



breakaway

Media Article by Highgrade, 09 June 2010.

Deep silver search strengthened - 2010-06-09

=====

http://www.highgrade.net/article/2010-06-09/Deep_silver_search_strengthened

DEEP drilling to target resources under cover is increasingly the name of the game for explorers. Nickel junior Breakaway Resources has snared a handy joint venture partner in BHP Billiton to rev up the rigs to go deep at the Altia project in Queensland.

The very first hole planned for BHP's stint at the project is a 1000m diamond drill hole designed to test for potential extensions beneath the existing Altia deposit, which has a resource of 5.78 million tonnes at 40.3 grams per tonne silver, 3.96% lead and 0.49% zinc sitting less than 300m below surface. It is open at depth and down-dip.

Breakaway, and BHPB, believe the project bears a striking resemblance to the Cannington deposit, 100km to the south, but occurring in same geological context - which means that they believe there could be something much bigger occurring substantially deeper than the existing resource.

Drilling is planned to test the Dingo trend, a conceptual target which the JV hopes could be a recumbent isoclinal fold structure potentially hosting a Cannington-analogue.

BHP can earn a 70% interest in the silver-lead-zinc rights at Altia by spending \$A10 million over five years, with \$A1 million needing to be spent before November this year.

Breakaway managing director David Hutton told HighGrade BHP was "not just looking for more of the same" at Altia when it came to the existing resources, which contains about 7.5 million ounces of silver and 230,000 tonnes of lead at grades substantially lower grade than Cannington.

Cannington has resources of about 49Mt grading 279 grams per tonne silver, 7% lead and 3.9% zinc.

"BHP is looking for that expanded high-grade silver position," Hutton said.

High-grade silver drill hits at Altia come from the southern end of the project area, outside of the existing resources, and include one intersection with a downhole width of 19m grading 286gpt silver.

"The work has not been done to see if these high-grade extensions continue," Hutton said. "There is the high-grade silver potential and the geological similarities between the Altia deposit and the peripheral parts of the Cannington deposit as well, so on the basis of that, and a lack of testing at depth and south along strike, BHP sees there is sufficient space and prospectivity of an attractive size."

During the due diligence period over the joint venture, BHP went back and resampled all of Breakaway's significant intersections and validated the geological models to confirm the higher grade, deeper silver potential, Hutton added. He said the JV also allowed the company to focus on its nickel sulphide projects in Leinster without simply abandoning or ignoring Altia's prospectivity.

"This is a really nice deposit and it's got a lot of value, but it's not our core technical focus," he said.

"And it is geologically complex - it is a large system, and it's been drilled sparingly over 500m strike down to about 300m vertical, and we recognise to really test and flesh out the potential of this deposit we needed a lot of diamond drilling which is by definition expensive."

Breakaway could potentially end up as a 30% partner in a BHPB-size project and that is nothing but a good thing as far as Hutton is concerned - and the market liked the story too, giving Breakaway's shares a much-needed boost when the company announced drilling would begin. The company was until recently one of the better positioned explorers on the bourse thanks to a revenue stream from the Eloise copper mine, which is in the same area as the Altia project. When Eloise, owned by private company FMR Investments, was in operation it was a nice little earner for Breakaway but the mine shut down after the copper price plunged in late 2008.

With Breakaway spending exploration dollars it would be a "bonus" to get that royalty stream back in light of much higher copper prices, Hutton said, but the company had no expectation that revenue would return any time soon. He said he understood FMR was keeping an eye on its options and prices but news reports this week suggested the private group had decided to delay any mine re-opening due to the proposed resources super profits tax.

With or without Eloise, cash is always an important consideration for juniors and Hutton said Breakaway was planning further divestments to make its other projects work hard.

"We've still got a fantastic project portfolio in nickel sulphide exploration assets in the goldfields and the east Kimberley, but we want to focus on what we perceive to be the best opportunity for nickel sulphide success, which are the Wildara and Miranda projects up at Leinster," he said.

As a result, "peripheral" projects such as the Scotia and Kambalda West tenements are now formally under a divestment process with Perth-based PCF Capital dealing with the divestment process.

"The days of sitting there with a large project portfolio basically doing nothing are gone - everything's got to be paying its way," Hutton said.