



breakaway

BREAKAWAY RESOURCES LIMITED

ABN 16 061 595 051

FINANCIAL REPORT

for the Half-Year Ended

31 December 2012

BREAKAWAY RESOURCES LIMITED
ABN 16 061 595 051

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DIRECTORS' REPORT

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 2012.

DIRECTORS

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

<i>Name</i>	<i>Period of Directorship</i>
John Atkins - Chairman	Director and Chairman since November 2006
Victor Rajasooriar – Managing Director	Director since July 2012
Jonathan Young - Non-Executive Director	Director since March 2003
Jeffrey Gresham - Non-Executive Director	Director since October 2006

PRINCIPAL ACTIVITIES

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

RESULT

The net loss from ordinary activities after income tax for the financial period was \$880,750 (2011: \$2,201,177).

REVIEW OF OPERATIONS

During the half year ending 31 December 2012, the Group undertook the following activities:

Base Metal Exploration – Queensland

- Maiden Inferred Resource of 2.06Mt grading 1.42% Cu and 0.33g/t Au containing 29,400t of copper and 21,900oz of gold completed for the Sandy Creek Project, North Queensland.
- Diamond drilling program commenced at Sandy Creek aimed at extending and upgrading the existing JORC resource and obtaining drill core for metallurgical test work.
- Farm-in Joint Venture agreement signed in September 2012 with leading Australian copper producer Sandfire Resources for the Broader Altia Project in NW Queensland, targeting all minerals.
- Sandfire to spend A\$4M over 3 years to earn an initial 60% interest, with the option to increase to 80% through further expenditure of A\$4M over 3 years.
- Geophysical consultants engaged to plan a geophysical work program to identify detailed targets on the broader NW Queensland tenements in preparation for drilling this year.

Gold Exploration – Western Australia

- In November 2012 an agreement was reached with Mithril Resources to sell the Spargos Reward tenements, part of Breakaway's West Kambalda Project, for \$200,000 in cash.
- Scotia Gold JV delivers encouraging gold results from the Chameleon Prospect and its maiden exploration drilling programs at the Stubby Tail and Blue Tongue Prospects, located 60km north of Kalgoorlie.

Corporate

- Agreement reached with Agnew Gold Mining Company to dissolve the mining rights arrangements in respect of the Vivien and Miranda tenements in Western Australia.
- Sandfire Resources acquired a strategic stake in Breakaway in September 2012 at a significant premium to market by injecting A\$600,000 to boost its working capital for ongoing copper-gold exploration in NW Queensland.
- Strategic review of the Company's remaining nickel projects in WA continued, with discussions underway with various parties.
- A Share Purchase Plan (SPP) raised approximately \$597,500 before costs in November 2012, to underpin ongoing copper-gold exploration programs at the Eloise Project, North Queensland.

SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the half-year that has significantly affected or may significantly affect the Company's operations, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's Independence Declaration

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

Signed on this 14th day of March 2013 in accordance with resolution of the Directors made pursuant to s306 (3) of the Corporations Act 2001.



John Atkins
Director

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Consolidated	
	Half Year 31-Dec-12	Half Year 31-Dec-11
	\$	\$
Finance revenue	27,161	71,312
Total revenue from continuing operations	27,161	71,312
Other revenue	200,358	31,716
Employee benefit expenses	(258,512)	(283,518)
Exploration expenditure	(873,375)	(1,545,589)
Depreciation and amortisation costs	(15,796)	(19,415)
Administration expense	(159,058)	(277,923)
Consultants expense	(60,047)	(57,885)
Occupancy expense	(37,215)	(77,484)
Impairment of assets available for sale	-	(19,877)
Impairment of fixed assets	-	(14,261)
Other expenses from ordinary activities	(4,266)	(8,253)
Reversal of rehabilitation provision	300,000	-
Loss before income tax relating to continuing operations	(880,750)	(2,201,177)
Other comprehensive income		
Net change in the fair value of available-for-sale financial assets	5,061	-
Other comprehensive income for the period, net of tax	5,061	-
Total comprehensive loss for the period	(875,689)	(2,201,177)
Net loss attributable to: Owners of Breakaway Resources Ltd	(880,750)	(2,201,177)
Total comprehensive loss for the period is attributable to: Owners of Breakaway Resources Ltd	(880,750)	(2,201,177)
Basic loss per share (cents per share)	(0.21)	(0.63)
Diluted loss per share (cents per share)	(0.21)	(0.63)

The condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONDENSED STATEMENT OF FINANCIAL POSITION	Note	Consolidated	
		2012 31-Dec	2012 30-Jun
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		1,269,648	1,319,779
Trade and other receivables		41,257	28,831
Total Current Assets		1,310,905	1,348,610
NON-CURRENT ASSETS			
Trade and other receivables		106,200	228,278
Property, plant & equipment		59,545	70,925
Available for sale financial assets		40,965	35,904
Total Non-Current Assets		206,710	335,107
TOTAL ASSETS		1,517,615	1,683,717
CURRENT LIABILITIES			
Trade and other payables		324,272	498,692
Provisions		24,770	15,476
Total Current Liabilities		349,042	514,168
NON CURRENT LIABILITIES			
Trade and other payables		150,000	200,000
Provisions		322,122	621,597
Total Current Liabilities		472,122	821,597
TOTAL LIABILITIES		821,164	1,335,765
NET ASSETS		696,451	347,952
EQUITY			
Issued capital	4	97,363,168	96,188,265
Reserves		765,723	711,377
Accumulated losses		(97,432,440)	(96,551,690)
TOTAL EQUITY		696,451	347,952

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

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONDENSED STATEMENT OF CASH FLOWS	Consolidated	
	Half Year	Half Year
	2012	2011
	31-Dec	31-Dec
	\$	\$
Cash Flows from Operating Activities		
Cash receipts in the course of operations	200,651	6,966
Cash payments in the course of operations	(1,584,747)	(2,260,547)
Interest received	29,043	79,590
Net cash used in operating activities	(1,355,053)	(2,173,991)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(5,109)	(3,424)
Proceeds from sale of property, plant and equipment	400	24,750
Deposits received	122,078	62,776
Net cash used in investing activities	117,369	84,102
Cash Flow from Financing Activities		
Proceeds from share issue	1,197,500	1,111,475
Share issue costs	(9,947)	(82,588)
Net Cash provided by financing activities	1,187,553	1,028,887
Net decrease in cash held	(50,131)	(1,061,002)
Cash at the beginning of the financial year	1,319,779	3,231,428
Cash at the End of the Half Year	1,269,648	2,170,426

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

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONDENSED STATEMENT OF CHANGES IN EQUITY	Ordinary Shares	Converting Notes	Reserves	Accumulated losses	Total attributed to equity holders
	\$	\$	\$	\$	\$
Balance at 1 July 2011	86,159,378	9,000,000	699,780	(93,428,877)	2,430,281
Shares issued during the period	10,111,475	(9,000,000)	-	-	1,111,475
Share-based payments	-	-	7,341	-	7,341
Share issue costs	(82,588)	-	-	-	(82,588)
	<u>96,188,265</u>	<u>-</u>	<u>707,121</u>	<u>(93,428,877)</u>	<u>3,466,509</u>
Total comprehensive loss attributable to members of the parent entity	-	-	-	(2,201,177)	(2,201,177)
Balance at 31 December 2011	<u>96,188,265</u>	<u>-</u>	<u>707,121</u>	<u>(95,630,054)</u>	<u>1,265,332</u>
Balance at 1 July 2012	96,188,265	-	711,377	(96,551,690)	347,952
Shares issued during the year	1,197,500	-	-	-	1,197,500
Share-based payments	-	-	49,285	-	49,285
Share issue costs	(22,597)	-	-	-	(22,597)
	<u>97,363,168</u>	<u>-</u>	<u>760,662</u>	<u>(96,551,690)</u>	<u>1,572,140</u>
Total comprehensive loss attributable to members of the parent entity	-	-	5,061	(880,750)	(875,689)
Balance at 31 December 2012	<u>97,363,168</u>	<u>-</u>	<u>765,723</u>	<u>(97,432,440)</u>	<u>696,451</u>

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 2012 was authorised for issue in accordance with a resolution of the Directors on 14 March 2013.

