

The Directors
Breakaway Resources Limited
Level 1, Pinnacle House
16 Ogilvie Road
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18 March 2004

Dear Sirs

INDEPENDENT EXPERTS REPORT

1. Introduction

The directors of Breakaway Resources Limited ("BRW" or "the Company") have instructed Grant Thornton Corporate Services (WA) Pty Ltd ("GTCS") to prepare an independent expert's report in relation to the transaction summarised below. This report has been prepared in accordance with Chapter 2E of the Corporations Act 2001 ("the Act") and ASX Listing Rules 10.11 and 11.2 ("the Listing Rules") and will form part of the information that must be provided to BRW shareholders under ASIC Policy Statement 76 and the Act.

The terms of the proposed transaction were announced to the ASX on 27 January 2004 and can be summarised as follows:

- Barmenco Pty Ltd ("Barmenco") will acquire the four Eloise Mining Leases and all the assets of the Eloise Copper Mine ("Eloise") on a "walk in – walk out" basis by cancelling all amounts outstanding under the Eloise mining contract and assuming all third party trade creditors, debtors, employee entitlements and environmental liabilities for Eloise. Total Consideration is \$14.8 million based on a 31 January 2004 balance date;
- BRW will retain a 30% Net Profit Interest in Eloise, commencing from the date that the Net Profit from mining operations and/or the sale of Eloise equals the final Total Consideration; and
- BRW will also retain 100% ownership of approximately 245 square kilometres of exploration tenements surrounding Eloise, subject to an Option to Purchase held by Barmenco. The Option can be exercised for a price, based on an independent valuation, in the event that Barmenco subsequently sells Eloise to a third party.

2. Purpose of Report

The purpose of this report is to advise whether the proposed transaction is fair and reasonable to the non-associated shareholders of BRW. Our report has been prepared pursuant to the requirements of the Act and the Listing Rules, as discussed above.

The report is to be included in a Notice of Meeting to BRW shareholders and has been prepared for the exclusive purpose of assisting BRW's independent directors and non-associated shareholders with their assessment of the proposed transaction.

3. Executive Summary

In our opinion, the proposed transaction is *fair and reasonable at the preferred value* having regard to the interests of the non-associated shareholders of BRW. Our opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions, particularly copper prices, investor expectations and the industry in which BRW operates can change significantly over relatively short periods of time and can impact any valuation. We also draw shareholders attention to the operational risks and critical assumptions identified in the valuation report prepared by Snowden Corporate Services Pty Ltd (“Snowden”), in relation to Eloise, which are set out at Appendix 2 of this report.

In arriving at our opinion, we have had regard to the following:

Fairness

The proposed transaction is considered fair to the non-associated shareholders of BRW, if the assessed value of Eloise, is equal to or less than the combined assessed value of the consideration offered to BRW, being:

- The cancellation of all amounts owing to Barmenco under the Eloise mining contract and the assumption by Barmenco of all third party trade creditors, debtors, employee entitlements and environmental liabilities for Eloise; and
- The retention of a 30% Net Profit Interest in Eloise.

The proposed transaction also includes the following terms:

- The retention by BRW of a 100% interest in the following exploration tenements surrounding Eloise (subject to an Option to Purchase held by Barmenco):
 - Exploration Permit 4775;
 - Exploration Permit 8675;
 - Exploration Permit 9128;
 - Exploration Permit 13923;
 - Exploration Permit 13948; and
 - Exploration Permit 14472.

Given that the above mentioned exploration permits will remain with BRW this will not impact the proposed transaction and as such, no value has been attributed to this aspect of the transaction for the purpose of assessing the fairness or otherwise of the same.

A comparison of the consideration offered to BRW and the value of Eloise is summarised below:

	Detailed Report Reference	Low \$000	Preferred \$000	High \$000
Value of consideration offered to BRW:	6.2.2	14,844	14,844	18,195
Value of Eloise [discounted cash flow basis]:	6.1.3	7,020	12,070	23,060

Based on the table above, in our opinion *the proposed transaction is fair at the preferred value* having regard to the interests of the non-associated shareholders of BRW. We draw shareholders attention to the fact that under the high value, the value of consideration offered to BRW is less than the assessed value of Eloise. We recommend shareholders consider the value of Eloise (at the high level) in conjunction with the assumptions and risks identified by Snowden in its valuation report, which are summarised as follows:

- The continuation of the existing inferred resource at depth;
- The rate of conversion of future resources to ore reserves;

- Increasing operating costs at depth;
- Significant capital expenditure requirements; and
- Increasing demands on the company's existing ventilation systems.

A full copy of Snowden's valuation report can be found at Appendix 2 of this report. Shareholders should note that if any of the operational risks eventuate or any of the assumptions, as detailed by Snowden do not occur as expected, this may have an impact on the valuation determined by Snowden in its 'High Case' scenario.

We also draw shareholders attention to the following matters in relation to BRW:

- For the year ended 30 June 2003 and the half year ended 31 December 2003, the independent audit/review report for BRW included a comment on the inherent uncertainty of BRW continuing as a going concern. The ability of BRW to continue as a going concern is dependent upon continued financial support of Barmenco and other creditors, the ability to raise further capital, as well as approval by BRW shareholders of the proposed transaction. A complete copy of the Company's 2003 Annual Report and 31 December 2003 Half Year Financial Report can be obtained from the Company's registered office.

Shareholders should note that although we have assessed our value of Eloise on a discounted cashflow basis ("DCF"), a valuation on a liquidation basis would be unlikely to be in excess of the consideration offered to BRW. Included within the DCF's used by Snowden in valuing Eloise, are the following amounts that would apply to a liquidation/orderly disposal of assets scenario:

- \$3m in relation to mine closure and rehabilitation costs;
- \$1m in potential equipment salvage values; and
- \$0.3m in relation to employee entitlements.

Accordingly, there would be no material change in our assessment of the fairness of the proposed transaction as set out above.

The proposed transaction, if approved by non-associated shareholders of BRW will not result in a change to the capital base of the Company, as there is no acquisition or disposal of an interest in the voting shares of BRW, attached to the proposed transaction.

The 23.06% equity interest (at 8 March 2004) of Barmenco in BRW, if the proposed transaction is approved, will not change.

BRW shareholders	Shares held pre-transaction	Shares held post-transaction	Percentage Ownership
Other	308,597,046	308,597,046	76.94%
Barmenco	92,511,292	92,511,292	23.06%
	<u>401,108,338</u>	<u>401,108,338</u>	<u>100.00%</u>

It should be noted that Barmenco is a related party of BRW and that Mr Jon Young (Non-Executive Chairman of BRW) is the Non-Executive Chairman of Barmenco.

Reasonableness

In assessing whether the proposed transaction is reasonable we have considered the potential advantages and disadvantages to the non-associated shareholders of BRW of the proposed transaction and considered whether the advantages outweighed the disadvantages.

The primary advantages if the proposed transaction does proceed:

- Ability for BRW to continue operations as a going concern, without the net negative cash flows associated with the underperformance of Eloise.
- Disposal of loss making business and focus by BRW on its gold and nickel activities.
- Potential to generate cash flow through raising of additional capital, to enable further development of gold and nickel prospects.
- Shareholders will retain an interest in any potential “upside” associated with Eloise, through a 30% Net Profit Interest.

The primary disadvantages if the proposed transaction does proceed:

- The benefit to BRW shareholders of any potential future “upside” associated with Eloise is limited to a 30% Net Profit Interest.

The primary advantages if the proposed transaction did not proceed:

- We have not identified any advantages if the proposed transaction did not proceed.

The primary disadvantages if the proposed transaction did not proceed:

- Withdrawal of future support after the expiry of the Standstill Agreement of BRW’s major creditor, Barmenco, and potential for BRW not to continue operations as a going concern.

Having regard to the above advantages and disadvantages, we consider *the proposed transaction to be reasonable to the non-associated shareholders of BRW*.

This opinion should be read in conjunction with the attached report, which outlines our detailed findings and the scope of the report.

