent, KPMG as its auditors.

## **DIRECTOR'S REPORT**

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The external auditors were appointed in 1995. The lead external audit partner was last rotated in 2002, and is being rotated off in 2009.

### **INTERNAL CONTROL FRAMEWORK**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board relies on several internal controls:

- There is a comprehensive monthly management reporting system. Management reports detailing consolidated entity expenditure are prepared and presented to Board members monthly. Results are reported against budget and variations from budget have been discussed with site personnel to ascertain the reasons for the variances each month for each of the consolidated entity's operations. Budgets are revised when management has sufficient historical information to make informed forecasts.
- Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure Requirements.
- The consolidated entity conducts a review of the ability and experience of potential senior employees prior to appointment. Informal appraisals are conducted regularly together with on the job monitoring and training for all employees.
- The Managing Director is in regular contact with senior site personnel at all the consolidated entity's operations on an informal basis. In addition, formal monthly reporting together with periodic site visits by the Managing Director all contribute to controls in this area.

### **ETHICAL STANDARDS**

Breakaway is committed to the highest standards of ethical business conduct. As part of that commitment, Breakaway established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Breakaway's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- Acting with honesty and integrity
- Abiding by laws and regulations
- Respecting confidentiality and handling information in a proper manner
- Maintaining the highest standards of professional behaviour
- Avoiding conflicts of interest
- Striving to be a good corporate citizen and to achieve community respect.

Breakaway also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Breakaway, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

## **DIRECTOR'S REPORT**

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### **BUSINESS RISKS**

The Board adopts practices to identify significant areas of risk and to effectively manage those risks in accordance with the consolidated entity's risk profile.

Where appropriate the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Company's main areas of risk include:

- Mineral exploration, development and production;
- Fluctuating metal prices and exchange rates;
- Financing; and
- Title to assets.

The Board gives regular consideration to all these matters.

### **SHARE TRADING**

A formal policy has been adopted which is to ensure compliance with the "insider trading" provisions of the Corporations Act by executive staff who may be in possession of sensitive information concerning the Company's affairs, prior to release to the market.

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

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Revenue from sale of goods		67,088	61,821	60,095	48,623
Other revenues from ordinary activities		4,139	1,463	3,687	706
Total revenue from ordinary activities	2	<u>71,227</u>	<u>63,284</u>	<u>63,782</u>	<u>49,329</u>
Expenses from ordinary activities:					
Cost of goods sold		67,794	72,811	60,451	58,458
Provision for non recoverability of loan		-	-	-	22,970
Borrowing costs	3	598	843	541	306
Other expenses from ordinary activities	3	<u>11,342</u>	<u>27,203</u>	<u>11,176</u>	<u>7,212</u>
Total expenses from ordinary activities		<u>79,734</u>	<u>100,857</u>	<u>72,168</u>	<u>88,946</u>
Loss from ordinary activities before related income tax		(8,507)	(37,573)	(8,386)	(39,617)
Income tax benefit relating to ordinary activities	5	-	2,795	-	1,615
Loss from ordinary activities after related income tax		<u>(8,507)</u>	<u>(34,778)</u>	<u>(8,386)</u>	<u>(38,002)</u>
Basic loss per share (cents per share)	26	(4.20)	(27.15)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements

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

	Note	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Current Assets</b>					
Cash assets		4,641	594	4,640	418
Receivables	6	5,728	4,117	5,663	2,464
Other financial assets	7	17	14	17	14
Inventories	8	732	3,901	732	3,065
Other	9	-	20	-	-
<b>Total Current Assets</b>		<b>11,118</b>	<b>8,646</b>	<b>11,052</b>	<b>5,961</b>
<b>Non Current Assets</b>					
Receivables	6	434	780	848	2,425
Other financial assets	10	-	-	6,256	-
Property, plant and equipment	11	2,563	9,584	1,498	3,578
Exploration, evaluation and development expenditure	12	11,815	6,641	4,758	6,626
<b>Total Non Current Assets</b>		<b>14,812</b>	<b>17,005</b>	<b>13,360</b>	<b>12,629</b>
<b>Total Assets</b>		<b>25,930</b>	<b>25,651</b>	<b>24,412</b>	<b>18,590</b>
<b>Current Liabilities</b>					
Payables	13	14,125	9,918	13,652	7,164
Interest bearing liabilities	14	155	4,314	133	2,986
Provisions	15	668	1,182	656	228
<b>Total Current Liabilities</b>		<b>14,948</b>	<b>15,414</b>	<b>14,441</b>	<b>10,378</b>
<b>Non Current Liabilities</b>					
Interest bearing liabilities	14	138	2,381	106	442
Provisions	15	2,012	921	912	835
<b>Total Non Current Liabilities</b>		<b>2,150</b>	<b>3,302</b>	<b>1,018</b>	<b>1,277</b>
<b>Total Liabilities</b>		<b>17,098</b>	<b>18,716</b>	<b>15,459</b>	<b>11,655</b>
<b>NET ASSETS</b>		<b>8,832</b>	<b>6,935</b>	<b>8,953</b>	<b>6,935</b>
<b>Equity</b>					
Contributed equity	16	52,918	42,514	52,918	42,514
Accumulated losses	17	(44,086)	(35,579)	(43,965)	(35,579)
<b>TOTAL EQUITY</b>		<b>8,832</b>	<b>6,935</b>	<b>8,953</b>	<b>6,935</b>

The statements of financial position are to be read in conjunction with the notes to the financial statements.

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		64,575	65,003	56,895	49,730
Cash payments in the course of operations		(56,663)	(55,045)	(48,351)	(42,757)
Interest received		159	53	145	44
Borrowing costs paid		(598)	(572)	(541)	(306)
<b>Net cash provided by operating activities</b>	24(b)	<b>7,473</b>	<b>9,439</b>	<b>8,148</b>	<b>6,711</b>
<b>Cash flows from investing activities</b>					
Payments for exploration and development		(5,818)	(9,526)	(5,633)	(9,526)
Payments for property, plant and equipment		(122)	(1,147)	(122)	(90)
Proceeds from sale of tenement		155	-	155	-
Proceeds on disposal of non-current assets		612	200	246	162
Payments to controlled entity		-	-	(2,086)	(533)
Proceeds on disposal of controlled entity (net of cash disposed)	28(b)	2,285	-	2,616	-
Proceeds from sale of investment		-	500	-	500
Payment for controlled entity (net of cash acquired)	28(b)	(134)	-	(68)	-
<b>Net cash used in investing activities</b>		<b>(3,022)</b>	<b>(9,973)</b>	<b>(4,892)</b>	<b>(9,487)</b>
<b>Cash flow from financing activities</b>					
Repayment of borrowings		(782)	(774)	(500)	(774)
Repayment of lease liability		(1,738)	(2,720)	(650)	(498)
(Repayment of) / proceeds from convertible note		(2,100)	2,100	(2,100)	2,100
Proceeds from share issue (net of transaction costs)		4,216	-	4,216	-
<b>Net cash from/(used in) financing activities</b>		<b>(404)</b>	<b>(1,394)</b>	<b>966</b>	<b>828</b>
Net increase/(decrease) in cash held		4,047	(1,928)	4,222	(1,948)
Cash at the beginning of the financial year		594	2,522	418	2,366
Cash at the end of the financial year	24(a)	<b>4,641</b>	<b>594</b>	<b>4,640</b>	<b>418</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

