



## Activity Report for the Quarter Ended 30 September 2013

*Off-market agreed takeover by Minotaur Exploration nearing completion; assays awaited from drilling at Altia Project*

### Highlights:

#### Recommended Takeover Offer from Minotaur Exploration

- Off-market agreed takeover offer by Minotaur Exploration nearing completion, with Minotaur holding a relevant interest of 85 per cent in Breakaway at the end of the Quarter.
- All Breakaway's largest shareholders, including Norilsk Nickel Australia Pty Ltd, FMR Investments Pty Ltd and Sandfire Resources NL, as well as the Breakaway Board of Directors and key High Net Worth investors have accepted the Minotaur Offer in respect of their shares.
- Under the Offer, Breakaway shareholders receive 1 Minotaur (MEP) share for every 10 Breakaway (BRW) shares, valuing Breakaway at 1.24 cents per share – a 33.4% premium to the 30-day VWAP of Breakaway shares prior to the announcement of the Offer.
- Closing Date for Offer period extended to 5.00pm (Perth-time) on 18 October 2013.

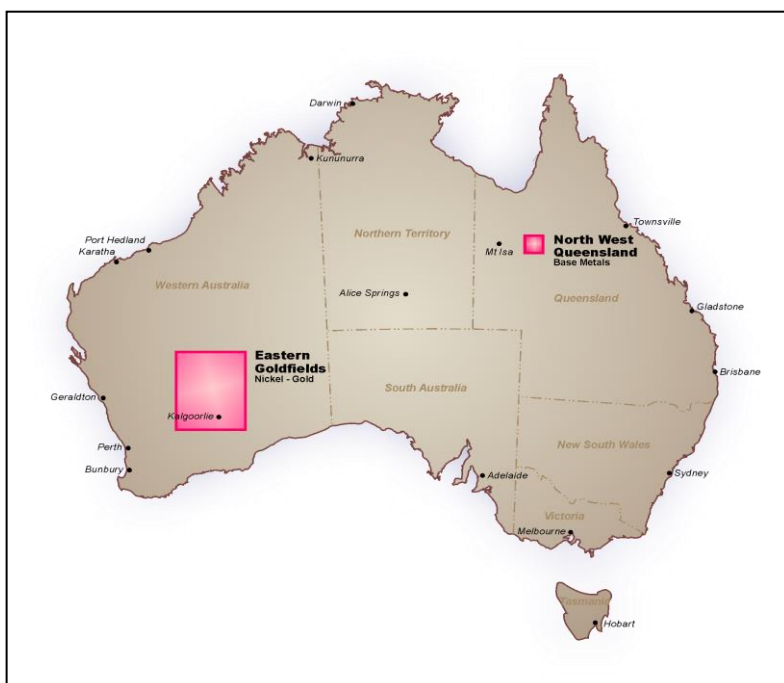


Figure 1: Breakaway Project Locations

#### Base Metal Exploration – Queensland

- Joint Venture manager Sandfire Resources (ASX: SFR) completes follow-up diamond and RC drilling at the Broader Altia Project, with assay results awaited.

#### Scotia Tenement Sale – Western Australia

- Sale of the Scotia Project, located 65km north of Kalgoorlie, to Minotaur Gold Solutions Ltd completed, realising \$600,000 in cash.

## **CORPORATE – TAKEOVER OFFER BY MINOTAUR EXPLORATION**

On 15 July 2013, Breakaway announced that it had entered into a binding Bid Implementation Agreement (“BIA”) with Minotaur Exploration Limited (ASX: MEP, “Minotaur”) under which Minotaur proposes to acquire all of the issued shares in Breakaway by way of an off-market agreed takeover offer.

Under the offer, Breakaway shareholders will receive one (1) new Minotaur share for every ten (10) Breakaway shares held. Based on Minotaur’s 30-day volume weighted average price (VWAP) of 12.4 cents on the ASX on 8 July 2013 (the last trading day for Breakaway shares before the date of this announcement), the offer values Breakaway at \$5.4 million or 1.24 cents per share. This represents a premium of 33.4% to the 30-day volume weighted average price (VWAP) of Breakaway shares.

The transaction, which has been unanimously recommended by the Breakaway Board of Directors in the absence of a superior offer, will enhance Minotaur’s position as a well-funded, diversified Australian minerals explorer with a strong focus on copper-gold and gold exploration in premier IOCG (iron oxide copper-gold) and gold provinces across Australia.