Yours faithfully

Grant Thornton Corporate Services (WA) Pty Ltd



Greg LeGuier
Director

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APPENDICES

1. Sources of Information
2. Snowden Independent Valuation of Eloise

ABBREVIATIONS

Act	The Corporations Act 2001
ARC	Amalg Resources NL
BRW or the Company	Breakaway Resources Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Ltd
Barmenco	Barmenco Pty Ltd
BHP	BHP Minerals Ltd
Chapter 2E	Chapter 2E of the Corporations Act 2001
DCF	Discounted Cashflow
GM	General Meeting
GTCS	Grant Thornton Corporate Services (WA) Pty Ltd
GT	Grant Thornton
HOA	Heads of Agreement dated 26 January 2004
Listing Rules	ASX Listing Rules
NPV	Net Present Value
MIM	MIM Holdings Ltd
PV	Present Value
Snowden	Snowden Corporate Services Pty Ltd
Standstill Agreement	Standstill Agreement between BRW and Barmenco dated 30 December 2003

1 OUTLINE OF THE PROPOSAL

1.1 Proposed Transaction

The terms of the proposed transaction are described in the Heads of Agreement (“HOA”) dated 26 January 2004 between BRW and Barmenco and were announced to the ASX on 27 January 2004.

The proposed transaction can be summarised as follows:

- Barmenco Pty Ltd (“Barmenco”) will acquire the four Eloise Mining Leases and all the assets of the Eloise Copper Mine (“Eloise”) on a “walk in – walk out” basis by cancelling all amounts outstanding under the Eloise mining contract and assuming all third party trade creditors, debtors, employee entitlements and environmental liabilities for Eloise. Total Consideration is \$14.8 million based on a 31 January 2004 balance date;
- BRW will retain a 30% Net Profit Interest in Eloise, commencing from the date that the Net Profit from mining operations and/or the sale of Eloise equals the final Total Consideration; and
- BRW will also retain 100% ownership of approximately 245 square kilometres of exploration tenements surrounding Eloise, subject to an Option to Purchase held by Barmenco. The Option can be exercised for a price, based on an independent valuation, in the event Eloise is sold to a third party.

Should the proposed transaction proceed, there would be no change to the capital structure BRW:

	Pre-transaction	Proposed transaction	Post-transaction
BRW Ordinary shares	401,108,338	-	401,108,338

(Source: BRW Share Registry listing at 8 March 2004)

1.2 Conditions to the Transaction

The proposed transaction is subject to the following conditions precedent:

- Approval from the shareholders of BRW for the purposes of the Act and the Listing Rules;
- Approvals from all relevant government and statutory bodies including the ASX and ASIC;
- Completion of a satisfactory Due Diligence review by Barmenco; and
- Approval from the financiers of both BRW and Barmenco.

Shareholders should note that at the date of this report none of the conditions precedent have been satisfied. Directors have confirmed that verbal approval has been received from the financiers of both BRW and Barmenco.

2 SCOPE OF THE REPORT

2.1 Purpose of the Report

Under Listing Rule 11.1, where an entity proposes to make a significant change to the nature or scale of its activities it must provide full details to the ASX. Further, Listing Rule 11.2 requires an entity to obtain shareholder approval where the significant change involves the disposal of its main “undertaking”. The term “undertaking” being defined under Listing Rule 19.12 as *“including assets and businesses”*.

Under s208 of the Act, where a public company provides a financial benefit to a related party, the public company must obtain the approval of the public company’s members at a general meeting. Section 229(3) provides examples of the giving of a financial benefit, *which includes the selling of an asset to a related party*.

The proposed transaction to which this report relates, contemplates the disposal of Eloise by BRW to Barmenco.

Revenue for the year ended 30 June 2003 from the sale of copper, accounted for 73.6% of the total revenue from ordinary activities for BRW. Consequently Eloise can be considered BRW’s main undertaking for the purpose of Listing Rule 11.2.

Barmenco have a 23.06% equity interest in BRW and also account for 71% of BRW’s trade creditors at 30 June 2003.

In addition, the continuation of BRW as a going concern is dependent on the support of Barmenco through deferred settlement terms on the mine contracting services (as discussed in the 2003 Annual Report of BRW).

Consequently, Barmenco is considered a related party of BRW for the purposes of s228 of the Act. Hence approval for the proposed transaction is being sought under the Act and the Listing Rules.

Under the Australian Securities and Investments Commission (“the ASIC”) policy statements, resolutions proposed for the purposes of s208 of the Act and the Listing Rules are generally required to be accompanied by an independent expert’s report, which is to provide an opinion as to whether or not the proposed transaction is fair and reasonable to the non-associated shareholders of the company. *Accordingly, the purpose of our report is to provide such an opinion in relation to the proposed transaction*. Consideration is also required as to whether a premium for control under the terms of the proposed transaction is being paid.

In ASIC Policy Statement 76, the ASIC has set out, inter alia, the minimum information it considers should be provided to shareholders in order to assist them in deciding whether or not to approve a transaction. ASIC Policy Statement 76 is applicable to independent expert’s reports provided in connection with the giving of financial benefits to related parties.

2.2 Basis of Evaluation – Fair & Reasonable

The key issue to consider in assessing whether the proposed transaction is fair and reasonable to the non-associated shareholders, is whether, having regard to all the circumstances of the proposal, those shareholders will be no worse off if the transaction does proceed than if it does not proceed.

The Act provides no definition as to the meaning of fair and reasonable. Although ASIC Policy Statement 74 is applicable to independent experts reports provided in connection with the acquisition of a relevant interest in the voting shares of a listed public company (and thereby not applicable to the proposed transaction), it does provide guidelines, which state that fairness relates to price whereas reasonableness will include the consideration of factors other than price.

ASIC Policy Statement 74 states that what is fair and reasonable for non-associated shareholders should be judged in all the circumstances of the proposal, with a comparison made of the likely advantages and disadvantages for the non-associated shareholders if the proposal does or does not proceed. Comparing the value of the assets to be disposed of under the proposed transaction with the value of the consideration received would be only one element of this assessment.

Generally, a transaction will be fair and reasonable where the advantages of the transaction proceeding outweigh the disadvantages.

In determining whether the proposed transaction is fair and reasonable we have undertaken the following:

- estimated the value of the consideration offered to BRW, consisting of the cancellation of all amounts owing to Barmenco under the Eloise mining contract and the assumption by Barmenco of all third party trade creditors, debtors, employee entitlements and environmental liabilities for Eloise;
- estimated the value of the consideration offered to BRW, consisting of a 30% Net Profit Interest in Eloise;
- considered the impact on the proposed transaction of the retention by BRW of a 100% interest in the following exploration tenements surrounding Eloise (subject to an Option to purchase held by Barmenco):
 - Exploration Permit 4775;
 - Exploration Permit 8675;
 - Exploration Permit 9128;
 - Exploration Permit 13923;
 - Exploration Permit 13948; and
 - Exploration Permit 14472;
- estimated the value of Eloise;
- compared the value of the consideration with the value of Eloise (that is “fairness”);
- considered other potential advantages and disadvantages to the non-associated shareholders of the proposed transaction (that is “reasonableness”); and
- estimated the amount of any premium for control that might apply to this transaction.

The proposed transaction, to which this report relates, does not contemplate either a disposal or acquisition of an interest in the voting shares of a listed public company. We have therefore concluded that no premium for control would attach to the proposed transaction. The voting interests of all shareholders of BRW, as at the date of this report, would remain unchanged if the proposed transaction was approved.

3 PROFILE OF BRW

3.1 Company History & Activities

BRW (formerly known as Amalg Resources NL) is a public listed company that was incorporated on 10 September 1993.

On 22 April 2003, the ASX approved the Company name change from Amalg Resources NL to BRW, following the acquisition by the Company of BMV Properties Pty Ltd (formerly Breakaway Resources Limited). BMV Properties Pty Ltd is a wholly owned subsidiary of BRW.

Following the completion of the acquisition, BRW disposed of its wholly owned subsidiary Loongana Lime Pty Ltd, which operated limestone and quicklime activities in Kalgoorlie, Western Australia.

Since the disposal of its limestone and quicklime business, the Company's principal activities have been the production of copper, gold, and nickel along with further mineral exploration and development of its gold, nickel and copper projects.