### (a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account the changing money values or fair valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

### (b) Going Concern

The financial report has been prepared on the going concern basis that contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. For the year ended 30 June 2003, the consolidated entity recorded a loss from ordinary activities after tax and significant items of \$8,507,000 and the Company incurred a loss of \$8,386,000. As at 30 June 2003, the consolidated entity had net current liabilities of \$3,830,000, the Company had net current liabilities of \$3,389,000.

The financial results and cash flows for the year and the net current liability position at 30 June 2003 has been significantly influenced by:

- Production and development delays at the Eloise copper mine;
- Continued losses from the Loongana Lime operation prior to its disposal; and
- Increased corporate costs associated with the disposal of Loongana, the relocation of the head office and the acquisition of BMV Properties Limited.

The Company's major creditor Barmenco Pty Ltd ("Barmenco") is owed \$9,437,899 at 30 June 2003. Barmenco is the mine contracting company servicing the Eloise copper mine and is a substantial shareholder of the Company owning 24.47% of the Company. Barmenco has continued to support the operating cash flow of the Company through deferred payment terms for mine contracting services.

The directors are confident that it is appropriate to prepare the financial report on a going concern basis for the following reasons:

- Barmenco has undertaken to continue supporting the Company through deferred settlement terms on mine contracting services, continuing to work with the Company on the further development and mining of the Eloise copper mine.
- The Company has forecast the Eloise copper mine to generate sufficient positive cash flows for the year ended 30 June 2004, assuming market accepted forecast prices of copper and exchange rates, allowing the Company to reduce amounts owed to Barmenco.
- The Company may derive positive cash flows from the development and exploitation of the Spargoville 5A nickel prospect and or the Vivien gold project before 30 June 2004.
- Future losses from Loongana Lime Pty Ltd have been eliminated by the disposal of that investment.
- If required, the Company has the ability to seek additional capital through a placement of shares or future rights issues to shareholders.

Should the Eloise copper mine fail to deliver on its forecast positive cash flows and the Company be unable to raise further capital, the Company would be unable to repay amounts owed to Barmenco. In this circumstance the consolidated entity will be required to realise its assets and extinguish liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial report.

### (c) Principles of Consolidation

#### *Controlled Entities*

The consolidated accounts of the consolidated entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities included in the consolidated financial statements have been eliminated in full on consolidation.

### (d) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST").

#### *Sales of Goods*

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer, in accordance with the sales contracts.

Sales revenue is calculated after commodity and foreign exchange hedging, and foreign exchange differences on sales receipts, but prior to treatment, refining and freight costs. Sales revenue may be adjusted due to assay, metal price, weight and currency variations.

#### *Interest Income*

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

#### *Sale of Non-Current Assets*

The gross proceeds of non-current asset sales not originally purchased for the intention of resale are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

### (e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). 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.

## NOTES TO THE FINANCIAL STATEMENTS

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Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (f) Foreign Currency

#### *Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

### (g) Derivatives

The consolidated entity is exposed to changes in foreign exchange rates and commodity prices from its activities. It is the consolidated entity's policy to use derivative financial instruments from time to time to hedge these risks. The consolidated entity's policy is not to enter, hold or issue these derivative financial instruments for trading purposes.

### (h) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial performance as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

### (i) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these

circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Exploration and evaluation expenditure carried forward relating to areas of interest which have not reached a stage permitting reliable assessment of economic benefits are not qualifying assets.

**(j) Earnings Per Share**

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company.

**(k) Investments**

*Controlled Entities*

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are proposed by the controlled entities.

*Other Entities*

Investments in other listed and unlisted entities are carried at the lower of cost, or recoverable amount, being a Directors' valuation based on market values at the time of the valuation. Dividends are brought to account as they are received.

**(l) Recoverable Amount of Non-Current Assets – Valued on Cost Basis**

The carrying amounts of non-current assets valued on the cost basis, except exploration and evaluation expenditure (refer note 1(s)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the statement of financial performance in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

**(m) Receivables**

*Trade receivables*

Trade receivables to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

**(n) Inventories**

Inventories of finished goods stocks and ore stocks are carried at the lower of cost of production and net realisable value. Inventories of consumables and spares are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of each finished product's market value. Further costs to bring the stock to a marketable product and expenses of marketing, selling and transport to customers are estimated and are deducted to establish net realisable value.

**(o) Acquisitions of Assets**

All assets acquired including property, plant and equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

*Subsequent Additional Costs*

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

**(p) Leased Assets**

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset equal to the cost of the asset is recorded at the inception of the lease. A lease liability equal to the present value of the minimum lease payments is recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

**(q) Depreciation and Amortisation**

*Useful Lives*

Assets having limited useful lives and are depreciated / amortised using the straight line method over their estimated useful lives, with the exception of carried forward exploration, evaluation and development costs in the production phase which is amortised on a units of production basis over the life of 100% of the economically recoverable reserves and a proportion of resources. Finance lease assets

are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads. The depreciation and amortisation rate for plant and equipment is between 5% and 40% (2002: 5% and 40%).

### (r) **Employee Entitlements**

From 1 July 2002, the consolidated entity adopted the revised accounting standard AASB 1028. There was no material effect on the financial statements for the financial year.

#### *Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as a reporting date including related on-costs.

#### *Long Service Leave*

The provision for employee's entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' service provided up to reporting date.

Provisions for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

The provision is calculated using estimated future increases in wage and salary rates, the consolidated entity's experience with staff departures and the probability that employees as a group will remain in the entity's employ for the period of time necessary to qualify for long service leave. Related on-costs have also been considered in the liability.

