

Encouraging results for Breakaway

BY ELIZABETH PRENDERGAST

Since making the decision to become a public company about 12 months ago, Breakaway Resources hasn't looked back.

The company jumped at the opportunity to merge with Amalg Resources in August 2002, and spent the remainder of 2002 and early 2003 completing due diligence and structuring the deal.

Breakaway managing director Michael Mulroneo said the deal went to Amalg shareholders early in February 2003 and was finalised in March.

"Amalg Resources bought Breakaway, but it was effectively a merger and the parent entity was renamed Breakaway," Mulroneo said.

He explained that part of the transaction involved an equity raising, with \$4.5 million of fresh capital put into the new company.

"Since then there has been a fair bit of work combining the two businesses," he said.

"We have gone through the business looking at its non-core assets and we decided to dispose of the other industrial minerals business out of the new Breakaway."

The new Breakaway disposed of the wholly-owned Loongana Lime reaping about \$3 million in additional capital.

"While we understood the strategic logic of the business, we needed



Breakaway Resources' Eloise mine site in Queensland

a lot more capital to turn Loongana around to something that would make us a reasonable amount of money," he explained.

Breakaway has been focusing on redeveloping its Eloise copper/gold mine in Queensland. Mulroneo said the benefits from the capital expenditure put into the mine were now starting to filter through with the start of production in the Eloise Deeps orebody at the mine.

Breakaway's joint venture partners in Western Australia have also been making headway. Mulroneo said Jubilee and Gold Fields had been busy exploring at Bannockburn and Miranda respectively.

He said some encouraging results had been recorded in the early phases of these programs.

"We are expecting to receive a revised resource statement from

the Vivien gold deposit from Gold Fields in the next few weeks," he said.

"This will be the precursor to the feasibility study for redevelopment of Vivien, hopefully by early 2004."

Breakaway has also released results from the completion of the initial drilling program at the wholly owned 5A Nickel Prospect at Spargoville in the Kambalda West

project.

The results confirmed the potential for the redevelopment of the 5A open pit to produce both oxide and sulphide ore for treatment at regional facilities.

"But very interestingly, what's never come to light before are the precious metal credits," Mulroneo said.

"Platinum, palladium and gold by normal standards are quite high, these will add a lot more value to the nickel."

Among the results, the best intersection from the central portion of Hole 5ADD01 returned 2.46 metres grading 8.83% nickel, 2.52 grams/tonne palladium, 0.27 g/t platinum and 1.36 g/t gold from 67m.

The company is now looking further into the future to possible acquisitions. Breakaway took an interest in the Selwyn mine due to its proximity to Eloise.

However, Mulroneo said it was unlikely Selwyn would fit into the company's portfolio.

"We are looking for projects that will fit around our three main operating spheres, the Cloncurry area with Eloise, the Leonora/Leinster area with the Bannockburn and Miranda operations and Kambalda where we have already secured an option to acquire the Yilmia tenements," he said.

Barra back in the saddle

After its less than spectacular First Hit operation, junior Barra Resources is getting itself back in the game, striking a joint venture with Gandel Metals over Barra's Riverina project, picking up an additional mining lease and looking to raise funding to continue its own exploration.

General manager Terry Burns said a heads of agreement had been rapidly transformed into a full JV deal to allow for on-ground work to begin in the short term.

Melbourne-based Gandel is a private company with a history of investing in publicly-listed gold companies, and has recently started exploration and production in its own right.

Riverina, 145kms north-

northwest of Kalgoorlie, covers 47 tenements along 17 kilometres of strike related to the Mt Ida Fault.

Gandel can earn up to 70% in the project by spending \$350,000 in the first year and \$1 million within 24 months to take half of the project. Gandel will earn the 70% by spending \$2 million within three years.

Afterward, both companies will meet exploration spending on a pro-rata basis.

Barra has also extended its chance to pick up Mining Lease M30/178, covering the southernmost anomaly of the Forehand project.

The option fee of \$100,000 will be funded by Gandel Metals over and above the agreed expenditure provisions for the joint venture.

Barra thinks the JV agreement and the Forehand option should fire up exploration at Riverina, particularly at Forehand, located 1km east of the historic Riverina mine.

Together with the recently announced earn-in agreement with Sipa Resources International at Barra's Quinn Hills project, the explorer's ground will receive a total of \$3.3 million of funding over the next three years.

To fund its own exploration, Barra is seeking to raise \$800,000 to fund advanced exploration on the remaining projects and to pursue new project acquisitions.

CSM switches off smelter plan

Consolidated Minerals will not proceed with the development of a ferrochrome smelter in Western Australia's Pilbara region following a technical feasibility study.

Managing director Michael Kiernan said the study found there were more opportunities for CSM by concentrating on its chromite operation at Coobina, and through forging alliances with companies involved at the downstream processing end.

The Tex Report noted that total Chinese imports of chromite ore increased by 108% to 390,000 tonnes in the March 2003 quarter compared with the previous

corresponding quarter, driven by a dramatic expansion of stainless steel production in China, which is causing increased demand for ferrochrome.

International prices for chrome ferro-alloys have increased by more than 50% over the past 12 months with increasing demand from the stainless steel industry, from a nominal 26 cents/pound to over 40 cents/lb.

"The increase in ferrochrome prices has already been reflected in the price for chromite ore, with prices for ore increasing by 15% last quarter," Kiernan said.

Next quarter chromite ore prices are expected to

increase by a further 15-20%.

Consolidated secured its first European sales contract for Coobina in April this year and is targeting additional opportunities in Europe with the intention of signing further long-term contracts in the next six months.

"The bulk of Consolidated's annual chromite ore production is sold into China under a life-of-mine sales distribution agreement with Noble Group, giving the Company significant exposure to the world's fastest-growing raw materials market," Kiernan said.



EXISTING PRODUCER FROM ELOISE MINE IN QUEENSLAND

Annual production - 22,000 tonnes copper, 11,000 ozs gold, 220,000 ozs silver

THE NEXT GENERATION OF DIVERSIFIED PRODUCER

NEW PROJECT DEVELOPMENT

Kambalda West Project - Continued development of the 5A nickel deposit. Vivien Gold Project - JV partner Gold Fields conducting feasibility study

THE FUTURE

Extensive exploration holdings covering three major metal producing provinces in Queensland and Western Australia



"Strength through diversity"

Registered and Principal Office
OFFICE
Level 1, Pinnacle House
16 Ogilvie Road
Mt Pleasant WA 6153

Telephone: +61 8 9315 6444
Facsimile: +61 8 9315 6449

POSTAL ADDRESS
Lock Bag 4
Canning Bridge WA 6153

E-mail: admin@breakawayresources.com.au
Website: www.breakawayresources.com.au

AMT 1014