



**breakaway**

**BREAKAWAY RESOURCES LIMITED**

ABN 16 061 595 051

# **FINANCIAL REPORT**

**For the Half-Year Ended**

**31 December 2009**

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## **DIRECTORS' REPORT**

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The Directors of Breakaway Resources Limited ("Breakaway or the Company") present their report together with the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2009.

### **DIRECTORS**

The names and details of the Directors of the Company at any time during or since the end of the half-year are:

<b><i>Name</i></b>	<b><i>Period of Directorship</i></b>
<b>John King Atkins</b> - Chairman	Director and Chairman since November 2006
<b>Jonathan Alister Young</b> - Non-Executive Director	Director since March 2003
<b>Jeffrey John Gresham</b> - Non-Executive Director	Director since October 2006
<b>Garry Patrick Connell</b> – Non-Executive Director	Resigned 20 November 2009

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### **PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity for the half-year were the exploration for mineral resources in Australia.

### **RESULT**

The Loss from ordinary activities after income tax for the financial period was \$651,000 (2008: Loss of \$5,558,000).

### **REVIEW OF OPERATIONS**

The consolidated entity recorded an after tax loss of \$651,000 for the six months ended 31 December 2009.

During the half year ending 31 December 2009, the Group undertook the following activities:

- The Company continued to explore and evaluate its base and precious metals projects.
- Entered into a joint venture agreement with BHP Billiton where BHP are to spend A\$10M over 5 years to earn 70% of the silver-lead-zinc rights in the Altia Joint Venture Project, Cloncurry District, Queensland, with a minimum A\$1M expenditure in the first year.
- Lodged a prospectus for a 1 for 3 underwritten rights issue which was completed 2 February 2010 and in which \$3,589,000 was raised before share issue costs

### **Auditor's Independence Declaration**

The copy of the Auditor's Independence Declaration as required under sections 307C of the Corporations Act 2001 is appended to the Auditor's Independent Review Report.

### **ROUNDING OFF**

Breakaway is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Director's Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## DIRECTORS' REPORT

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Signed on this 10<sup>th</sup> day of March 2010 in accordance with resolution of the Directors made pursuant to s306(3) of the Corporations Act 2001.

A handwritten signature in black ink that reads "John Atkins". The signature is written in a cursive style with a large initial 'J'.

**John Atkins**  
*Director*

**BREAKAWAY RESOURCES LIMITED**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

		Consolidated	
	Note	Half Year Ended 31-Dec-09 \$000	Half Year Ended 31-Dec-08 \$000
<b>Continuing operations</b>			
Finance revenue		48	217
Total revenue from continuing operations		<u>48</u>	<u>217</u>
Other revenue		185	2
Employee benefit expenses		(412)	(669)
Exploration Expenditure written off		(50)	(38)
Capitalised Exploration written off		-	(4,829)
Depreciation and amortisation costs		(102)	(72)
Administration expense		(358)	(319)
Consultants expense		(83)	(47)
Occupancy expense		(213)	(174)
Impairment of assets available for sale		(9)	(297)
Impairment of fixed assets	3	(321)	-
Reversal of rehabilitation provision		-	245
Other expenses from ordinary activities		-	(27)
Loss from continuing operations before tax and finance costs		<u>(1,315)</u>	<u>(6,008)</u>
Finance income/(cost)	3	547	450
<b>Loss before income tax relating to continuing operations</b>		<u>(768)</u>	<u>(5,558)</u>
Income tax benefit		117	-
<b>Loss after tax from continuing operations</b>		<u>(651)</u>	<u>(5,558)</u>
<b>Other comprehensive income</b>			
Net change in the fair value of available-for-sale financial assets		172	153
Other comprehensive income for the period, net of tax		<u>172</u>	<u>153</u>
<b>Total comprehensive income for the period</b>		<u>(479)</u>	<u>(5,405)</u>
Loss attributable to:			
Owners of Breakaway Resources Ltd		<u>(651)</u>	<u>(5,558)</u>
Total comprehensive income for the period is attributable to:			
Owners of Breakaway Resources Ltd		<u>(479)</u>	<u>(5,405)</u>
Basic (loss)/profit per share (cents per share)		<u>(0.4)</u>	<u>(3.23)</u>
Diluted (loss)/profit per share (cents per share)		<u>(0.4)</u>	<u>(3.23)</u>

The condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

**BREAKAWAY RESOURCES LIMITED**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

		Consolidated	
	Note	31-Dec-09 \$000	30-Jun-09 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,262	2,864
Trade and other receivables		128	36
<b>Total Current Assets</b>		<b>1,390</b>	<b>2,900</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		283	227
Property, plant & equipment		171	588
Exploration, evaluation and development	5	33,071	32,190
Available for sale financial assets		328	102
<b>Total Non-Current Assets</b>		<b>33,853</b>	<b>33,107</b>
<b>TOTAL ASSETS</b>		<b>35,243</b>	<b>36,007</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		395	125
Loans and borrowings		6	11
Provisions		67	72
<b>Total Current Liabilities</b>		<b>468</b>	<b>208</b>
<b>NON CURRENT LIABILITIES</b>			
Loans and borrowings		8,158	8,705
Provisions		628	626
<b>Total Current Liabilities</b>		<b>8,786</b>	<b>9,331</b>
<b>TOTAL LIABILITIES</b>		<b>9,254</b>	<b>9,539</b>
<b>NET ASSETS</b>		<b>25,989</b>	<b>26,468</b>
<b>EQUITY</b>			
Issued capital		79,290	79,290
Converting Note		2,731	2,731
Reserves		844	672
Accumulated losses		(56,876)	(56,225)
<b>TOTAL EQUITY</b>		<b>25,989</b>	<b>26,468</b>

The condensed statement of financial position should be read in conjunction with the accompanying notes.

**BREAKAWAY RESOURCES LIMITED  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Consolidated	
	Half Year Ended 31-Dec-09 \$000	Half Year Ended 31-Dec-08 \$000
<b>Cash Flows from Operating Activities</b>		
Cash receipts in the course of operations	36	-
Cash payments in the course of operations	(1,114)	(1,122)
Interest received	54	181
Borrowing costs paid	-	(2)
R&D - Tax offset	117	-
<b>Net cash used in operating activities</b>	<b>(907)</b>	<b>(943)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and development	(691)	(5,424)
Payments for property, plant and equipment	(6)	(24)
Proceeds from sale of available for sale financial assets	96	-
Payment for available for sale financial assets	(10)	-
Deposit for guarantee	(55)	-
<b>Net cash used in Investing Activities</b>	<b>(666)</b>	<b>(5,448)</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from share issue (net of transaction costs)	-	1,900
Rights issue costs	(24)	-
Repayment of hire purchase liability	(5)	-
<b>Net Cash provided by/(used in) Financing Activities</b>	<b>(29)</b>	<b>1,900</b>
Net increase/(decrease) in cash held	(1,602)	(4,491)
Cash at the beginning of the financial year	2,864	8,507
<b>Cash at the End of the Financial Year</b>	<b>1,262</b>	<b>4,016</b>

The condensed statement of cash flows should be read in conjunction with the accompanying notes.

**BREAKAWAY RESOURCES LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Ordinary Shares	Converting Notes	Reserves	Accumulated Losses	Total
	\$000	\$000	\$000	\$000	\$000
<b>Consolidated Group</b>					
Balance at 1 July 2008	77,390	2,731	897	(50,253)	30,765
Shares issued during the year	2,000	-	-	-	2,000
Share-based payments	-	-	-	-	-
Share issue costs	(100)	-	-	-	(100)
	<u>79,290</u>	<u>2,731</u>	<u>897</u>	<u>(50,253)</u>	<u>32,665</u>
Loss attributable to members of the parent entity	-	-	-	(5,558)	(5,558)
	<u>79,290</u>	<u>2,731</u>	<u>897</u>	<u>(55,811)</u>	<u>27,107</u>
Financial Asset Revaluation	-	-	153	-	153
Employee Equity-Settle Benefits Reserve	-	-	55	-	55
Balance at 31 December 2008	<u>79,290</u>	<u>2,731</u>	<u>1,105</u>	<u>(55,811)</u>	<u>27,315</u>
<b>Balance at 1 July 2009</b>	<b>79,290</b>	<b>2,731</b>	<b>672</b>	<b>(56,225)</b>	<b>26,468</b>
Shares issued during the year	-	-	-	-	-
Share-based payments	-	-	-	-	-
Share issue costs	-	-	-	-	-
	<u>79,290</u>	<u>2,731</u>	<u>672</u>	<u>(56,225)</u>	<u>26,468</u>
Loss attributable to members of the parent entity	-	-	-	(651)	(651)
	<u>79,290</u>	<u>2,731</u>	<u>672</u>	<u>(56,876)</u>	<u>25,817</u>
Financial Asset Revaluation	-	-	172	-	172
Employee Equity-Settle Benefits Reserve	-	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>79,290</b>	<b>2,731</b>	<b>844</b>	<b>(56,876)</b>	<b>25,989</b>

The condensed statement of changes in equity should be read in conjunction with the accompanying notes.