### (s) **Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

## NOTES TO THE FINANCIAL STATEMENTS

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When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

### *Amortisation*

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of 100% of the economically recoverable reserves and a proportion of resources.

### *Restoration/rehabilitation*

Provisions are made for mine site rehabilitation and restoration on an incremental basis during the course of mine life (which includes the mine closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

### **(t) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Accounts payable are normally settled within 60 days.

### **(u) Review of Accounting Estimates**

Revisions to accounting estimates are recognised prospectively in current and future periods only.

### **(v) Provisions**

From 1 July 2002, the consolidated entity adopted the accounting standard AASB 1044. There was no material effect on the financial statements for the financial year.

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.

In the statement of financial performance, the expense recognised in respect of a provision is presented net of the recovery. In the statement of financial position, the provision is recognised net of the recovery receivable only when the entity:

- Has a legally recognised right to set-off the recovery receivable and the provision, and
- Intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>2 REVENUE FROM ORDINARY ACTIVITIES</b>				
<b>Revenue from sale of goods:</b>				
Copper revenue	52,463	42,199	52,463	42,199
Gold revenue	5,515	5,642	5,515	5,642
Silver revenue	1,497	782	1,497	782
Nickel revenue	620	-	620	-
Quicklime and limestone revenue	6,993	13,198	-	-
Sale of goods revenue from operating activities	67,088	61,821	60,095	48,623
<b>Other revenues:</b>				
<i>From operating activities</i>				
Interest: Other parties	159	53	145	44
Prior year diesel fuel rebates	-	710	-	-
<i>From outside operating activities</i>				
Gross proceeds from the sale of non-current assets	3,819	700	3,453	662
Sundry Other	161	-	89	-
Total other revenues	4,139	1,463	3,687	706
Total revenue from ordinary activities	71,227	63,284	63,782	49,329
<b>3 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 expense				
Write off of loan on disposal of controlled entity	-	-	822	-
Settlement of legal action relating to former mining contractor	339	-	339	-
Carrying value of Loongana Lime Pty Ltd net assets disposed of	3,150	-	3,052	-
Write down of plant and equipment work in progress	760	-	15	-
Prior year diesel fuel rebates	-	(710)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (Continued)</b>					
Write down of inventory to net realisable value		286	-	286	-
Prepayments written off		-	429	-	429
Exploration, evaluation and development costs written down to recoverable amount in respect of					
- Eloise		4,095	6,948	4,095	6,948
- Other		250	5,023	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	-	343
Limestone stocks written off		-	2,903	-	-
Provision for non recoverability of loan to subsidiary		-	-	-	22,970
Total individually significant items of expense		<u>8,880</u>	<u>31,545</u>	<u>8,859</u>	<u>35,713</u>
(b) Loss from ordinary activities before income tax expense has been arrived at after charging/ (crediting) the following items:					
Borrowing costs:					
Related parties		208	43	208	43
Other parties					
Bank loans and overdraft		-	170	-	170
Finance charges on capitalised leases		117	630	62	93
Glencore International AG		265	-	265	-
Other		8	-	6	-
Total borrowing costs		<u>598</u>	<u>843</u>	<u>541</u>	<u>306</u>
Depreciation					
Plant and equipment		2,234	4,891	1,900	2,207
Buildings		-	15	-	-
		<u>2,234</u>	<u>4,906</u>	<u>1,900</u>	<u>2,207</u>
Amortisation:					
Mine development and production expenditure		2,710	7,141	2,710	7,141
Deferred expenditure - exploration expenditure		300	629	290	629
Total amortisation		<u>3,010</u>	<u>7,770</u>	<u>2,900</u>	<u>7,770</u>
Total depreciation and amortisation		<u>5,244</u>	<u>12,676</u>	<u>4,800</u>	<u>9,977</u>
Deferred loss on sale and lease back brought to account		-	200	-	-
Amounts set aside/(credited) to provision for:					
Employee entitlements	15	(249)	(227)	(22)	(174)
Rehabilitation - tenements	15	527	585	527	179
Rehabilitation – waste oil purification	15	-	320	-	-
Total amounts set aside/(credited) to provisions		<u>278</u>	<u>678</u>	<u>505</u>	<u>5</u>

## NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b> (Continued)				
Lease rental expense - operating lease	30	51	25	24
Exploration expenditure incurred written off	-	163	-	163
Government royalties on mineral sales or production	917	1,188	917	1,080
<b>Net (profit)/loss on disposal of non-current assets:</b>				
Non-current assets	(353)	(365)	(161)	(153)
	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>4 REMUNERATION OF AUDITORS</b>				
Audit Services				
<i>Auditors of the Company</i>	79,640	60,500	59,000	59,200
Amounts received, or due and receivable, for taxation services by:				
<i>Auditors of the Company</i>	10,780	24,250	10,780	9,250
	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>5 TAXATION</b>				
(a) Income tax benefit				
The prima facie tax benefit on loss from ordinary activities differs from the income tax benefit as follows:				
Prima facie tax benefit on loss from ordinary activities calculated at 30% (2002:30%)	(2,552)	(10,433)	(2,516)	(11,401)
Tax effect of permanent differences:				
Amortisation differences	(459)	(1,940)	(459)	(1,662)
Write off of non-current assets	1,303	8,660	1,303	3,694
Provision for non-recovery of loan to subsidiary	-	-	-	6,891
Write off of prepayments	-	129	-	129
Other	499	309	282	342

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>5 TAXATION (Continued)</b>				
Income tax benefit attributable to loss from ordinary activities before individually significant income tax items	(1,209)	(3,275)	(1,390)	(2,007)
Individually significant income tax item:				
Tax losses not brought to account	1,209	480	1,390	392
Total income tax benefits attributable to loss from ordinary activities	-	(2,795)	-	(1,615)
Income tax benefit attributable to loss from ordinary activities is made up of movements in the:				
Current income tax provision	-	(226)	-	(316)
Deferred income tax provision	-	(2,569)	-	(1,299)
	-	(2,795)	-	(1,615)
<b>(b) Deferred tax assets</b>				
Future income tax benefit not taken to account				
The future income tax benefit from losses not brought to account has not been recognised as an asset because of recovery of the loss is not virtually certain	1,907	480	1,782	392

The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and amount sufficient to enable a benefit to be realised, or the benefit can be realised by another company in the controlled entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

During the financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owed entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to Breakaway Resources Limited. As at 30 June 2003, the directors of Breakaway Resources Limited and BMV Properties Limited have not made a decision to elect to be taxed as a single entity. In accordance with UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances", the financial effect of the legislation has not been brought to account in the financial statements for the financial year ended 30 June 2003.

## NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
<b>6 RECEIVABLES</b>					
<b>Current</b>					
Trade debtors		3,932	2,927	3,902	1,345
Other		1,796	1,190	1,761	1,119
		<u>5,728</u>	<u>4,117</u>	<u>5,663</u>	<u>2,464</u>
<b>Non-Current</b>					
Loans to controlled entity (a)	19	-	-	414	24,970
Provision for non-recoverability	19	-	-	-	(22,970)
Other – mining tenement bonds		434	780	434	425
		<u>434</u>	<u>780</u>	<u>848</u>	<u>2,425</u>
(a) Loans to controlled entities are interest free and unsecured. There are no formal repayment arrangements, however the Company will not call for payment prior to 1 July 2004 except to the extent that the controlled entity has surplus funds available.					
<b>7 OTHER FINANCIAL ASSETS</b>					
<b>Current</b>					
Shares listed on a prescribed stock exchange - at cost		31	31	31	31
Less: provision for diminution in value		(14)	(17)	(14)	(17)
		<u>17</u>	<u>14</u>	<u>17</u>	<u>14</u>
<b>8 INVENTORIES</b>					
<b>Current</b>					
Consumables and spares - at cost		188	339	188	159
Ore stocks - at cost		-	1,246	-	1,246
Copper concentrate stocks - at net realisable value		544	-	544	-
Copper concentrate stocks - at cost		-	1,660	-	1,660
Quicklime stocks - at cost		-	78	-	-
Limestone stocks - at cost		-	578	-	-
		<u>732</u>	<u>3,901</u>	<u>732</u>	<u>3,065</u>
<b>9 OTHER ASSETS</b>					
<b>Current</b>					
Prepayments		-	20	-	-
		<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>10 OTHER FINANCIAL ASSETS</b>					
Investment in controlled entity					
Unlisted shares at cost	28	-	-	6,256	-
		-	-	6,256	-
<b>11 PROPERTY, PLANT AND EQUIPMENT</b>					
Land and buildings at cost		-	154	-	-
Less: Accumulated depreciation		-	(15)	-	-
		-	139	-	-
Plant and equipment - at cost		15,288	14,850	13,868	14,850
Less: Accumulated depreciation		(12,725)	(11,287)	(12,370)	(11,287)
		2,563	3,563	1,498	3,563
Plant and equipment – at recoverable amount		-	4,841	-	-
Total plant and equipment		2,563	8,404	1,498	3,563
Capital works in progress - at cost		-	1,041	-	15
Total property, plant and equipment - at net book value		2,563	9,584	1,498	3,578
<b>Reconciliations</b>					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
<b>Land and Buildings</b>					
Carrying amount at beginning of year		139	34	-	-
Disposals through sale of controlled entity		(135)	-	-	-
Additions		-	120	-	-
Depreciation		(4)	(15)	-	-
Carrying amount at end of year		-	139	-	-
<b>Plant and Equipment</b>					
Carrying amount at beginning of year		8,404	25,921	3,563	4,222
Additions		122	3,531	122	842
Acquisition through entity acquired		1,076	-	-	-
Transfer from capital works in progress		-	828	-	715
Disposals		(161)	(426)	(287)	(9)
Disposal of entity		(4,648)	-	-	-
Depreciation		(2,230)	(4,898)	(1,900)	(2,207)
Write off to recoverable amount		-	(16,552)	-	-
Carrying amount at end of year		2,563	8,404	1,498	3,563
<b>Capital works in progress</b>					
Carrying amount at beginning of year		1,041	1,238	15	1,073
Additions		-	1,031	-	-
Disposal of entity		(281)	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
<b>11 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>					
Transfer to plant and equipment		-	(828)	-	(715)
Written off		(760)	(400)	(15)	(343)
Carrying amount at end of year		-	1,041	-	15
Total property, plant and equipment		2,563	9,584	1,498	3,578

## 12 EXPLORATION, EVALUATION AND DEVELOPMENT

Costs carried forward in respect of areas of interest in:

### Production phase

At cost	76,076	72,539	76,076	72,510
Accumulated amortisation	(67,623)	(55,742)	(67,623)	(55,728)
Less write down to recoverable amount	(4,095)	(10,744)	(4,095)	(10,744)
	4,358	6,053	4,358	6,038

### Exploration and/or evaluation phase

At cost	8,306	1,815	1,249	1,815
Less exploration costs written off	(849)	(1,227)	(849)	(1,227)
	7,457	588	400	588

Total exploration, evaluation and development expenditure

	11,815	6,641	4,758	6,626
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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.

## 13 PAYABLES

### Current

Trade creditors	13,297	9,055	13,221	6,502
Other accrued expenses	471	863	431	662
Loan from related entity	19	357	-	-
	14,125	9,918	13,652	7,164

Inclusive in trade creditors is an amount owed to Barmenco Pty Ltd of \$9,437,899. This amount is secured in accordance with a Deed of Charge dated 26 June 2002 and an Intercreditor Deed dated 27 August 2003. All amounts owing to Barmenco Pty Ltd are secured by a second ranking registered fixed and floating charge over the assets of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>14 INTEREST BEARING LIABILITIES</b>					
<b>Current</b>					
Loan from related entity	19/25	-	500	-	500
Convertible note from related party	19	-	2,100	-	2,100
Lease/hire purchase liability	18	155	1,714	133	386
		<u>155</u>	<u>4,314</u>	<u>133</u>	<u>2,986</u>
<b>Non-Current</b>					
Lease/hire purchase liability	18	138	2,381	106	442
		<u>138</u>	<u>2,381</u>	<u>106</u>	<u>442</u>
<b>15 PROVISIONS</b>					
<b>Current</b>					
Employee benefits	22	123	243	111	90
Rehabilitation		545	939	545	138
		<u>668</u>	<u>1,182</u>	<u>656</u>	<u>228</u>
<b>Non-Current</b>					
Employee benefits	22	102	231	102	145
Rehabilitation		1,910	690	810	690
		<u>2,012</u>	<u>921</u>	<u>912</u>	<u>835</u>
<b>16 CONTRIBUTED EQUITY</b>					
<b>Issued and Paid-up Capital</b>					
378,108,338 ordinary shares, fully paid (2002:128,108,338)		<u>52,918</u>	<u>42,514</u>	<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	42,514	42,514
137,500,000 ordinary shares at fair value of 4.5c pursuant to shareholders meeting for acquisition of BMV Properties Limited (previously Breakaway Resources Limited, as per terms set out in the Notice of Meeting and Explanatory Memorandum)		6,188	-	6,188	-
Public share offer of 112,500,000 ordinary shares at 4c pursuant to prospectus		4,500	-	4,500	-
Transaction costs arising from public share offer pursuant to prospectus		(284)	-	(284)	-
Balance at the end of the financial year		<u>52,918</u>	<u>42,514</u>	<u>52,918</u>	<u>42,514</u>
<b>Terms and Conditions</b>					
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.					
In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.					

