

Early cash flow sought from diversified portfolio

By
Tania Winter

Bedding down the right metallurgical answer will clear the way for Breakaway Resources Ltd to realise its goal of turning its projects at Kambalda West into a nickel production centre.

The diversified junior exploration company is looking to its Spargoville nickel project as its platform for early cash flow.

Meanwhile work also continues at its Bannockburn and Vivien gold plays in Western Australia to generate other sources of cash flow.

A recent deal with LionOre Mining International Ltd is also seen as a vote of confidence in the company with the Canadian-based mining house now holding a 14% shareholding in the WA company.

With an expanded nickel and gold resource at 5B, the company has expanded the feasibility study to now consider optimum processing options for the recovery of both gold and nickel



▲ The 5A high grade nickel sulphide.

hydrometallurgical methods of treating the secondary sulphide material, which we will mine in accessing the deeper primary sulphides which are the long-term future of the area.”

The secondary sulphide material comprises a mixture of different sulphide species — principally violarite — which tends to affect concentrate grades.

“Instead of producing a concentrate that might grade between 12-14% nickel,

“Until we develop a clearer geological picture we have focused on the shallower areas as the short-term production targets. The deeper parts of the ore zones will then be progressively explored and hopefully we will convert those into production areas in due course.”

A third deposit, Andrews (5D), was historically mined by Seltrust in the late 1970s and has been developed to about

“Until we develop a clearer geological picture we have focused on the shallower areas as the short-term production targets. The deeper parts of the ore zones will then be progressively explored and hopefully we will convert those into production areas in due course.”

and the co-development of the 5A and 5B deposits.

The co-incident gold resource at 5B, which extends from the base of the existing open pit vertically to a depth of 125m, comprises 83,550t at 2.43 g/t containing 6,530 oz.

Following the merger with Amalg Resources NL last year, the company has opted to initially focus on known massive nickel sulphide bodies at the 5A and 5B deposits.

“The challenge at the moment is that the shallow material is of secondary sulphide nature and the metallurgical properties are not straight forward,” Breakaway managing director Michael Mulrone said.

“As soon as we have the right metallurgical answer the path to production is very quick.

“We have worked with OMG Cawse previously treating some oxide material and now we are looking at alternative

testwork has indicated that it is somewhat lower, which challenges the economics of shipping concentrate around the world,” Mulrone said.

Typically, the secondary sulphide material occurs at a depth between 30 metres and 75m. The 5A and 5B primary sulphide bodies are open at depth. However, a deep drilling program is scheduled for this month to target depths between 150-350m vertical.

“In comparison, some of the Kambalda type ore bodies are continuous to 700-900m vertical depth, so we think we have a long way to go in these systems,” Mulrone said.

The latest resource calculation (released in June) for the 5B deposit is 261,500t grading 1.85% nickel.

“Most of the resource we have announced for 5A and 5B is this transition material and we haven’t finalised any numbers on the deeper sulphide material,” he said.

300m depth.

Breakaway has collated all the historical records and mine plans and believes a remnant resource remains in the old workings. However, this work is not yet to a standard that is JORC compliant.

The deepest part of the mine, the 11 level, is approximately 300 metres deep. The mine records show that the ore zone on this level is developed over a 300m strike length, averaging 2m in width with an average grade of about 3% nickel and remaining open at depth.

“There is a very strong exploration target there — the down dip extent of that ore body and possible lateral repetitions,” Mulrone said.

“That was one of the things that interested LionOre — the underexplored depth potential of these systems.”

The company also has the rights to a number of tenements to the west of Spargoville at the Yilmia project. Initial surface geochemistry has highlighted

two significant nickel anomalies — Burnam and Kemble — where surface values of up to 0.78% nickel have been returned in soils.

“These areas haven’t been drilled in the past and we’ve just completed the first RC drilling program at Burnam with those results released in the quarterly,” Mulroney said.

“There is a prospective ultramafic belt in this area so, from a first pass point of view, the drilling results are very interesting. But we regard this as a first step in what will be a long road.”

The company plans to spend nearly \$1.5 million on its exploration efforts



▲ RC drilling at the 5A pit.

“Compared to most of our peers we have a wealth of assets which does present a challenge.”

over the coming 12 months, the bulk of which will be directed at Spargoville.

“We have a very large portfolio of projects,” Mulroney noted.

Breakaway has in excess of 750 square km with four joint venture partners at Bannockburn and Miranda, 40 sq km at Kambalda and 240 sq km in north west Queensland around the recently sold Eloise copper mine.

“Compared to most of our peers we have a wealth of assets which does present a challenge,” Mulroney said.

Breakaway already has two major JVs with Gold Fields Ltd covering the Miranda and Vivien gold mines and a base metal JV with Jubilee Mines NL at Bannockburn.

Beyond its nickel focus, at Bannockburn the company recently increased its wholly owned gold resources to about 433,000 contained oz.

“We have been working at Bannockburn to refine the resource model and we’ve now commissioned a preliminary scoping study looking at how much of that material could be potentially accessed by a new large open pit development,” Mulroney explained.

“We have retained all the Bannockburn infrastructure and camp in place on care and maintenance and we believe that it will only take a few million dollars to restart the operation again.

“We are working to understand if the

current resource has the economics to justify reopening the operation as it stands today or whether we need to continue the exploration and increase the resource base. Our target is to develop something that will have a minimum three to four year mine life.”

The scoping study should be generating some preliminary results by the end of this month.

In the meantime, greenfields exploration will continue in the Bannockburn area as Breakaway looks for new targets.

“We’re focusing on the main structural corridor, which extends for over 20 km north of the Bannockburn mining centre, as our primary target,” he said.

“We have generated a number of near mine and regional geological targets that will be validated with ground geophysics as a precursor to defining future drill targets.”

The other main area of gold activity for the company is at Vivien, where Breakaway has a joint venture with Gold Fields Limited subsidiary Agnew Gold Mining Company Pty Ltd.

Gold Fields is due to complete the feasibility study at Vivien by mid-August and the major has until early September to make a decision to mine and commence operations. If Goldfields elects to proceed to mining, they can earn a 60% interest by funding the first \$6.7 million of capital, which will be recovered from future cash flow.

“We believe the Vivien economics will be quite positive so we are looking forward to Gold Fields putting the FS formally on the table,” Mulroney said.

At Eloise in north west Queensland, Breakaway has retained the bulk of the exploration ground surrounding the Eloise copper mine following the sale of

the operation to Barmenco Investments Pty Ltd.

“When we inherited Eloise it had a high debt level and the bulk of that was owed to Barmenco,” Mulroney explained.

“We reduced the debt initially, but we needed to reinvest heavily in new development. It came to a point where the debt level and our continued capital investment was not going generate a return for shareholders, so we structured an agreement where Barmenco purchased the operation on a walk

“When we inherited Eloise it had a high debt level and the bulk of that was owed to Barmenco.”

in-walk out basis in a deal worth \$14.8 million. We are now debt free and have kept an interest in the upside of the operation for our shareholders.”

The Eloise regional tenements cover several major structural corridors along the eastern margin of the Mt Isa Block, which is one of the world’s most prolific base metal provinces. The real estate contains several copper-gold and lead-silver exploration projects and the junior is reviewing its exploration strategy for the area..

“We have been approached by several companies interested in the area and hope to have our position resolved within the next month or so,” Mulroney added.