The Company's principal mineral asset comprises the Eloise Underground Copper Mine in North Queensland. It also has an interest in numerous gold and base metal projects in Western Australia and South Australia.

Eloise Copper Project

The Eloise deposit was discovered by BHP Minerals Ltd ("BHP") in 1988 and by 1990 BHP had completed resource definition drilling on a 50 m x 50 m density.

In 1991, MIM Holdings Ltd ("MIM") entered into an option to purchase the Eloise deposit and associated leases. Following MIM's withdrawal, Amalg Resources NL ("ARC") purchased the deposit and associated leases from BHP in 1994 for \$13.25 m. As part of its feasibility study, ARC completed a programme of resource confirmation drilling and metallurgical testwork. Production commenced in 1996.

The favourable metallurgical characteristics of the ore along with an increased water supply from underground, resulted in a 25 per cent increase in mill throughput rate to 350,000 t/annum. During the first year of operation, ore grades were occasionally below budget as a result of the unscheduled mining of ore blocks outside of the ore reserve. Ore tonnages, however, were consistently in excess of forecast and an additional grinding mill was commissioned in late 1997, lifting the mine's production capacity to 500,000 t/annum thus enabling lower grade ore to be mined. In 2002, production was increased to 600,000 t/annum.

Mining commenced on the Eloise (currently referred to as the A lode) and Levuka lodes (currently referred to as the B lode) and progressed to the Eloise West lode (or 62 lode) in 1999 which was mined to a depth of 390 m below surface by early 2001. With mining on the main A and B lodes nearing completion, ore development was directed towards the upper levels of the Levuka South lode in late 2000.

Drilling of the Eloise Deeps beneath the Ramsay Fault has increased the mine's ore reserve position.

In Western Australia nickel exploration and evaluation activities are continuing in Spargoville, within the Kambalda West Project area.

Mining exploration activities are also continuing within the Company's other current gold and base metal projects.

3.2 Capital Structure

As at 8 March 2004, BRW had 401,108,338 ordinary shares on issue.

The top 5 shareholders at 8 March 2004 were:

	Number of shares	Percentage
Barmingo Pty Ltd ¹	92,511,292	23.06%
Sherrifmuir Holdings Pty Ltd ²	24,078,552	6.00%
ANZ Nominees Limited	7,963,722	1.99%
Mr Alan Stanley Hahn & Mrs Daphne Hazel Hahn	6,500,000	1.62%
Westpac Custodian Nominees	6,064,656	1.51%
	<u>137,118,222</u>	<u>34.18%</u>

Notes to Capital Structure

- (1) A company of which Mr JA Young is Non-Executive Chairman.
(2) A company which is the trustee of the GPC Trust. Mr G Connell is a beneficiary of the GPC Trust and is a director and shareholder of Sherrifmuir Holdings Pty Ltd.

3.3 Directors

At the date of this report, the names of the directors of BRW are:

- Mr MG Mulroney – appointed 10 March 2003;
- Mr JA Young – appointed 10 March 2003; and
- Mr GP Connell.

Mr JC Hocking and Mr JA Alman were directors of BRW and resigned on 24 April 2003 and 10 March 2003 respectively.

3.4 Financial Performance of BRW

The consolidated audited financial results of BRW for the years ended 30 June 2002 and 30 June 2003 and the reviewed results for the six months ended 31 December 2003 are summarised in the table below:

	Note	31 December 2003 \$000	30 June 2003 \$000	30 June 2002 \$000
Revenue from sale of goods	1	19,646	67,088	61,821
Other revenue from operating activities		286	4,139	1,463
Total Revenue		<u>19,932</u>	<u>71,227</u>	<u>63,284</u>
Profit(loss) from ordinary activities before income tax		(8,620)	(8,507)	(37,573)
Income tax (expense) benefit		-	-	2,795
Profit(loss) from ordinary activities after income tax	2	<u>(8,620)</u>	<u>(8,507)</u>	<u>(34,778)</u>

(Source: Audited financial statements for the years ended 30 June 2002 and 2003. Reviewed financial statements for the six months ended 31 December 2003.)

Notes to Financial Performance

The increase in revenue between 30 June 2002 and 30 June 2003, is primarily due to:

- Increase in revenue from the Eloise Copper Mine of \$10.26m offset by a decline in quicklime and limestone revenue of \$6.20m (due to the sale in April 2003 of Loongana Lime Pty Ltd); and
- Proceeds on disposal of Loongana Lime Pty Ltd of \$3.05m.

(1) Revenue

We understand that the reduction in revenue during the six months to 31 December 2003 is primarily the result of:

- longer than anticipated production ramp up from the Eloise Deeps;
- the disruption to the underground mining production at Eloise resulting in decreased production and haulage rates; and
- increases in the AUD:USD exchange rate to 31 December 2003, resulting in a decline in realised Australian dollar copper prices under the existing offtake arrangement.

(2) Net Loss Before Tax

In addition to the explanations for the reduction in revenue, results for the year ended 30 June 2002 were adversely effected by the following:

- an increase in cost of goods sold of \$9.7m, associated with the operations of Loongana Lime Pty Ltd;
- a writedown of \$16.5m in respect of the Loongana Lime Pty Ltd plant and equipment to its recoverable amount;
- a writedown of exploration and development costs in relation to the Eloise mine and other mineral assets of \$11.9m (30 June 2003 writedowns were \$4.35m); and
- limestone stocks written off of \$2.9m.

3.5 Financial Position of BRW

The consolidated audited Statement of Financial Position of BRW as at 30 June 2002 and 30 June 2003 and the reviewed Statement of Financial Position at 31 December 2003 is summarised in the table below.

	Note	31 December 2003 \$000	30 June 2003 \$000	30 June 2002 \$000
CURRENT ASSETS				
Cash assets		451	4,641	594
Receivables		4,370	5,728	4,117
Other financial assets		26	17	14
Inventories	1	775	732	3,901
Other		173	-	20
TOTAL CURRENT ASSETS		5,795	11,118	8,646
NON CURRENT ASSETS				
Receivables		776	434	780
Property, plant and equipment	2	2,903	2,563	9,584
Exploration, evaluation and development expenditure	3	11,300	11,815	6,641
TOTAL NON CURRENT ASSETS		14,979	14,812	17,005
TOTAL ASSETS		20,774	25,930	25,651
CURRENT LIABILITIES				
Payables		6,154	14,125	9,918
Interest-bearing liabilities	4	230	155	4,314
Barmenco payable Standstill Amount	5	11,358	-	-
Provisions		684	668	1,182
TOTAL CURRENT LIABILITIES		18,426	14,948	15,414
NON CURRENT LIABILITIES				
Interest-bearing liabilities	4	68	138	2,381
Provisions		2,065	2,012	921
TOTAL NON CURRENT LIABILITIES		2,133	2,150	3,302
TOTAL LIABILITIES		20,559	17,098	18,716
NET ASSETS		215	8,832	6,935

(Source: Audited Financial Statements for the years ended 30 June 2002 and 2003. Reviewed financial statements for the six months ended 31 December 2003.)