Breakaway shareholders will have the opportunity to participate in the growth of a well-credentialed and well-funded Australian exploration group with a strong balance sheet, access to funding through a recently announced copper-gold funding alliance with a cornerstone investor, and the opportunity to realise value from an expanded asset base including Breakaway’s projects in North Queensland and WA.

Minotaur’s exploration team has identified a number of high priority drill targets over both the Eloise tenements in Queensland and the Leinster tenements in WA. Both projects include a number of drill targets identified under cover and will benefit from Minotaur’s expertise in this area of exploration.

### **Current Status of Transaction**

Minotaur issued a Bidder’s Statement relating to the transaction on 1 August 2013.

Breakaway issued its Target Statement on 2 August 2013, with all Breakaway Directors unanimously recommending that Breakaway shareholders accept the Minotaur offer in the absence of a superior proposal.

During the Quarter, all of Breakaway’s major shareholders, including Norilsk Nickel Australia Pty Ltd, FMR Investments Pty Ltd and Sandfire Resources NL, as well as the Company’s Board of Directors and key high net worth shareholders, accepted the Minotaur offer in respect of all Breakaway shares held by them. At the end of the reporting period Minotaur had received acceptances for, and held a relevant interest in, 85 per cent of Breakaway shares.

On 4 October 2013, Minotaur advised that their offer was unconditional and free of all the Defeating Conditions set out in section 13 of the Bidders Statement.

On 9 October Minotaur extended the Closing Date for the Offer Period to 5.00pm Perth time on 18 October 2013.

### **Transaction Outcome**

Following completion of the transaction, the enlarged Minotaur Group is expected to have a pro-forma market capitalisation of approximately \$19 million and a strong balance sheet with cash and listed investments of approximately \$10 million (using cash balances as at 30 June) and no debt. The enlarged Minotaur Group will have:

- A diversified exploration portfolio including extensive high-quality copper-gold exploration acreage in the Cloncurry-Mt Isa District of North Queensland, from the strategic combination of Minotaur's Cloncurry and Osborne Projects and Breakaway's Eloise Copper-Gold Project and Altia Base Metals Project (JV with Sandfire Resources NL);
- A pipeline of emerging resource projects with existing JORC defined resources, including the Mutooroo Iron Ore Project and Poochera Kaolin Project in South Australia;
- A strategic ground position in WA's renowned Leinster gold district, including Breakaway's Leinster Gold Project where new gold exploration targets have been identified recently, plus Minotaur's recently acquired Scotia Gold Project;
- High-quality generative copper-gold and base metal exploration projects in South Australia, NSW and Victoria, all of which offer the potential for greenfields discoveries and exploration upside;
- An experienced management team, led by Chairman Derek Carter and Managing Director Andrew Woskett, with the ability to create shareholder value from this strong asset base.

### **Further Transaction Details**

The Offer is being implemented by way of an off-market takeover offer under the Australian Corporations Act. The consideration is one (1) Minotaur share for every ten (10) Breakaway shares on issue. The Offer extends to Breakaway shares only, as it is proposed that all Breakaway employee options on issue are to be cancelled.

Following implementation of the Offer, Breakaway is expected to become a wholly-owned subsidiary of Minotaur, with current Breakaway shareholders holding approximately 29% of the enlarged Minotaur.

The Minotaur Board will continue to be chaired by Derek Carter with Andrew Woskett remaining as Managing Director. John Atkins, the current Chairman of Breakaway will join the Minotaur Board as a director, with Breakaway's current Managing Director, Mr Victor Rajasooriar, and the remaining directors stepping down from the Breakaway Board on completion of the Offer.

Minotaur will remain headquartered in Adelaide with all of Breakaway's staff to be offered redundancies in accordance with their contractual arrangements.

### **Background on Minotaur**

Minotaur is an Adelaide-based minerals explorer specialising in the application of cutting-edge geophysical techniques to locate previously undetected mineralisation deep beneath the surface. Minotaur's remote sensing approach to locate deposits contained within basement rocks, buried below several hundred metres of transported cover, has proven to be highly successful.

The directors and technical management of Minotaur each have around 30 years of exploration, mining and mineral resource experience and are eminently qualified in their respective fields of expertise. Under their direction, Minotaur has earned a strong reputation for technical excellence and a high profile within the Australian resource sector.