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>17 ACCUMULATED LOSSES</b>				
Opening accumulated losses	(35,579)	(801)	(35,579)	2,423
Loss from ordinary activities after related income tax	(8,507)	(34,778)	(8,386)	(38,002)
Accumulated losses at end of the year	(44,086)	(35,579)	(43,965)	(35,579)

## 18 COMMITMENTS

### Lease/Hire Purchase Commitments

Lease/hire purchase repayments are payable as follows:

not later than one year	247	1,776	220	434
later than one year but not later than five years	181	2,685	148	475
	428	4,461	368	909
Less: future lease/hire purchase charges	(135)	(366)	(129)	(81)
	293	4,095	239	828

Lease/hire purchase liabilities provided for in the financial statements

Current	155	1,714	133	386
Non-current	138	2,381	106	442
Total lease/hire purchase liability	293	4,095	239	828

### Exploration Commitments

The consolidated entity has minimum expenditure obligations in pursuance of the terms and conditions of mining tenements in the forthcoming year of approximately \$5,620,980 (2002: \$1,261,140). A minimum of \$2,728,492 (2002: Nil) of this amount is expected to be paid by joint venture partners. These obligations are not provided for in the financial report. These obligations may be varied from time to time subject to statutory approval.

## 19 RELATED PARTY DISCLOSURES

### Directors

The names of each person holding the position of director at Breakaway Resources Limited during the financial year were:

M G Mulroney – appointed 10 March 2003  
 J A Young – appointed 10 March 2003  
 G P Connell – appointed since 1999  
 J A Alman – resigned 10 March 2003  
 J C Hocking – resigned 24 April 2003

# NOTES TO THE FINANCIAL STATEMENTS

**19 RELATED PARTIES DISCLOSURES** (Continued)

**Directors' Remuneration**

Information on Directors' remuneration is disclosed in Note 20.

**Directors' Holdings of Shares and Share Options**

The interests of Directors of the reporting entity and their director-related entities in shares and share options of the Company are set out as follows:

	Consolidated 2003 Number	2002 Number
Ordinary shares in Breakaway Resources Limited	40,618,571	61,079,300
Options over ordinary shares	-	-

	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
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**Transactions with directors' related entities**

Transactions between parties are on normal commercial terms and conditions unless otherwise stated.

(i) Amounts paid or payable to Alameda Pty Ltd, a Company in which Mr J A Alman has an interest:				
- for payment of legal fees on loan agreement	2,477	-	2,477	-
- for repairs to programmable mineral analyser	2,100	-	2,100	-
- interest on loan account	32,793	43,747	32,793	43,747
- or the lease of office premises	8,133	24,000	8,133	24,000
- for the supply of labour on a cost plus overheads basis	-	17,010	-	-
- for the hire of equipment used in mining and milling	-	183,698	-	7,810
- for the purchase of plant & equipment at independent valuation	-	8,000	-	-
(ii) Amounts paid or payable to Barcon Logistics Pty Ltd, a Company in which Mr G P Connell has an interest:				
- for the hire of equipment used in mining and milling	15,661	21,375	15,661	-
(iii) Amounts paid or payable to Cosmelia Holdings Pty Ltd, a Company in which Mr G P Connell has an interest:				
- for the supply of goods and services	-	8,312	-	-
(iv) Amounts paid or payable to Murion Cattle Co Pty Ltd, a Company in which Mr G P Connell has an interest:				
- for the supply of goods and services	-	82,976	-	82,976
(v) Amounts paid or payable to Barmenco Pty Ltd, a company in which Mr J A Young is a director				
- for the supply of mining contractor services	26,320,347	-	26,320,347	-

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>19 RELATED PARTIES DISCLOSURES</b> (Continued)				
- for reimbursement of costs paid on behalf of controlled entity	17,643	-	-	-
Total amounts paid or payable	26,399,154	389,118	26,381,511	158,533

No comparative has been provided for amounts paid or payable to Barmenco Pty Ltd as the Company became a related party during the financial year

(i) Amounts received or receivable from Alameda Pty Ltd:				
- for the provision of labour on a cost plus overheads basis	-	2,380	-	2,380
- for the reimbursement for the cost of goods and services purchased on their behalf	-	16,012	-	16,012
(ii) Amounts received or receivable from Barcon Logistics Pty Ltd:				
- for the purchase of plant & equipment at independent valuation	10,000	-	-	-
(iii) Amounts received or receivable from Murion Cattle Co Pty Ltd:				
- for the purchase of plant & equipment at independent valuation	26,800	-	26,800	-
(iv) Amounts received or receivable from Barmenco Pty Ltd:				
- for the purchase of plant & equipment at independent valuation	176,000	-	176,000	-
Total amounts received or receivable	212,800	18,392	202,800	18,392

Amounts owing to related parties at balance date are:

- Alameda Pty Ltd (trade creditors) (a)	2,100	58,533	2,100	-
- Loan from Alameda Pty Ltd (b)	-	500,000	-	500,000
- Loan from Barmenco Pty Ltd (c)	357,169	-	357,169	-
- Barmenco Pty Ltd (trade creditors) (refer note 1(b))	9,437,899	-	9,420,256	-
- Convertible note from Barmenco Pty Ltd (d)	-	2,100,000	-	2,100,000
Total amounts payable to related parties	9,797,168	2,658,533	9,779,525	2,600,000

- (a) Amounts owed to Alameda Pty Ltd are at normal terms and conditions for trade creditors.
- (b) The interest rate on the borrowings (repaid in full on 31 March 2003) from Alameda Pty Ltd was a floating interest rate tied to the Macquarie Bank Ltd BBSW rate plus a margin of 4%, compounded monthly, payable quarterly.
- (c) The borrowings from Barmenco Pty Ltd are non interest bearing. The debt is repayable on demand.
- (d) The interest rate on the convertible note repaid in full during the financial year was 9.75%.
- (e) Directors participated in new share issue on 13 March 2003 of 11,750,000 shares as approved at shareholders meeting on 14 February 2003.