Notes to Financial Position

- (1) Reduction in inventory stocks due to sale of Loongana Lime Pty Ltd in April 2003, of \$0.65m and reduction in copper concentrate stocks of \$1.66m;
- (2) Disposal of Loongana Lime Pty Ltd and the items of property, plant and equipment related to its operations of \$4.6m (carrying value) and general reduction in additions of \$3.3m (at cost).
- (3) Acquisition of mineral assets from BMV Properties Pty Ltd on 13 March 2003 for \$6.872m;
- (4) Repayment during the year ended 30 June 2003 of the convertible note to Barmenco of \$2.1m and hire purchase/lease liabilities of \$1.7m;

- (5) On 30 December 2003, BRW and Barmenco entered into a Standstill Agreement. Under the terms of this Agreement, Barmenco agreed that it will not call or otherwise make demand for payment of the “Core Debt” of \$11,357,862 until the expiry of a period of 12 months from that date of receiving consents from both parties’ financiers (Westpac and NM Rothschild & Sons (Australia) Limited) or if one of the following events occur:
- (a) failure to comply: BRW fails to comply with an undertaking, obligation or agreement expressed or implied in, or given in relation to, the Standstill Agreement and BRW does not remedy the failure within 10 Business Days, or a longer period determined by Barmenco as may be reasonable having regard to the nature of the failure, after receipt by BRW of a notice from Barmenco specifying the failure;
 - (b) misrepresentation: a warranty, representation or statement by BRW is false, misleading or incorrect in a material respect when made under the Standstill Agreement;
 - (c) assignment or change in control: BRW enters into an agreement to transfer, assign or otherwise dispose of any of its interest in Eloise or there is a change in the control (as defined in the Act) of BRW;
 - (d) closure or suspension of Eloise: the mine is closed or underground operations at Eloise cease or are suspended for a period of at least 30 days; or
 - (e) Insolvency Event: an Insolvency Event occurs with respect to BRW, which is defined as one of the following:
 - an application is made, which is not set aside or stayed within 14 days, to a court for an order, or an order is made, that it be wound up;
 - an application is made, which is not set aside or stayed within 14 days, to a court for an order appointing a liquidator or provisional liquidator in respect of it, or one of them is appointed, whether or not under an order;
 - a receiver, receiver and manager, trustee, administrator, controller (as defined in the Act) or similar official is appointed over any of its assets or undertaking;
 - it resolves to wind itself up, or otherwise dissolve itself, or gives notice of intention to do so, except to reconstruct or amalgamate while solvent;
 - it is unable to pay its debts when they are due or states that it is insolvent or is insolvent as defined in the Act; or
 - it suspends payment of its debts generally.

4 PROFILE OF THE RESOURCES SECTOR

4.1 Copper Industry

Background

- Within the infrastructure development industry, copper is used in electrical cabling and piping.
- The metal is also used in alloy form in the manufacture of coinage, and in copper compound form in various other industries.
- The establishment of refining facilities requires large amounts of capital and a new entrant to the copper refining industry would also need to enter the copper mining industry due to the vertical integration of the base metal refining and mining industries.
- Local and state government environmental and zoning regulations must be met before an operation can be established.
- Market participants are usually global in nature with the substantial funds required to establish operations.
- Raw materials are the major expense within the metals refining industry.
- The level of volatility within the industry is high with large year-to-year swings in production volume and price.

Current Environment

- During the 2002/03 financial year, the industry produced 588,000 tonnes of copper.
- On average, over the past few years, exports have accounted for approximately 65% of turnover in Australia whilst imports have been negligible.
- The life cycle stage of the industry is mature due to the fact that industry players are large long-term players, with established operations.

The Future

- Growth in demand is expected to outstrip that of supply. As a result, copper prices are expected to rise, although the prospect of additions to supply will keep a lid on growth in prices.

4.2 Nickel Industry

Background

- Nickel is used as an alloy to add strength, corrosion resistance and other electrical, heat and magnetic properties.
- Approximately two thirds of the world's primary nickel is being consumed in the manufacturing of stainless steel and is estimated to reach 70% by 2005.

Current Environment

- Global primary nickel demand has increased by an average compound annual rate of 3.4% over the past 40 years.

- The global nickel market enjoyed a boom in 2003, with the LME cash price rising from US\$7,000/tonne in October 2002 to over US\$15,000/tonne during the last 12 months.
- With the general increase in nickel demand over the last few years, it is anticipated that there would be a gradual draw down of stocks in the LME.
- The industry is facing limited increases in mine supply, low inventories, restricted scrap supply and an increase in stainless steel consumption.

The Future

- Despite the high probability of unreported stocks in the world, nickel supply is predicted to go into deficit during 2004/05 and beyond.
- New increases in production will be limited until 2005.
- Increases in stainless steel consumption may increase by approximately 9% with effects of increased demand in China.

4.3 Gold Industry

Background

- A majority of gold ore mined in Australia is refined locally and then exported.
- Gold is traded on the basis of price, which is set by the supply and demand.
- Gold is also traded on the futures exchange.
- Barriers to entry within the industry include the high level of capital expenditure required to undertake exploration programmes and fund mine development.
- Other barriers include the acquisition of permits and leases, the need to supply detailed environmental impact statements, and the increased level of negotiation required by the Mabo legislation.
- Gold ore producers are required to pay royalties to the relevant state government. Companies are not protected by tariffs, nor do they receive government subsidies or grants.
- State governments oversee all aspects of mining operations, determine which land is open to exploration and mining, issue exploration and mining leases and collect royalties.

Current Environment

- Over the recent years gold production has decreased. This is primarily due to a number of older mines reaching the end of their lives.
- With the expected start up of new mines, it is estimated that production will increase during 2003/04.
- During the year ended 30 June 2003, the gold price ranged between US\$310 to US\$380 per ounce. At the time of preparing this report, the gold price was in the order of US\$390 per ounce.

The Future

- Macroeconomic factors such as the state of the share market, inflation and the US dollar, should see the gold price stabilise, if not slightly decline over the next 12 months.
- Physical demand is expected to increase during 2004, in response to lower prices in 2004.
- Physical output is expected to increase in response to the higher prices experienced during 2003.

5 VALUATION METHODOLOGIES

5.1 Overview

For the purpose of assessing fairness to the non associated shareholders of BRW, a value needs to be attributed to the consideration offered to BRW and this needs to be compared to the value of Eloise. The value of a company's assets is usually determined by reference to both asset values and the consistency and quality of earnings. In this regard we have considered the following valuation methodologies:

Market Based Approach

This approach examines the market value of a company's shares, as quoted on the Australian Stock Exchange Ltd ("ASX").

This method relies on the efficient market hypothesis, which states in general terms, the market price at any point in time should fully reflect available information given willing buyers and willing sellers. This method is widely accepted and extensive evidence is available to support the hypothesis.

Income Based Approach

The income based approach determines the value of a company's shares and/or its assets based on the expected returns from the company and the required rate of return thereon. This is undertaken using either of the following methods:

- Capitalisation of future maintainable earnings; and/or
- Discounted cash flows ("DCF").

The capitalisation of earnings method is derived by capitalising future maintainable earnings using an appropriate multiple. In order to apply this method it is necessary to estimate future maintainable earnings and the capitalisation rate most appropriate to those earnings. The choice of capitalisation rate should reflect an assessment of the risk and return factors.

The DCF method has regard to the expected future economic benefits, discounted to the present value. This is considered appropriate where a forecast of future cash flows can be made with a reasonable degree of certainty. This approach is particularly relevant to the valuation of a business in its early growth stage but is equally applicable to any business where cash flows can be estimated with a reasonable degree of certainty. It is also applicable for valuing projects with finite lives.

Asset Based Approach

This method considers the realisable value of a company's assets by sale as a going concern or, alternatively, realisation of individual assets by orderly disposal or liquidation.

The orderly realisation method has regard to the amount that would be distributed to shareholders on the assumption that the company would be liquidated with the funds realised from the sale of its assets, after payment of all liabilities including realisation costs and taxes, being distributed to shareholders.

The liquidation method is based on the same principles except that in the orderly realisation method, the assets are realised in an orderly manner, whereas, the liquidation method assumes that the assets are sold within a shorter time frame.

Comparable Transaction Approach

This approach identifies the amount which an arm's length alternative offeror would be prepared to offer for the same proportion of shares in the company, or for certain assets held by the company.

5.2 Selection of Methodology

In valuing Eloise, we have given due regard to all the methodologies referred to in Section 5.1 and have adopted the asset based approach. We consider this approach to be the most appropriate due to the fact that the proposed transaction does not contemplate an acquisition or disposal of an interest in the voting shares of a listed public company. Refer to Section 6.1.3 of this report.

6 ASSESSMENT OF FAIRNESS & REASONABLENESS

6.1 Valuation of Eloise

6.1.1 Market Based Approach

Although BRW is a listed public company, the valuation of Eloise using a market based approach is not considered appropriate due to:

- the nature of the asset (that is, a producing copper mine); and
- the fact that the proposed transaction does not contemplate the acquisition or disposal of an interest in the voting shares of BRW.

Consequently, we believe there is no basis for determining a value of Eloise using a market based approach.