Minotaur is actively exploring for IOCG-style deposits where geophysics has identified sub-surface anomalies prospective for copper-gold mineralisation. Each of these targets represents a possible Prominent Hill-style orebody. Other ready-to-drill targets are prospective for base metals such as zinc, lead and copper. Minotaur recently announced a partnership and funding alliance with a private equity group to further the acquisition and development of copper-gold and gold focused projects within Australia.

Minotaur wholly owns the Poochera Kaolin deposits in South Australia and the nearby Lake Purdilla gypsum deposit.

Minotaur also holds stakes in several ASX-listed mineral exploration and resource companies, being Mithril Resources Ltd (ASX: MTH – 8.48%), Mungana Goldmines Ltd (ASX: MUX – 1.9%), Petratherm Ltd (AAX: PTR – 17%), Platsearch NL (ASX: PTS – 4.56%), Spencer Resources Ltd (ASX: SPA – 4.26%) and Thomson Resources Ltd (ASX: TMZ – 14.25%).

Minotaur's key exploration assets are summarised below:

- 4,060km<sup>2</sup> of prospective tenure in Queensland, focused mainly on the renowned Cloncurry copper-belt, where Minotaur is in joint venture with Japan's JOGMEC (51%). The Company's wholly owned tenement position at Eloise is directly adjacent to Breakaway's Eloise project and the operating Eloise copper mine;
- 9,965km<sup>2</sup> of tenure in South Australia, including a 40.9% interest in the Mutooroo joint venture (Sumitomo 59.1%) which includes the Muster Dam magnetite project, 75km directly south-west of Broken Hill (JORC Inferred Resource of 1.5 billion tonnes grading 15.2% DTR magnetite). Nearby, also in joint venture with Sumitomo, Minotaur operates the Border base metals project. In the west of South Australia, Minotaur owns the extensive Poochera Kaolin deposits and the Lake Purdilla gypsum deposit.
- 925km<sup>2</sup> of tenure in NSW, including a joint venture with Mitsubishi Materials Corporation and Mitsubishi Corporation on the Arthurville base metals project; and
- 2,115km<sup>2</sup> of tenure in central and western Victoria where a number of copper-gold targets associated with the Cambrian volcanic sequences in the Stavely Volcanic belt have been generated.

### **Selected Conditions of the Bid Implementation Agreement**

The offer is subject to a number of conditions which are disclosed in full in the Bid Implementation Agreement (BIA) which has previously been lodged on the ASX Company Announcements Platform.

Conditions include but are not limited to:

- minimum acceptance condition of 90% relevant interest in BRW shares;
- no material acquisitions or disposals by BRW; and
- no material change to BRW.

A break fee of \$60,000 (based on 1% of the equity value of Breakaway over the previous six months) is payable by Breakaway in cash in the event (among other events) that the Offer is beaten by a countering offer and payable by Minotaur in the event (among other events) that Minotaur fails to proceed with the bid, except in certain circumstances.

On the 4<sup>th</sup> of October 2013, Minotaur advised that their offer was unconditional and free of all the Defeating Conditions set out in section 13 of the Bidders Statement.

## **BASE METAL EXPLORATION – QUEENSLAND**

### **Eloise Exploration Project – BRW 100%**

No work was conducted at the Eloise Exploration Project during the reporting period in light of the agreed takeover offer by Minotaur Exploration outlined above.

### Broader Altia Project JV (Sandfire Resources earning 80%)

During the Quarter, the Company's joint venture partner, Sandfire Resources NL (ASX: SFR), completed a follow-up diamond and RC drilling program at the Broader Altia Project, located 70km south-east of Cloncurry in north-west Queensland, for which assay results are currently awaited.

Sandfire is managing the exploration programs at the Broader Altia Project under a farm-in joint venture executed in 2012 under which it can earn an initial 60% interest by spending A\$4 million on exploration over a three-year period. It can increase its stake to 80% by spending a further A\$4 million.

### Eloise Copper Mine – Queensland (BRW 30% Net Profit Interest)

The Company holds a 30% net profit royalty interest (after adjusting for prior accumulated losses) in the Eloise Copper Mine and surrounding Mining Leases, which cover a total area of 5km<sup>2</sup>. The Eloise Mine re-commenced mining operations in January 2011 after the mine had been placed on care and maintenance in December 2008, and the mill was successfully re-commissioned in May 2011.