# NOTES TO THE FINANCIAL STATEMENTS

19 RELATED PARTIES DISCLOSURES (Continued)	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Wholly owned group</b>				
<b>TRANSACTIONS</b>				
The Company performs certain office services and pays for certain items on behalf of controlled entities. These transactions are in the normal course of business and on normal terms and conditions.				
<b>BALANCES WITH CONTROLLED ENTITIES</b>				
The aggregate amounts receivable from BMV Properties Limited by the Company at balance date are:				
Receivables - non current				
Loan to controlled entity – BMV Properties Limited	414,105	-		
Loan to controlled entity – Loongana Lime Pty Ltd	-	24,969,568		
Provision for non-recoverability	-	(22,969,568)		
	<u>414,105</u>	<u>2,000,000</u>		

20 DIRECTORS' REMUNERATION	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
The number of Directors of the Company whose income from the Company or any related parties falls within the following bands:				
\$ 0 - \$ 9,999	-	1	-	1
\$ 10,000 - \$ 19,999	2	1	2	1
\$ 20,000 - \$ 29,999	2	2	2	2
\$ 60,000 - \$ 69,999	1	-	1	-
\$ 270,000 - \$279,000	-	1	-	1

Total income paid or payable, or otherwise made available to all Directors of the Company and controlled entities from the Company or any related party.	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
	144,123	345,207	144,123	345,207

Included in the amount disclosed above for 2002 is a termination amount to Mr G McGarry of \$150,000 accrued during the 2002 year.

Directors' income includes amounts paid by the Company during the year to indemnify directors, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003	2002	2003	2002
<b>21 EXECUTIVE REMUNERATION</b>				
The number of executive officers, including executive Directors, of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:				
\$130,000 - \$139,999	1	-	1	-
\$270,000 - \$279,999	-	1	-	1

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total remuneration received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is \$100,000 or more	132,871	276,457	132,871	276,457

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.

Executive's remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

The remuneration bands are not consistent with the emoluments disclosed in the directors' report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>22 EMPLOYEE BENEFITS</b>				
<b>Aggregate liability for employee benefits including on-costs</b>				
- Current	123	243	111	90
- Non-Current	102	231	102	145
	<u>225</u>	<u>474</u>	<u>213</u>	<u>235</u>

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>22 EMPLOYEE BENEFITS</b> (Continued)				
Assumed rate of increase in wage and salary rates	3%	3%	3%	3%
Discount rate	5%	5%	5%	5%
Settlement term (years)	10	10	10	10
Number of Employees				
Number of Employees at year end	36	60	32	35
	<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>

## 23 SEGMENT INFORMATION

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

### Business Segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

<i>Copper Mining</i>	Exploration, development and mining of copper, gold, silver and nickel.
<i>Exploration</i>	Exploration of gold and nickel.
<i>Limestone</i>	Production of quicklime.

### Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

<i>Australia</i>	Eloise Copper Mine in Queensland with tenement interests in both Queensland and Western Australia.
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### Primary Reporting

30 June 2003

Revenue

Total segment revenue	60,095	25	6,993	67,113
Other unallocated revenue				4,114
Total revenue				<u>71,227</u>

## NOTES TO THE FINANCIAL STATEMENTS

	Copper Mining \$'000	Exploration \$'000	Limestone \$'000	Consolidated \$'000
<b>23 SEGMENT INFORMATION</b> (Continued)				
<i>Result</i>				
Segment result	(3,913)	23	(724)	(4,614)
Unallocated expenses				(3,893)
Loss from ordinary activities before tax				(8,507)
Income tax benefit				-
Net loss				(8,507)
Depreciation and amortisation	4,900	11	333	5,244
Non-cash expenses other than depreciation and amortisation	4,646	-	745	5,391
<i>Individually Significant items</i>				
Settlement of legal action relating to former mining contractor	339	-	-	339
Capital development costs written down to recoverable amount in respect of Eloise	4,095	-	-	4,095
Carrying value of Loongana Lime Pty Ltd net asset disposed of	3,150	-	-	3,150
Write down of inventory to net realisable value	286	-	-	286
Write down of plant and equipment work in progress	15	-	745	760
<i>Assets</i>				
Segment assets	24,412	8,187	-	32,599
Eliminations				(6,669)
Total assets				25,930
Acquisition of non-current assets	122	9,210	-	9,332
<i>Liabilities</i>				
Segment liabilities	15,459	2,053	-	17,512
Eliminations				(414)
Total liabilities				17,098
<b>Secondary reporting</b>				
<i>Geographical segments</i>				
External segment revenue by location of customer	<b>Australia</b>			<b>Consolidated</b>
	71,227			71,227
	<b>WA</b>			<b>QLD</b>
Segment assets by location of assets	8,187	24,412		32,599
Acquisition of non-current assets	9,210	122		9,332

# NOTES TO THE FINANCIAL STATEMENTS

	Copper Mining \$'000	Exploration \$'000	Limestone \$'000	Consolidated \$'000
<b>23 SEGMENT INFORMATION</b> (Continued)				
<b>Primary reporting</b>				
<i>30 June 2002</i>				
Revenue				
Total segment revenue	46,167	-	13,955	60,122
Other unallocated revenue				<u>3,162</u>
Total revenue				<u>63,284</u>
<i>Result</i>				
Segment result	<u>(13,119)</u>	-	<u>(20,926)</u>	(34,045)
Unallocated expenses				<u>(3,528)</u>
Loss from ordinary activities before tax				(37,573)
Income tax benefit				<u>2,795</u>
Net loss				<u>(34,778)</u>
Depreciation and amortisation	9,977	-	2,699	12,676
Non-cash expenses other than depreciation and amortisation	35,713	-	(3,086)	32,627
<i>Individually Significant items</i>				
Prior year diesel fuel rebates	-	-	(710)	(710)
Prepayments written off	429	-	-	429
Capital development costs written off	6,948	-	-	6,948
Plant and equipment written off	343	-	16,609	16,952
Inventory written off	-	-	2,903	2,903
	<u>7,720</u>	-	<u>18,802</u>	26,522
Other unallocated (i)				<u>5,023</u>
Total significant items				<u>31,545</u>
<i>Assets</i>				
Segment assets	<u>17,026</u>	-	<u>9,061</u>	26,087
Other unallocated				<u>(436)</u>
Total assets				<u>25,651</u>
Acquisition of non-current assets	<u>842</u>	-	<u>3,840</u>	4,682
<i>Liabilities</i>				
Segment liabilities	<u>11,517</u>	-	<u>7,061</u>	18,578
Other unallocated				<u>138</u>
Total liabilities				<u>18,716</u>
(i) Included in other unallocated significant items for the financial year ended 30 June 2002 is write-offs of capitalised development, including Spargo Nickel and the Magnesite project, and exploration expenditure for Spargo Nickel and Queensland Calcite.				
<b>Secondary reporting</b>				
Geographical segments	<u>Australia</u>			<u>Consolidated</u>
External segment revenue by location of customer	<u>63,284</u>			<u>63,284</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 23 SEGMENT INFORMATION (Continued)