6.1.2 Income Based Approach

Capitalisation of Earnings

BRW's historical operating results, which include the operations of Eloise are discussed at Section 3.4 of this report.

Unaudited management accounts for the six months ended 31 December 2003 identify a net cash outflow from the operations of Eloise of \$6.35m (compared to a budgeted cash inflow of \$6.05m). In addition, Eloise incurred an operating loss of \$6.34m (compared to a budgeted profit of \$2.09m) over the same period.

The deterioration in operational performance of Eloise has been previously disclosed by BRW in announcements to the ASX. In particular, the Directors have attributed the actual relative to the budgeted performance, to a combination of factors:

- Slower than anticipated completion of the full development of the new Eloise Deeps ore body;
- Reduced ore production causing lower than anticipated throughput rates from the processing plant;
- Dilution problems encountered in the remaining Levuka South production areas, above the Ramsay Fault, due to the continual falling of waste material; and
- The working conditions at the current level within the Eloise mine approaching the potential limits of the existing ventilation system.

As a result of the above, Barmenco have continued to support the operating cashflow of BRW through deferred payment terms for mine contracting services. This reliance by BRW on the continued support of its major creditor and the historical negative cashflows from operations, resulted in the audit opinion for the year ended 30 June 2003 including an Emphasis of Matter paragraph on the inherent uncertainty of BRW continuing as a going concern. The review opinion for the half year ended 31 December 2003 also included an Emphasis of Matter paragraph on the inherent uncertainty regarding BRW's continuation as a going concern.

Given the above, we believe there is no basis for determining a value for Eloise using the capitalisation of future maintainable earnings method.

Discounted Cash flow

Given the nature of BRW's principal mineral asset, that is, a producing copper mine, a discounted cashflow basis ("DCF") of valuation for Eloise is considered appropriate, albeit that BRW is not in an early growth stage and consequently has a history of earnings (refer comments above).

GTCS has commissioned Snowden Corporate Services Pty Ltd ("Snowden") to undertake a valuation of BRW's major asset (Section 6.1.3). The asset based valuation undertaken by Snowden is considered to approximate the value that would be determined on a DCF basis.

6.1.3 Asset Based Approach

Net Asset Position

The net asset position of BRW is detailed at Section 3.5 of this report.

Mineral Assets (including property, plant and equipment)

GTCS has commissioned an independent valuation of Eloise. The valuation of Eloise effective 31 December 2003, was undertaken by Mr PC Retter, BAppSc (Hons), MAIG - [Manager Corporate Services], Mr P Myers, BEng(Min)(Hons) – [Principal Mining Consultant], Mr I Glacken - [Group Manager Resources] and Dr P A Snowden BSc(Hons), DPhil, MAIG, FAusIMM, CPGeo – [Principal Geologist and Managing Director] of Snowden.

In arriving at a valuation estimate for exploration, evaluation and development expenditure, for Eloise, Snowden has drawn from references made in their December 2002 valuation of Eloise which formed part of the mineral assets of Amalg Resources NL. The following bases have been used in arriving at a valuation for the purposes of their current valuation (refer Appendix 2):

- Resources and Ore Reserves –the NPV for ore reserves and resources over the ‘life of mine’ production schedule;
- Exploration potential (where tenements have no defined resources) – the Kilburn Geoscience Rating Method, whereby a value is determined based on a series of technical attributes of each tenement; and
- Environmental liabilities, closure costs and plant salvage values. Snowden has not undertaken a detailed assessment of plant salvage values, closure costs and mine rehabilitation liabilities and has based its assumptions on information provided by the management of Breakaway. The financial assumptions used in the cashflow models have not been independently assessed, but it is Snowden’s judgement that these revenues and costs are reasonable.

Below is a summary of the valuation estimates determined by Snowden for Eloise:

	Note	Low \$'000	Preferred \$'000	High \$'000
Eloise Copper Mine	1			
- Operational value		6,570	11,080	21,520
- Exploration potential		450	990	1,540
		<u>7,020</u>	<u>12,070</u>	<u>23,060</u>

Source: Independent Valuation of Eloise as at 31 December 2003 – refer Appendix 2.

Note

The following points need to be noted in relation to the Snowden valuation:

- 1 Potential equipment salvage values have been assessed by Snowden at \$1m. This has been incorporated into their valuation at the end of the Eloise Project’s mine life.

The discounted cash flow calculation used by Snowden in valuing Eloise has taken into account an estimate of the mine closure and rehabilitation costs. These costs are estimated to be approximately \$3.3m (including employee entitlements of \$0.3m) and are not considered unreasonable by Snowden.

In determining the valuation for Eloise, Snowden considered the net present value (“NPV”) under three scenarios:

- The 'Preferred Case' – based on the current BRW life of mine model, mining would cease at 200 mRL. On this basis, the DCF calculations have been performed to June 2006. It should be noted that a key assumption in the Preferred Case scenario is the need to provide an upgrade to the current mine ventilation system to sustain production until the 200 mRL is mined out. It has been assumed that a new exhaust shaft from the surface to the 400 mRL is installed during the second half of the 2004 calendar year at a cost of approximately \$5m.
- The 'High Case' – based on mining extending to 0 mRL and using material not currently included in ore reserves or resources. Based on this, the DCF calculations have been performed to September 2009. The High Case incorporates additional capital requirements, including the conversion of the existing exhaust raise to 670 mRL to hoisting configuration, utilising pre-existing and second hand equipment at a cost of \$5m. It should be noted that included within the High Case scenario are a number of assumptions:
 - continuation of the existing inferred resource at depth;
 - consistency of grade; and
 - a similar conversion rate of resources into ore reserves, as has occurred in the past.

In arriving at the 'High Case' valuation, Snowden has identified a number of risks, which shareholders need to consider in conjunction with the Snowden valuation.

These risks are identified in Snowden's valuation report, detailed at Appendix 2, however can be summarised as follows:

- The continuation of the existing inferred resource at depth;
- The rate of conversion of future resources to ore reserves;
- Increasing operating costs at depth;
- Significant capital expenditure requirements; and
- Increasing demands on the company's existing ventilation systems.

Shareholders should note that if any of the operational risks eventuate or any of the assumptions, as detailed by Snowden, do not occur as expected, this may have an impact on the valuation determined by Snowden in its High Case scenario.

- The 'Low Case' – based on ceasing mining activities at 300 mRL, which is below the currently classified level of Proven Reserves but above the Probable Reserves, the DCF calculations have been performed to December 2004, which is when mining to 300 mRL is anticipated to be completed.
- 2 Snowden's model has assumed that income tax will not be payable on the basis that BRW's existing carry forward tax losses would be sufficient to absorb any future income tax that might become payable over the periods covered by the Low, Preferred and High Case DCF's. GTCS has relied upon BRW management information and representations made by BRW's Taxation advisers, which supports the reasonableness of the assumption used in Snowden's model in relation to this matter. Accordingly, GTCS has not undertaken any independent verification of the amount or availability of carry forward tax losses to reduce future taxable income.

Snowden's valuation was undertaken in accordance with the Australasian Institute of Mining and Metallurgy's (AusIMM) Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Experts Reports (the VALMIN Code) and Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code). It should be noted however, that any valuation is subjective as it involves assumptions regarding future events which are not capable of independent substantiation. We draw non-associated shareholders attention to the operational risks and assumptions detailed in the Snowden valuation at Appendix 2 of this report and suggest that the valuation determined by Snowden be viewed in conjunction with these underlying assumptions and operational risks. Also refer to Section 7.2.2 of this report, where the operational risks, identified by Snowden have been summarised.

Based on our review of the available information, we have attributed a value to Eloise of \$7.02m to \$23.06m, with a preferred value of \$12.07m:

	Low \$'000	Preferred \$'000	High \$'000
Eloise Copper Mine			
- Operational value	6,570	11,080	21,520
- Exploration potential	450	990	1,540
	7,020	12,070	23,060

6.1.4 Other Considerations

Liquidation/Orderly Disposal of Assets Value

We have examined the value attributed to Eloise in the event of a liquidation on an orderly disposal of assets basis.