### 1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the half-year ended 31 December 2009 was authorised for issue in accordance with a circular resolution of the Directors on 10 March 2010.

Breakaway Resources Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operation and principal activities of the group are described in note 4.

### 2. SUMMARY OF ACCOUNTING POLICIES

#### 2.1 Basis of Preparation of Half-Year Financial Report

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001 and, AASB 134. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### 2.2 Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

#### 2.3 Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

#### 2.4 New Accounting Standards and Interpretations

##### (a) Changes in Accounting Policies and Disclosures

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 3 Business Combinations
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

The adoption of AASB 3 and AASB 127 will change the accounting policy of the group for future acquisitions and changes in ownership interests. These standards are applied prospectively and had no material impact on prior combinations.

## NOTES TO THE FINANCIAL STATEMENTS

AASB 8 has replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. A narrative description has been made in the notes to the financial report.

The revised AASB 101 separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the consolidated entity and related disclosures have been made in the half year financial report.

(b) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2009. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

### 3. LOSS BEFORE INCOME TAX BENEFIT

	Consolidated	
	31-Dec-09	31-Dec-08
	\$000	\$000
Loss from ordinary activities before income tax benefit has been arrived at after charging/(crediting) the following items:		
Finance Costs:		
Converting Note Interest	286	266
Fair Value Movement on Embedded Derivative	(833)	(718)
Other	-	2
Total Finance Costs	<u>(547)</u>	<u>(450)</u>
Impairment write down of property, plant & equipment	<u>321</u>	<u>-</u>

### 4. OPERATING SEGMENT INFORMATION

The Company operates solely in the mineral resources exploration industry in Australia.

### 5. EXPLORATION, EVALUATION AND DEVELOPMENT

	Consolidated	
	31-Dec-09	30-Jun-09
	\$000	\$000
Costs carried forward in respect of areas of interest in:		
<b>Exploration and/or Evaluation Phase</b>		
Balance at beginning of year	32,190	32,677
Acquisitions of tenements	-	50
Exploration, evaluation and development expenditure	902	4,565
Exploration, evaluation and development expenditure written- off	-	(2,470)
Re-Imbursements from JV partners	(21)	(237)
Capitalised Exploration Impairment	-	(2,395)
Total exploration, evaluation and development expenditure	<u>33,071</u>	<u>32,190</u>

An assessment is made of the carrying value of capitalised exploration, evaluation and development expenditure on a half yearly basis and no impairment of the carrying values in capitalised exploration assets is required. The ultimate recovery of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

### **6. SUBSEQUENT EVENTS**

On 2 February 2010, the Company completed a 1 for 3 non-renounceable rights issue raising \$3.6 million before share issue costs. It has allotted 59.8 million shares bringing total issued capital to 239.3 million shares.

### **7. COMMITMENTS**

Expenditure commitment per the terms and conditions of exploration/mining tenements over the next 12 months is approximately \$2.499 million. These obligations may be varied from time to time subject to statutory approval and are not provided for in the financial report.

## **DIRECTORS' DECLARATION**

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In accordance with a resolution of the Directors of Breakaway Resources Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



**John Atkins**  
*Director*

Dated in Perth this 10<sup>th</sup> day of March 2010



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF BREAKAWAY RESOURCES LIMITED

#### Report On The Half Year Financial Report

We have reviewed the accompanying half-year financial report of Breakaway Resources Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises the entity and the entities it controlled at the period's end or from time to time during the financial period.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Breakaway Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Breakaway Resources Limited, is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



**PKF**  
Chartered Accountants



**Conley Manifis**  
Partner


Dated at Perth, Western Australia on this 10<sup>th</sup> day of March 2010.

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of Breakaway Resources Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Breakaway Resources Limited and the entities it controlled during the period.



**PKF**  
Chartered Accountants



**Conley Manifis**  
Partner

Dated in Perth, Western Australia on this 10<sup>th</sup> day of March 2010.

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