	WA	QLD	Consolidated
Segment assets by location of assets	8,625	17,026	25,651
Acquisition of non-current assets	3,840	842	4,682

## 24 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:

	Consolidated		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash assets	4,641	594	4,640	418

### (b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities

Loss from ordinary activities after income tax	(8,507)	(34,778)	(8,386)	(38,002)
Add/(less) items classified as investing/financing activities				
Profit on sale of non-current assets	(353)	(365)	(161)	(153)
Finance charges on capitalised leases	117	630	62	93
Add non-cash items				
Write off of loan on disposal of controlled entity	-	-	822	-
Amortisation of exploration expenditure	300	629	290	629
Amortisation of mine development expenditure	2,710	7,141	2,710	7,141
Deferred loss on sale & leaseback	-	372	-	-
Exploration, evaluation and development costs written off	4,345	11,971	4,345	11,971
Provision for non-recoverability of loan to controlled entity	-	-	-	22,970
Capital work in progress written off	760	-	15	-
Plant and equipment written down to recoverable amount	-	16,952	-	343
Pre-payments written off	-	429	-	429
Write down of inventory to net realisable value	286	2,903	286	-
Depreciation	2,234	4,906	1,900	2,207
Net cash provided by operating activities before change in assets and liabilities	1,892	10,790	1,883	7,628
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
24 NOTES TO STATEMENTS OF CASH FLOWS (Continued)				
(Increase)/decrease in inventories	1,972	(766)	2,047	(7)
(Increase)/decrease in prepayments	(49)	13	(3)	6
(Increase)/decrease in receivables	(2,101)	1,862	(2,763)	1,107
Increase/(decrease) in trade and other creditors	5,030	(393)	6,348	(763)
Increase/(decrease) in provisions	758	683	645	5
Increase/(decrease) in mining tenement bonds	(29)	61	(9)	366
Increase/(decrease) in deferred taxes payable	-	(2,477)	-	(1,297)
Increase/(decrease) in current tax liabilities	-	(334)	-	(334)
Net cash provided by operating activities	7,473	9,439	8,148	6,711

## Non cash financing activities and investing activities

During the financial year the consolidated entity acquired property plant and equipment with an aggregate fair value of \$68,000 (2002: \$2,653,000) by means of finance leases assigned on acquisition of controlled entity. The acquisitions are not reflected in the Statements of Cash Flows.

During the financial year the Company acquired a wholly owned subsidiary (refer note 28)

## 25 FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

Total facilities available:

Alameda Pty Ltd Loan (i)	-	500	-	500
Barminco Pty Ltd convertible note (refer note 19)	-	2,100	-	2,100
	-	2,600	-	2,600

Facilities used at balance date:

Alameda Pty Ltd loan (i)	-	500	-	500
Barminco Pty Ltd convertible note (refer note 19)	-	2,100	-	2,100
	-	2,600	-	2,600

- (i) The Alameda Pty Ltd loan was repaid in full on 31 March 2003.
- (ii) Unconditional Performance Bonds totalling \$2,182,000 have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of the mineral tenements of a controlled entity. These bonds have been provided under a guarantee facility provided by N M Rothschild & Sons (Australia) Limited and are secured by a fixed and floating charge over Bannockburn Gold treatment plant and associated infrastructure and a fixed and floating charge over all of Breakaway's assets of no less than \$1,000,000. The guarantee facility incurs interest at 2.5% and is due for renewal on 15 February 2004.
- (iii) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of mineral tenements of the company and Loongana Lime Pty Ltd. The Bonds are secured by a fixed charge over a cash deposit account with Macquarie Bank Limited totalling \$758,000. Inclusive of this amount is \$324,500 that is expected to be refunded due to disposal of Loongana Lime Pty Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

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	2003 Cents	2002 Cents
<b>26 LOSS PER SHARE</b>		
Basic loss per share (cents per share)	(4.20)	(27.15)
Weighted average number of ordinary shares used in the calculation of basic 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.

### 27 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

#### (a) Foreign Exchange Risk

The consolidated entity's policy is to enter into, from time to time, forward foreign exchange contracts and foreign currency option contracts to hedge a portion of anticipated sale commitments denominated in US dollars in each financial period.

Board approval is required before any forward foreign exchange or foreign currency option contract is entered into. The amount of anticipated future sales are forecast in light of budgeted production and shipping schedules.

#### (b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

##### *Recognised financial instruments*

The credit risk on financial assets (excluding investments) of the consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, less any provision for doubtful debts.

The concentration of credit risk on trade debtors exists in respect of 100% commodity sales from the Eloise operations to Glencore International AG.

#### (c) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is:

	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>2003</b>						
<b>Financial Assets</b>						
Cash assets		4.37%	4,641	-	-	4,641
Receivables	6	4.6%	758	-	5,404	6,162
Other financial assets	7	-	-	-	17	17
			5,399	-	5,421	10,820
<b>Financial Liabilities</b>						
Payables	13	-	-	-	14,125	14,125
Lease liabilities	14	6.95%	-	293	-	293
Employee benefits	15	-	-	-	225	225
			-	293	14,350	14,643

# NOTES TO THE FINANCIAL STATEMENTS

Note	Weighted	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	Average Interest rate				
		\$'000	\$'000	\$'000	\$'000
<b>27 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (Continued)</b>					
<b>2002</b>					
<b>Financial Assets</b>					
Cash assets	3.15%	594	-	-	594
Receivables	6 4.5%	780	-	4,117	4,897
Other financial assets	7 -	-	-	14	14
		1,374	-	4,131	5,505
<b>Financial Liabilities</b>					
Payables	13 -	-	-	9,918	9,918
Bank overdrafts and other loans	14 8.7%	500	-	-	500
Convertible note	14 9.75%	-	2,100	-	2,100
Lease liabilities	14 7.7%	-	4,095	-	4,095
Employee benefits	15 -	-	-	474	474
		500	6,195	10,392	17,087

**(d) Net fair values of financial assets and liabilities**

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

*Recognised financial instruments*

Listed shares included in other financial assets are traded in an organised financial market and the net fair value is determined by valuing them at the quoted market bid price for the shares at balance date.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of accounts receivable, payables, bank loans, lease liabilities and employee benefits approximate net fair value.