Included within the DCF's used by Snowden in valuing Eloise, are the following amounts that would apply to a liquidation/orderly disposal of assets scenario:

- \$3m in relation to mine closure and rehabilitation costs;
- \$1m in potential equipment salvage values; and
- \$0.3m in relation to employee entitlements.

In our opinion, it is unlikely that any liquidation or break up value on an orderly disposal of assets would result in a value attributable to Eloise greater than calculated at Section 6.1.3 of this report.

Comparable Transactions

We understand no offers (except for the proposed transaction) to BRW for the acquisition of Eloise, as a going concern, have been made by independent third parties. We therefore do not consider the comparable transaction approach to be relevant.

Taxation

BRW's Taxation advisers (a company other than GTCS or any of its related entities) have confirmed that the proposed transaction, to which this report relates, would result in a capital gain accruing to BRW of approximately \$4.4m. The 30 June 2003 Income Tax Return of BRW discloses that there are no carry forward capital losses available to offset this potential gain.

BRW's Taxation advisers have further confirmed, that no tax liability would arise (on the basis that BRW continued to satisfy the "continuity of ownership" test) for the following reasons:

- the balance of allowable mining capital expenditure of approximately \$4.2m would be claimed once Eloise is sold, thereby reducing the potential capital gain to \$0.2; and
- sufficient tax deductions should be available (as a result of the continuing accounting losses being incurred by BRW), to reduce the balance of the potential capital gain to nil.

The audited financial statements of BRW for the years ended 30 June 2002 and 30 June 2003, disclosed the following amounts of future income tax benefits attributable to losses, which have not been brought to account:

	30 June 2003	30 June 2002
	\$000	\$000
Future income tax benefits not brought to account	1,907	480

From 1 July 2003 to 31 January 2004, we have been advised by management that the operations of BRW have resulted in an unaudited accounting loss of approximately \$11m. From the period 1 July 2003 to 31 December 2003, the operating loss of BRW was \$8.62m (refer Section 3.4 of this report).

The proposed transaction, to which this report relates, if approved by shareholders of BRW, would result in Barmenco obtaining ownership of Eloise. Should this occur BRW's Taxation advisers have confirmed that the sale of Eloise would not prima facie result in BRW losing its carry forward tax losses.

The benefits attributable to BRW's income tax losses will only be realised if the conditions for deductibility set out below occur. The benefits will only be obtained if:

- BRW derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for these losses to be realised;
- BRW continues to comply with the conditions for deductibility imposed by tax legislation; and
- No changes to tax legislation adversely affect BRW in realising the benefit from the deductions for the losses.

Attention is drawn to the uncertainty as to whether BRW will meet the conditions for deductibility detailed above in that:

- There is uncertainty as to whether the company will continue as a going concern;
- Operating losses have been incurred in prior periods; and
- Unless significant capital expenditure is incurred in relation to upgrading the current ventilation system at Eloise, Directors have confirmed that in their opinion the operations at Eloise would not be in a position to generate future forecast profits.

6.1.5 Conclusion as to value of Eloise

We have examined the value of Eloise using various valuation methodologies discussed above.

In our opinion, the value of Eloise using an Asset Based valuation methodology is in the range of \$7.02m to \$23.06m, with a preferred value of \$12.07m.

6.2 Valuation of Consideration Offered to BRW

6.2.1 Components of the consideration

The value to be received by BRW as part of the proposed transaction consists of two elements:

- The cancellation of all amounts owing to Barmenco under the Eloise mining contract and the assumption by Barmenco of all third party trade creditors, debtors, employee entitlements and environmental liabilities for Eloise; and
- A 30% Net Profit Interest in Eloise.

Cancellation of amounts owing to Barminco – “Purchase Consideration”

The Purchase Consideration under the HOA is required to be determined as at 27 January 2004 (in accordance with Clause (i) of the HOA). The value of the Purchase Consideration at 31 January 2004 has been determined by BRW to be as follows:

	\$
Creditors	18,449,945
Accruals	285,500
Annual Leave Entitlements	116,388
Long Service Leave	91,203
Superannuation	18,498
Less: Glencore Receivable	2,666,953
Less: General Receivables	1,199,844
Less: Performance Bond Deposits	205,000
Less: Cash	45,546
Total	14,844,191

The above amount has been agreed by both BRW and Barminco as being the Purchase Consideration for the purposes of the HOA and has been used by GTCS for the purposes of this report.

30% Net Profit Interest

As part of the proposed transaction, Barminco shall pay by way of royalty to BRW, an amount equal to 30% of the Net Profit from Eloise (the “Net Profit Interest”). No amount is however payable by Barminco unless and until the Net Profit from Eloise exceeds the Purchase Consideration.

The Net Profit is defined under the HOA as *“the gross value of mineral sold from the Project less all operating costs (including the costs of engaging a mining contractor on a cost plus 10% basis) of the Project calculated in accordance with generally accepted Australian accounting standards”*.

In the absence of any other information to the contrary, we have used the annual profit forecasts (as provided by the Directors of BRW and as used by Snowden in determining a valuation range for Eloise) for the purposes of calculating any potential Net Profit Interest that might accrue to BRW under the terms of the HOA. We have calculated the Net Profit Interest on a Low, Preferred and High case scenario using the DCF methodology. The time periods over which we have applied the discount rate correspond to those used by Snowden in determining its valuation range for Eloise. Refer to Section 6.1.3 of this report.

LOW CASE	2004 Year 1
Net Profit (Loss) ¹	9,455,550
Purchase Consideration at start of period ²	14,844,191
Excess (Deficiency) over Purchase Consideration ³	(5,388,641)
Net Profit Interest Percentage	30%
Net Profit Interest	Nil
Present Value of Net Profit Interest ⁴	Nil

Based on the above, we have attributed a nil value to this component of the consideration in the Low Case scenario.

PREFERRED CASE	2004 Year 1	2005 Year 2	2006 Year 3
Net Profit (Loss) ¹	(276,931)	9,245,745	5,089,943
Purchase Consideration at start of period ²	14,844,191	14,844,191	5,598,446
Excess (Deficiency) over Purchase Consideration ³	(14,844,191)	(5,598,446)	(508,503)
Net Profit Interest Percentage	30%	30%	30%
Net Profit Interest	Nil	Nil	Nil
Present Value of Net Profit Interest ⁴	Nil	Nil	Nil

Based on the above, we have attributed a nil value to this component of the consideration in the Preferred Case scenario.

HIGH CASE	2004 Year 1	2005 Year 2	2006 Year 3	2007 Year 4	2008 Year 5	2009 Year 6
Net Profit (Loss) ¹	(276,931)	744,045	6,173,687	6,312,778	12,277,404	7,112,153
Purchase Consideration at start of period ²	14,844,191	14,844,191	14,100,146	7,926,458	1,613,680	-
Excess (Deficiency) over Purchase Consideration ³	(14,844,191)	(14,100,146)	(7,926,458)	(1,613,680)	10,663,724	7,112,153
Net Profit Interest Percentage	30%	30%	30%	30%	30%	30%
Net Profit Interest	Nil	Nil	Nil	Nil	3,199,117	2,133,646
Present Value of Net Profit Interest ⁴	Nil	Nil	Nil	Nil	2,079,207	1,272,223

Based on the above, we have attributed a value of \$3,351,430 to this component of the consideration in the High Case scenario.

Notes:

- (1) Obtained from forecast data used by Snowden in the valuation of Eloise dated 31 December 2003. Net Profit is defined under the HOA to be the gross value of mineral sold from Eloise less all operating costs (including the cost of engaging a mining contractor on a cost plus 10% basis) calculated in accordance with generally accepted accounting principles in Australia.
- (2) Represents the value of the Purchase Consideration remaining to be “clawed-back” out of Net Profits from Eloise.
- (3) Represents the excess (deficiency) of Net Profit over the Purchase Consideration. BRW is not entitled to its Net Profit Interest until and unless the Purchase Consideration has been exceeded by the cumulative Net Profit from Eloise.
- (4) Represents the Present Value of each periods Net Profit Interest using a discount rate of 9%, as used by Snowden in its valuation of Eloise (Refer Appendix 1).