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 3.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Breakaway Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2.2 Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

2.3 Future Funding of operations

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity had a net working capital surplus of \$961,863 (30 June 2012- \$834,442) after experiencing net cash outflows from operating activities of \$1,355,053 (6 months to 31 December 2011 - \$2,173,991) and after incurring a comprehensive loss after tax for the half year ended 31 December 2012 of \$875,689 (6 months to 31 December 2011 - \$2,201,177).

The Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the consolidated entity:

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Future Funding of operations (continued)

- the Company successfully completed a \$600,000 capital raising through a share placement during September 2012 and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is expected to occur in the twelve month period from the date of this financial report;
- during November 2012 the Company raised \$597,500 before costs from a share purchase plan
- the consolidated entity retains the ability to scale down its operations to conserve cash, in the event that capital raisings are delayed or partial; and
- the company and consolidated entity have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in mineral exploration and development assets.

Due to the above matters, the Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as going concerns and that it is appropriate that this basis of accounting be adopted in the preparation of the financial statements. In the event that the Company and consolidated entity is not successful in raising funds from the issue of new equity, there exists a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2.4 Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

2.5 Adoption of new and revised Accounting Standards

The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. The Group has decided against early adoption of any new Standards and Interpretations except amendments resulting from AASB 2009-5. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

3. OPERATING SEGMENT INFORMATION

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

4. ISSUED CAPITAL

434,854,266 (June 2012: 388,163,837) ordinary shares, fully paid

Consolidated	
Dec-12 6 months \$	Jun-12 12 months \$
97,363,168	96,188,265

(i) Ordinary shares - number

At start of period
Conversion of convertible note
Issue of shares under a Share Purchase Plan
Placement in September 2012 at 2.3 cents
Placement in November 2011 at 4.9 cents

Consolidated	
Dec-12 6 months Number	Jun-12 12 months Number
388,163,837	291,100,507
-	74,380,165
20,603,473	-
26,086,956	-
-	22,683,165
434,854,266	388,163,837

Balance at end of period

(ii) Ordinary shares – value

At start of period
Conversion of convertible note
Issue of shares under a Share Purchase Plan at 2.9 cents
Placement in September 2012 at 2.3 cents
Placement in November 2011 at 4.9 cents
(December 2010 - 7.4 cents)
Less share issue costs

Consolidated	
Dec-12 6 months \$	Jun-12 12 months \$
96,188,265	86,159,378
-	9,000,000
597,500	-
600,000	-
-	1,111,475
(22,597)	(82,588)
97,363,168	96,188,265

Balance at end of period

OPTIONS ON ISSUE

Movements in options over ordinary shares on issue
At start of period
Issues
Forfeited
Expiry
At end of period

Consolidated	
Dec-12 6 months Number	Jun-12 12 months Number
5,500,000	2,150,000
5,000,000	5,500,000
(2,000,000)	(1,500,000)
-	(650,000)
8,500,000	5,500,000

5. COMMITMENTS

Expenditure commitments per the terms and conditions of exploration/mining tenements over the next 12 months are approximately \$1,571,780 (30 June 2012: \$2,227,980). These obligations may be varied from time to time subject to statutory approval and are not provided for in the financial report.

Non-cancellable operating leases contracted for the office premises and associated costs, but not capitalised in the financial statements and due over the next 12 months, were approximately \$96,000 (30 June 2012: \$96,000).

6. SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the half-year that has significantly affected or may significantly affect the Company's operations, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

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 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) complying 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.

Signed in accordance with a resolution of the Directors made pursuant to s303 (5) of the Corporations Act 2001.



John Atkins
Director

Dated in Perth this 14th day of March 2013

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 and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls 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 a 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 Group's financial position as at 31 December 2012 and its performance for the period 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.

Independence

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

Nexia Perth Audit Services Pty Ltd

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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 and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the half-year financial report, which indicates that the Group will require further equity funding within the next twelve months from the date of this report to fund its planned exploration projects. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.



Nexia Perth Audit Services Pty Ltd



PTC Klopper
Director

Perth
14 March 2013

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Breakaway Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



Nexia Perth Audit Services Pty Ltd



PTC Klopper
Director

Perth
14 March 2013