

Junior ups its field ante

By Sarah Belfield

Base metals explorer Breakaway Resources Ltd plans to accelerate exploration across its three main projects in the year ahead.

The main focus will be on the Miranda nickel project, which the company considers is "the best undrilled nickel prospect in the country".

Breakaway's managing director Michael Mulroney said Miranda, covering 350 square kilometres and located in the Agnew region of Western Australia, was only four

kilometres from Jubilee Mines' Prospero nickel prospect and "in exactly the same sequence of rocks". Drilling was due to start later this month.

In particular, the company is looking to drill targets identified in the Miranda North area, which is south of Jubilee's Cosmos nickel deposit, and at the Pinnacles Well area. Pinnacles Well includes three defined targets — Hansen Well, Woolshed and Two Sisters.

Mulroney said geophysical surveying is currently under way at Miranda North, which contains the southern extension of the Cosmos ultramafic sequence. That work was due for completion this month. The

geophysics crew will then go on to begin surveying at Pinnacles Well.

Mulroney anticipates around 5,000 metres of initial drilling will be completed in each area. Most of the work at Miranda North is likely to be aircore due to the depth of the weathering profile. The drilling will allow the analyse of samples of fresh rock, with the aim of setting up a deep diamond drilling campaign.

In contrast, the company will probably head straight to RC drilling at Pinnacles Well, Mulroney said.

Meantime, it also has drill targets ready at the Kambalda West project, located south west Kambalda.

"We're just struggling to get access to drill rigs in that part of the world at the moment," Mulroney said.

"Some of the bigger groups down there have locked up most of the rigs on long-term contracts. So it's [a case of] being opportunistic and grabbing a rig when it's got a break in its work."

Mulroney said results of sampling work around the historic Spargoville mine lease area were moderate but were in line with expectations given the targets were 150-160 metres deep.

"[The area's] got a good history," he said. "There are nickel deposits there. We've got the right geology; it's proven to be fertile in the past. It's really getting down now to the nitty gritty geological work of trying to put the whole thing together as best we can in three dimensions."

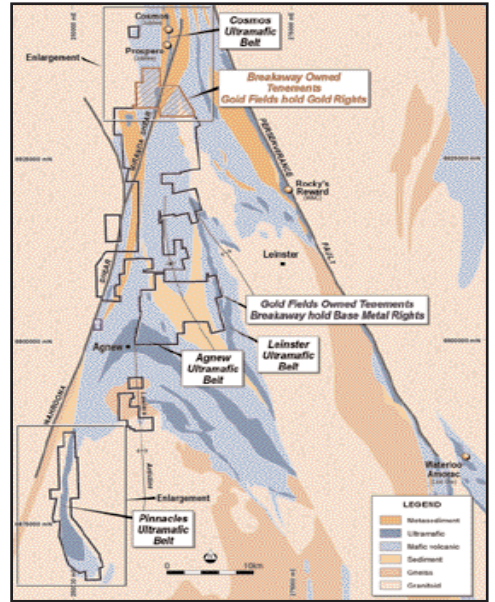
Breakaway's retained Eloise copper tenements in north-west Queensland near Cloncurry have seen the recent completion of an independent geological and geophysical review by the GeoDiscovery Group. The tenements surround the operating Eloise copper-gold mine, which the junior formerly owned.

Breakaway sold Eloise to the site's underground contractor Barminco following problems. The sale was completed in June 2004, for a "back profit" of around \$9 million, according to the Breakaway.

The company nevertheless had faith in Eloise's longer term potential and kept a net profit royalty as part of the deal.

Royalties become payable to Breakaway once the Eloise mine's accumulated net profit exceeds \$15.6 million (the acquisition price). The company said it is entitled to 30% of net profit above the \$15.6 million benchmark.

Mulroney said the company was



likely to plough royalty proceeds back into its exploration targets.

"It also gives us the opportunity to have a bit of a look around close to our core assets about possible acquisitions or other things," he said.

"We're always on the lookout for further acquisitions that might deliver a cash flow in the near-term."

He said base metals were Breakaway's main commodities of interest, although "we certainly wouldn't turn our back on gold, by any means".

Despite selling off Eloise, Mulroney said the company was interested in becoming a producer again:

"Absolutely, we'd go straight to production if we found the right thing...both our major shareholders being Barminco and LionOre, with their combined expertise and skills we'd certainly see ourselves as becoming operators."

He also believed base metals prices had a fairly solid outlook.

"No doubt we'll see a rise in inventories in some of the metals as short-term production opportunities are achieved," he said.

"The gold industry and the base metals industry have all suffered from a lack of investment in exploration over the last five to 10 years. It's really become a demand-driven industry instead of a supply-driven industry for the first time.

"I certainly don't see a major retreat in the metal prices in the next 12 or 18 months."

Earlier this year, Breakaway also completed the sale of its WA Bannockburn gold project and its interest in the Bannockburn nickel joint venture. The company also finalised a series of converting notes with subscriber LionOre Australia Ltd for a \$3.5 million total face value, convertible into fully-paid Breakaway shares for an exercise price of 4.5 cents per share.

According to Mulroney, the company had about \$3.5 million in cash.

"We've just finished restructuring a number of our activities," he added.



▲ Michael Mulroney

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