

Eloise penny drops

Breakaway Resources Ltd stands financially healthy having wiped its debt clear after the maturing of convertible notes into shares subsequent to an agreement with its largest shareholder in 2006.

Following the transaction in mid-August, 74.4 million Breakaway shares were issued to Norilsk Nickel Australia Pty Ltd at a cost of \$9 million, giving Norilsk a 29.49% hold on the company.

With a plan to reposition itself in the Queensland space as a copper-gold player, Breakaway Resources has been aggressively drilling its Eloise project in the Cloncurry district of Queensland as it moves towards a maiden re-



The Eloise copper-gold mine is within a 20km radius of two targets Breakaway is currently aggressively drilling

source in the first quarter of next year.

The last few months have been a crucial time for the explorer as it digested results from an initial 33-hole RC drilling programme and identified two immediate follow-up targets, within a 20km radius of the recycled Eloise mine – previously owned by Amalg Syndicate, a precursor of Breakaway before it was bought by Breakaway's second largest

shareholder FMR Investment (formerly known as Barmenco) in 2004. FMR purchased the mine and operated the mine and mill until it was placed under a care-and-maintenance-programme in late November 2010 consequent to the GFC and a fall in commodity prices. Production resumed from Eloise in January this year.

Although Breakaway has owned the Eloise tenements for almost a decade, managing di-

rector David Hutton told **Gold Mining Journal** it was only now the company was discovering the full value of the project.

"The reason the Eloise tenements haven't had the attention they deserve is twofold – firstly Breakaway has been focused for the last five or so years on its West Australian nickel assets and secondly when Breakaway

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operated the tenements in conjunction with the Eloise copper mine, which it owned up to 2004, it was a hand-to-mouth existence."

Although it is still early days, immediate targets at Surprise Ridge and Sandy Creek have already dished up some promising results with mineralisation remaining unclosed both down-dip and along strike.

At Surprise Ridge polymetallic mineralisation has been encountered with drilling unveiling increased widths of zinc, silver, copper and gold including 2m @ 1.1% copper and 0.24 g/t gold from 179m while Sandy Creek has identified high-grade copper-gold mineralisation including 8m @ 1.67% copper and 0.44 g/t gold from 113m including 1m @ 4.62% copper and 0.98 g/t gold from 113m.

"The next step for Surprise Ridge is to go back and drill some diamond holes into it to confirm the mineralisation's strike orientation, which will then allow us to plan further drilling in order to build some dimension to it."

Hutton said a 3,700m RC and diamond drilling programme would infill existing mineralisation and test for depth and strike extensions at Sandy Creek.

"Geologically, Sandy Creek has some similarities to the Eloise copper mine and some in the market are already starting to speculate on its potential size. The infill drilling will be carried out on nominal 50m by 50m centres (to a depth of 120m) in order to confirm the mineralisation's internal continuity; which is critical information for future resource estimations." Three

deeper diamond holes will be also used as platforms for down-hole EM surveying. "We know that the existing copper-gold mineralisation is electrically conductive and can be seen by EM. From reviewing historic geophysical data, we have established that there is a poorly tested EM conductor plate within the central portion of the prospect that extends up to 120m below existing mineralised drill hole intercepts." An active mill lies on the property and although it only has a 720,000 tpa capacity, Hutton is not ruling out the option to use either Xstrata plc's Ernest Henry mill or Ivanhoe Australia Ltd's milling facility –both within distance of Eloise and running under capacity, according to Hutton.

With an established mining history shipping the ore shouldn't prove problematic with a rail line running directly from Cloncurry to Townsville.

A landmark farm-in deal with BHP Billiton Ltd in late 2009 has also proved advantageous for Breakaway providing a potentially rich, cash generating opportunity for the company as it advances forward.

The area known as Altia represents just 2% of Breakaway's 480sq km Eloise project area and under the terms of the agreement, BHP can earn a 70% interest in the Altia silver-lead-zinc rights by spending \$10 million over five years. Once BHP reaches this level it retains the right to purchase the remaining stake off Breakaway following

completion of a BFS.

"It took about a year and a half to negotiate; we realised that we needed a big partner to advance the Altia deposit and BHP Billiton were keen to identify additional silver feedstock for their Cannington silver mine. Within the JV area Breakaway retains the copper-gold rights and outside of that Breakaway owns 100% of all mineral rights. BHP Billiton has no rights to, or options over, any of the regional ground."

With a major player and one of Breakaway's largest shareholders' residents in the same tenement space, Breakaway's ability to leverage off its relationships to advance Eloise forward remains high.

"Its early days, but intersection widths and grades are not dissimilar to what's being mined at Eloise by FMR Investments and they are watching our efforts with interest. As major shareholders we are keeping them in the loop."

With first assay results expected to trickle out from Sandy Creek this month and a 2,000m diamond drilling programme by BHP at Altia currently under way, interest has been mounting from brokers and major shareholders alike, according to Hutton.

"Put it this way if it pans out the way we would like it to, we would have a (resource) number that could put us on the radar screen as a successful copper-gold explorer. There are not many explorers that within the first six to 12 months of embarking upon a new exploration strategy have advanced prospects and a potential resources drop out of it," he said.

– Bianca Thair



A 3,700m RC and diamond drilling programme currently underway will infill existing mineralisation and test for depth and strike extensions at Sandy Creek

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