Shareholders should note that under Clause 5.3 of the HOA, if the proposed transaction is approved and *“if Barmenco sells or otherwise disposes of its interest in the Project, to the extent that the aggregate of the net proceeds of sale of the Project and the Net Profit at that time exceed the amount of the Purchase Consideration (Excess), Barmenco must pay BRW 30% of the Excess no later than 30 days after settlement of the sale of that interest”*.

At the date of this report, it is unknown whether the proposed transaction will be approved by BRW shareholders. If however, the proposed transaction is approved by shareholders, it is uncertain as to the future intentions of Barmenco in relation to Eloise. As a result of this uncertainty, GTCS has not ascribed any value to this aspect of the HOA.

Exploration Tenements Surrounding Eloise

Under the HOA, BRW will retain a 100% ownership interest of six exploration permits surrounding Eloise, being:

- EP 4475;
- EP 8675;
- EP 9128;
- EP 13923;
- EP 13948; and
- EP 14472.

The above permits are however subject to an exclusive Option to Acquire, which is held by Barmenco. This option can be exercised for a period of up to 3 years, commencing 5 days after the date that the last condition precedent in the HOA is satisfied.

The exercise of the option by Barmenco cannot occur unless Barmenco has received an offer from a third party, that is not a related entity of Barmenco, for the purchase of the above mentioned exploration permits, on arm's length terms. If such an option is exercised by Barmenco, it must pay BRW the price attributed to those permits by an Independent Valuer. This price being the price obtainable on the market between a willing but not anxious seller and a willing, but not anxious buyer, or such other price as BRW and Barmenco otherwise agree.

Alternatively, if BRW wish to dispose of the above mentioned exploration permits, BRW must give Barmenco the first right of refusal. If Barmenco does not exercise its rights to acquire the permits, BRW may dispose of them to any third party, on the same terms as offered to Barmenco.

Given the above terms and conditions, there would be neither a cost nor benefit to BRW shareholders associated with this aspect of the proposed transaction. We are not aware of any independent offers made in relation to the six exploration permits concerned and Directors of BRW have confirmed this. Consequently, we have ascribed a nil value to this aspect of the proposed transaction as it does not impact the value of the consideration offered to BRW and therefore our assessment of the fairness of the proposed transaction.

6.2.2 Conclusion as to the Value of the Consideration Offered to BRW

In our opinion, we have attributed a value to the consideration offered to BRW to be in the range of \$14.844m to \$18.195m, with a preferred value of \$14.844m as detailed below:

	Detailed Report Reference	Low \$'000	Preferred \$'000	High \$'000
Purchase Consideration	6.2.1	14,844	14,844	14,844
Net Profit Interest	6.2.1	-	-	3,351
		14,844	14,844	18,195

6.2.3 Other Considerations

Comparable Transactions

We are not aware of any alternative offers or indications of such in relation to the components of the consideration, other than the proposed transaction and therefore do not consider the comparable transaction approach to be relevant.

7 Conclusions

7.1 Conclusion as to Fairness of the Proposed Transaction

Set out below is a comparison between the value of the consideration offered to BRW and the value of Eloise which is the subject of the proposed transaction.

	Detailed Report Reference	Low \$000	Preferred \$000	High \$000
Value of consideration offered to BRW:	6.2.2	14,844	14,844	18,195
Value of Eloise: [Discounted cashflow basis]	6.1.3	7,020	12,070	23,060

Based on the fact that the *preferred value* of the consideration offered to BRW has been determined to be greater than the value of Eloise, we are of the opinion that the transaction is fair to the non-associated shareholders of BRW.

We draw shareholders attention to the fact that at the high value, the consideration offered to BRW is less than the assessed value of Eloise on a DCF basis. We recommend that shareholders consider the value of Eloise (at the High level) in conjunction with the relevant assumptions and risks identified by Snowden in its valuation report which are summarised as follows:

- The continuation of the existing inferred resource at depth;
- The rate of conversion of future resources to ore reserves;
- Increasing operating costs at depth;
- Significant capital expenditure requirements; and
- Increasing demands on the company's existing ventilation systems.

A full copy of Snowden's valuation report can be found at Appendix 2 of this report.

Shareholders should note that although we have assessed our value of Eloise on a discounted cashflow basis, a valuation on a liquidation basis would unlikely to be in excess of the consideration offered to BRW, as included within the DCF's used by Snowden in valuing Eloise, are the following amounts that would apply to a liquidation/orderly disposal of assets scenario:

- \$3m in relation to mine closure and rehabilitation costs;
- \$1m in potential equipment salvage values; and
- \$0.3m in relation to employee entitlements.

Accordingly, there would be no material change in our assessment of the fairness of the proposed transaction.

7.2 Other Considerations

Before voting on the proposed transaction, the shareholders of BRW should consider other significant factors which give rise to certain advantages and disadvantages, detailed at Section 7.3.

7.2.1 Capital Structure of BRW

Approval of the proposed transaction would not result in any change to the capital structure of BRW, as there is no acquisition or disposal of an interest in the voting shares of BRW.

The 23.06% equity interest of Barmenco (at 8 March 2004) in BRW, if the proposed transaction is approved, will not change.

BRW shareholders	Shares held pre-transaction	Shares held post-transaction	Percentage Ownership
Others	308,597,046	308,597,046	76.94%
Barmenco	92,511,292	92,511,292	23.06%
	401,108,338	401,108,338	100.00%

It should be noted that Barmenco is a related party of BRW and that Mr Jon Young (Non Executive Chairman of BRW) is the Non-Executive Chairman of Barmenco.

7.2.2 Significant Risks

We draw BRW shareholders attention to the significant risks involved in the proposed transaction which include:

- Political risks eg: unforeseen Government legislation;
- Unpredicted technical factors;
- Non performance of third party suppliers;
- Inability to raise additional funding for future exploration projects;
- Exploration and mineral development risk; and
- Adverse metal price and exchange rate movements

In addition to the above we draw shareholders attention to the fact that actual results are likely to be different from those anticipated since forecast events frequently do not occur as expected and the variation may be material. We therefore suggest that shareholders view any valuation determined on the basis of the occurrence of future events with this in mind.

We further draw shareholders attention to the operational risks and assumptions outlined in the Snowden valuation at Appendix 2 of this report, which are summarised as follows:

- Geotechnical risk – where ongoing excessive dilution and ore loss pose a risk. Specification and implementation of the planned geotechnical management programme is needed to effectively manage this risk.
- Haulage risk – where the existing fleet is approaching the limits of its productive capacity. The planned upgraded trucking fleet is needed to effectively manage this risk.
- Ventilation risk – where the current system is approaching the limit of its ability to adequately ventilate the workings. The planned exhaust shaft repairs and installation of a new exhaust shaft and fan should be adequate to manage this risk. This assumption is expected to be confirmed by the findings of an expert review currently underway.
- Resource risk – where 46% of the mining inventory is currently classified as Inferred Resource. The planned definition drilling program is needed to identify adequate quality and quantity of reserves to sustain the production plan and manage this risk.
- Costs risk – where 75% of the current site costs are essentially fixed so unit costs are heavily leveraged to production.
- Mine contractor performance risk – the current cost-plus contract does not provide a performance or cost efficiency incentive. The cost plus contract establishes what is virtually a fixed operational cost regardless of production performance, making the unit cost of production leveraged to production results.

7.2.3 ASX Trading Summary of BRW Post Announcement

We draw shareholders attention to the share price and volume movements of BRW's ordinary shares post the ASX announcement regarding the proposed transaction on 27 January 2004.