**ECONOMIC DEPENDENCY**

100% of copper concentrate production from the mining operations is currently contracted for sale to Glencore International AG for the life of the Eloise mine.

	Interest Held	
	2003	2002
	%	%
<b>28 CONTROLLED ENTITIES</b>		
<b>(a) Particulars in relation to controlled entities</b>		
<b>Parent entity</b>		
Breakaway Resources Limited		
<b>Controlled entities</b>		
BMV Properties Limited	100	-
Loongana Lime Pty Ltd	-	100
All entities are incorporated in Australia		

# NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>28 CONTROLLED ENTITIES (Continued)</b>				
<b>(b) Acquisition/disposal of controlled entities</b>				
The following controlled entities were acquired or disposed of during the financial year:				
<b>Acquisition of entities</b>				
During the financial year the Company acquired 100% of the voting shares of BMV Properties Limited via the issue of 137,500,000 ordinary shares in the Company				
Consideration – 137,500,000 shares at 4.5c	6,188	-	-	-
Incidental costs on acquisition (cash)	68	-	-	-
Consideration on acquisition	<u>6,256</u>	-	-	-
Fair value of net assets of entity acquired:				
Cash	(66)	-	-	-
Receivables	221	-	-	-
Property, plant and equipment	1,076	-	-	-
Exploration expenditure	6,872	-	-	-
Payables	(46)	-	-	-
Borrowings	(701)	-	-	-
Rehabilitation Provisions	(1,100)	-	-	-
	<u>6,256</u>	-	-	-
Consideration (cash)	<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.				
<b>Disposals of entities</b>				
During the financial year, the Company disposed of all of its ordinary shares of Loongana Lime Pty Ltd. Details of the disposal is as follows (in aggregate):				
Consideration (cash)	2,616	-	-	-
Consideration (receivables) (i)	436	-	-	-
Total consideration	<u>3,052</u>	-	-	-
Net assets of entity disposed				
Cash	332	-	-	-
Receivables	1,522	-	-	-
Inventory	911	-	-	-
Property, plant and equipment	5,064	-	-	-
Exploration, evaluation and development	5	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>28 CONTROLLED ENTITIES (Continued)</b>				
Other assets	66	-	-	-
Payables	(1,356)	-	-	-
Interest bearing liabilities	(2,240)	-	-	-
Provisions	(1,154)	-	-	-
Net assets	3,150			
Loss on disposal	98			

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.

During the financial year an intercompany loan of \$821,972 was forgiven, and a conversion of debt to equity of \$3,052,481 between the Company and Loongana Lime Pty Ltd occurred.

(i) Receivables include amounts due to be refunded for tenement bonds from Macquarie Bank and prepaid insurance premiums.

### 29 EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## **DIRECTORS DECLARATION**

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In the opinion of the directors of Breakaway Resources Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 10 to 41, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia 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.

Signed in accordance with a resolution of the directors:



M G Mulroney

Dated: 30 September 2003

## ASX ADDITIONAL INFORMATION

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### **Capital Structure**

Listed on the Australian Stock Exchange are 378,108,338 fully paid shares. The Company has no unquoted securities.

### **Distribution of Shareholdings**

The distribution of shareholdings as at 15 September 2003 were:

<b>Range</b>	<b>No. of Holders</b>	<b>No. of Securities</b>	<b>% of Total Quoted Securities</b>
1 - 1,000	37	25,127	0.01%
1,001 - 5,000	129	427,387	0.11%
5,001 - 10,000	182	1,574,813	0.42%
10,001 - 100,000	658	31,172,343	8.24%
100,001 - over	299	344,908,668	91.22%
Rounding discrepancy			
<b>Total</b>	<b>1,305</b>	<b>378,108,338</b>	<b>100.00</b>
Less than a marketable parcel	221	810,235	

### **Voting Rights**

Under the Company's constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for every ordinary share held.

### **Twenty Largest Quoted Equity Security Holders**

<b>Name</b>	<b>Number of Shares</b>	<b>% of Total Issued Shares</b>
Barmenco Pty Ltd (Barmenco Unit A/C)	92,511,292	24.47
Arrow Resources Management Pty Ltd	44,988,708	11.90
Sherrifmuir Holdings Pty Ltd	24,078,552	6.37
Spargoville Nickel Pty Ltd	12,050,000	3.19
Alameda Pty Ltd	10,425,746	2.76
Mr Allan Stanley Hahn & Mrs Daphne Hazel Hahn	5,000,000	1.32
Quintal Pty Ltd (Harken Family A/C)	5,000,000	1.32
Sherrifmuir Holdings Pty Ltd (GPC A/C)	5,000,000	1.32
Hocking (Holdings) Pty Ltd	4,000,000	1.06
Clodene Pty Ltd	3,850,000	1.02
Mrs Thelma Valerie Alman	3,800,000	1.01
BB Nominees Pty Ltd	3,324,668	0.88
Badenport Pty Ltd (Jujnovich Investment A/C)	3,000,000	0.79
Great Missenden Holdings Pty Ltd	3,000,000	0.79
Colbern Fiduciary Nominees Pty Ltd	2,500,000	0.66

## ASX ADDITIONAL INFORMATION

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<b>Name</b>	<b>Number of Shares</b>	<b>% of Total Issued Shares</b>
Green Drilling Pty Ltd (Green Family A/C)	2,500,000	0.66
Redmont Resources Pty Ltd (Cuthbert Investment A/C)	2,500,000	0.66
Silk Holdings Pty Ltd	2,500,000	0.66
Torl Pty Ltd (The Wright Family A/C)	2,500,000	0.66
David Mitchell Ltd	2,389,721	0.63
	<b>234,918,687</b>	<b>62.13</b>



## **Independent audit report to members of Breakaway Resources Limited**

### ***Scope***

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Breakaway Resources Limited (formerly Amalg Resources NL) (the "Company") and the Consolidated Entity, for the year ended 30 June 2003. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### ***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.





### ***Audit opinion***

In our opinion, the financial report of Breakaway Resources Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

### **Inherent uncertainty regarding continuation as a going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether the Company and the Consolidated Entity will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

T R HART  
Partner

Perth  
30 September 2003