Date	Open (cents)	High (cents)	Low (cents)	Closing (cents)	Volume
09 Mar 04	5.0	5.1	4.9	4.9	613,000
08 Mar 04	5.1	5.4	5.0	5.0	1,105,000
05 Mar 04	5.4	5.4	5.0	5.2	625,000
04 Mar 04	5.2	5.5	5.2	5.3	1,123,909
03 Mar 04	5.1	5.2	5.0	5.2	2,093,179
02 Mar 04	5.2	5.2	5.0	5.0	2,107,000
01 Mar 04	5.2	5.3	5.1	5.2	1,749,500
27 Feb 04	5.5	5.8	5.0	5.2	5,305,685
26 Feb 04	5.7	5.7	5.4	5.6	2,020,500
25 Feb 04	5.8	6.0	5.7	6.0	158,000
24 Feb 04	6.0	6.0	5.8	5.8	402,000
23 Feb 04	6.0	6.0	5.8	6.0	1,176,655
20 Feb 04	5.8	6.3	5.7	6.0	1,051,900
19 Feb 04	5.6	5.8	5.6	5.7	727,900
18 Feb 04	5.8	5.8	5.6	5.6	297,750
17 Feb 04	5.8	5.9	5.8	5.8	427,000
12 Feb 04	5.7	6.0	5.6	5.9	1,591,850
13 Feb 04	6.0	6.3	6.0	6.3	3,367,638
10 Feb 04	5.2	5.4	5.2	5.3	503,222
09 Feb 04	5.3	5.3	5.1	5.2	810,000
06 Feb 04	5.2	5.3	5.2	5.3	112,800
05 Feb 04	5.2	5.2	5.1	5.2	1,240,011
04 Feb 04	5.3	5.3	5.2	5.2	1,203,800
03 Feb 04	5.5	5.5	5.2	5.3	1,098,489
02 Feb 04	5.7	5.7	5.5	5.5	1,419,900
30 Jan 04	5.6	5.8	5.6	5.7	564,664
29 Jan 04	5.6	5.6	5.6	5.6	992,570
28 Jan 04	5.7	6.0	5.6	5.9	845,000
27 Jan 04	6.2	6.2	5.0	6.0	3,790,100
23 Jan 04	6.2	6.2	6.2	6.2	0

(Source: tradingroom.com.au)

In the period since BRW announced the proposed transaction to the ASX, the BRW share price and volume activity has been influenced by the following events, which were announced to the ASX:

Date	Event
30 January 2004	Quarterly Report for 31 December 2003 <ul style="list-style-type: none"> Continued drilling, exploration and development activity within BRW's nickel and gold projects. Finalisation of Heads of Agreement for the Sale of the Eloise Copper Mine and less than anticipated mine production from Eloise Deeps development for the quarter.
6 February 2004	Drilling commencement at Kambalda West – 5B Nickel Project.
13 February 2004	Completion of 23m share placement, raising \$1.104m.
16 February 2004	Gold Business update and Bannockburn Resource Upgrade.
25 February 2004	31 December 2003 Half Year Financial Report lodgement.
27 February 2004	Kambalda West Project Spargoville Drilling results.

In the absence of any other significant company announcements or activity regarding its operations, it may be considered that the movement in the BRW share price since the proposed transaction was announced to the ASX, could in part due to market speculation as the company's future activities.

7.3 Advantages and Disadvantages to the Non-Associated Shareholders – Reasonableness

In assessing whether the proposed transaction is reasonable we have considered the potential advantages and disadvantages to the non-associated shareholders of BRW of the proposed transaction and considered whether the advantages outweighed the disadvantages.

The primary advantages if the proposed transaction does proceed:

- Ability for BRW to continue operations as a going concern, without the net negative cash flows associated with the underperformance of Eloise.
- Disposal of loss making business and focus by BRW on its gold and nickel activities.
- Potential to generate cash flow through raising of additional capital, to enable further development of gold and nickel prospects.
- Shareholders will retain an interest in any potential "upside" associated with Eloise, through a 30% Net Profit Interest.

The primary disadvantages if the proposed transaction does proceed:

- The benefit to BRW shareholders of any potential future "upside" associated with Eloise is limited to a 30% Net Profit Interest.

The primary advantages if the proposed transaction did not proceed:

- We have not identified any advantages if the proposed transaction did not proceed.

The primary disadvantages if the proposed transaction did not proceed:

- Withdrawal of future support after the expiry of the Standstill Agreement of BRW's major creditor, Barmenco, and potential for BRW not to continue operations as a going concern.

Conclusion

Having regard to the above advantages and disadvantages, we consider *the proposed transaction to be reasonable to the non-associated shareholders of BRW*.

7.4 Premium for Control

The proposed transaction, to which this report relates, does not contemplate either a disposal or acquisition of an interest in the voting shares of a listed public company. We have therefore concluded that no premium for control would attach to the proposed transaction. The voting interests of all shareholders of BRW, as at the date of this report, would remain unchanged if the proposed transaction was approved.

8 AUTHOR AND INDEPENDENCE

We advise Grant Thornton Corporate Services (WA) Pty Ltd ("GTCS") is the holder of an Australian Financial Services Licence (Licence No: 247214) under the Corporations Act 2001. A number of the partners of the chartered accounting firm of Grant Thornton ("GT") are the Directors of GTCS. GTCS has extensive experience in providing advice pertaining to mergers, transactions and strategic and financial planning for both listed and unlisted companies or businesses.

The employees of GTCS principally involved in the preparation of the valuation report were Gregory M LeGuier, B. Comm, CA, Director and Cyrus Patell, B.Comm CA, a Manager.

Messrs LeGuier and Patell have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent experts reports.

We are aware of the independence requirements as set out in various ASIC Releases and Practice Notes and advise that we are independent of BRW.

There are no pecuniary or other interests, which could be regarded as being capable of affecting the ability of the authors to give an unbiased opinion in respect of the matters raised in this report.

9 DECLARATION

This report has been prepared specifically for the non-associated shareholders of BRW. Neither GTCS nor any member or employee thereof undertakes responsibility to any person, other than a non-associated shareholder of BRW, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report GTCS has relied upon and considered information believed after due enquiry to be reliable and accurate. GTCS has no reason to believe that any information supplied to it was false or that any material information has been withheld from us. GTCS evaluated the information provided to it by BRW as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report.

GTCS does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

BRW has provided an indemnity to GTCS for any claims arising out of any mis-statement or omission in any material or information provided by BRW to GTCS in the preparation of this report.

GTCS provided a draft copy of this report to the Directors and management of BRW for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of GTCS alone. Changes made to this report as a result of this review by the Directors and management of BRW have not changed the methodology or conclusions reached by GTCS.

GTCS will receive a professional fee based on time spent in the preparation of this report, estimated at \$25,000. This fee is payable regardless of the outcome of the resolution.

The preparation of this report has been undertaken pursuant to Listing Rules 10.1 and 11.2 and Chapter 2E of the Act. We have also had regard to relevant ASIC Policy Statements and Practice Notes. It is not intended that the report should be used for any other purpose other than to accompany the Notice of General Meeting to be sent to BRW shareholders. In particular, it is not intended that this report should be used for any other purpose other than as an expression of GTCS's opinion as to whether or not the proposed transaction is fair and reasonable.

GTCS consents to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to BRW shareholders.

APPENDIX 1: SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Audited financial statements of BRW for the year ended 30 June 2002 and 30 June 2003;
- Reviewed financial statements of BRW for the six months ended 31 December 2003;
- Management Accounts of BRW for the six months ended 31 December 2003;
- Correspondence and discussions with BRW taxation advisors and auditors;
- The recent ASX trading price and volumes of BRW shares from www.tradingroom.com.au;
- ASX announcements by BRW during the last twelve months;
- Draft Notice of General Meeting to be dispatched to BRW shareholders regarding the proposed transaction;
- HOA dated 26 January 2004;
- Standstill Agreement dated 30 December 2003;
- Independent Valuation of Eloise prepared by Snowden effective 31 December 2003 (Appendix 2).
- Research on copper, silver, lead and zinc smelting, refining in Australia – (IBIS World Pty Ltd – 25 September 2002);
- www.abare.gov.au; and
- Discussions with BRW Directors and Management.

In preparing this report, we have reviewed the information described above as well as other published and unpublished information. We have had discussions with the directors of BRW concerning the business, assets, liabilities and trading results of BRW.

The statements and opinions contained in our report are given in good faith and upon reasonable grounds in the belief that such statements are not false, misleading or incomplete. We have considered explanations given to us in our discussions with the directors and senior management of BRW. Whilst we have no reason to doubt the accuracy of any information provided to us or that any material information has been withheld from us or is incomplete, we have not independently verified the information.

APPENDIX 2 : SNOWDEN INDEPENDENT VALUATION OF ELOISE