The owners of the Eloise Copper Mine, FMR Investments Pty Ltd, advised that operations at the mine continued to perform satisfactorily during the September Quarter.

The Company has previously advised that it does not factor any royalty receipts from Eloise going forward (due to the adjustment of prior accumulated losses) but will continue to monitor the progress of the Eloise operation and will keep the market informed accordingly. The Eloise Mine remains of strategic significance to the Company given the extensive exploration activities being undertaken in the area and the potential to unlock the value of any new copper-gold resource discovered in the region.

## **GOLD EXPLORATION – WA**

### Leinster Gold Project

The Leinster Gold Project (LGP) comprises a northern block (Wildara) and southern block (Mount Clifford) (Figure 6). Previous exploration of the Leinster tenements for gold has been limited, with the major focus of exploration activity having been the search for nickel.

No work was conducted at the Leinster Gold Project during the reporting period in light of the agreed takeover offer from Minotaur Exploration outlined above.

## **SCOTIA TENEMENT SALE – WA**

During the Quarter, Breakaway reached agreement to sell its Scotia Project, located 65km north of Kalgoorlie in Western Australia, to Minotaur Gold Solutions Limited (now a 50% owned subsidiary of Minotaur Exploration) (Figure 7) for a total consideration of \$600,000 in cash.

The Scotia Project, comprising a portfolio of 14 tenements, is prospective for both gold and nickel. The 160km<sup>2</sup> package of tenements covers approximately 40

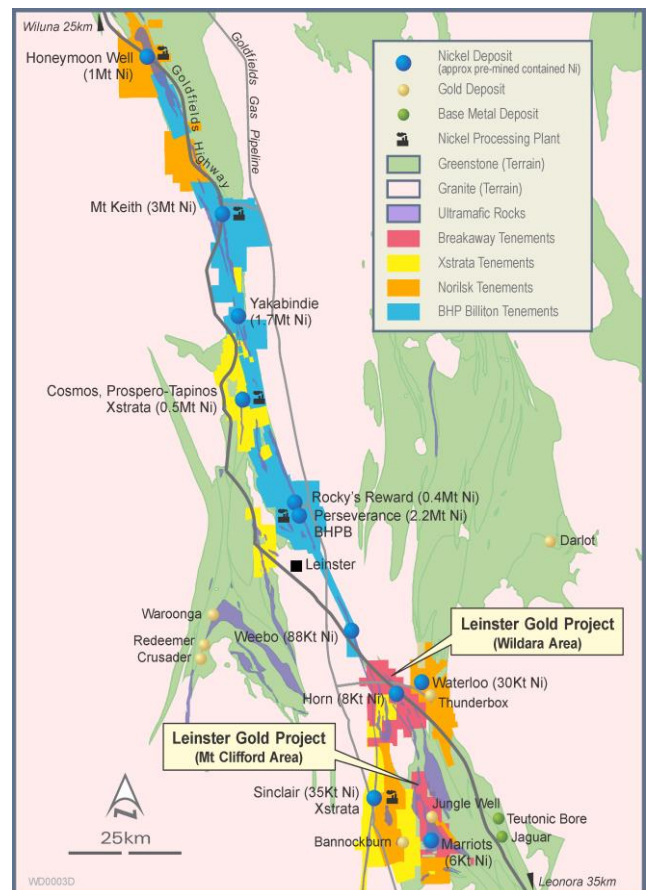


Figure 2: Leinster Gold Project location

strike kilometres of the nickel sulphide-bearing Scotia Ultramafic, which hosts the historic Scotia Nickel Mine and the Saints Nickel prospect, as well as numerous nickel exploration targets.

It also lies within the Bardoc Shear Zone, a significant regional structure which hosts numerous gold deposits including Aphrodite Gold's +1Moz Aphrodite deposit (5km to the west) and the +5Moz Paddington deposits (30km to the south).

The sale transaction was completed on the 26<sup>th</sup> of July following completion of detailed due diligence and all conditions precedents being successfully met.

## OUTLOOK

Breakaway expects that the agreed takeover offer from Minotaur Exploration will be completed early in the December Quarter, providing Breakaway's shareholders with the opportunity to participate in the growth of a well-credentialed and well-funded Australian exploration group with a strong balance sheet, access to funding through a recently-announced copper-gold funding alliance with a cornerstone investor, and the opportunity to realise value from an expanded asset base including Breakaway's projects in North Queensland and WA.

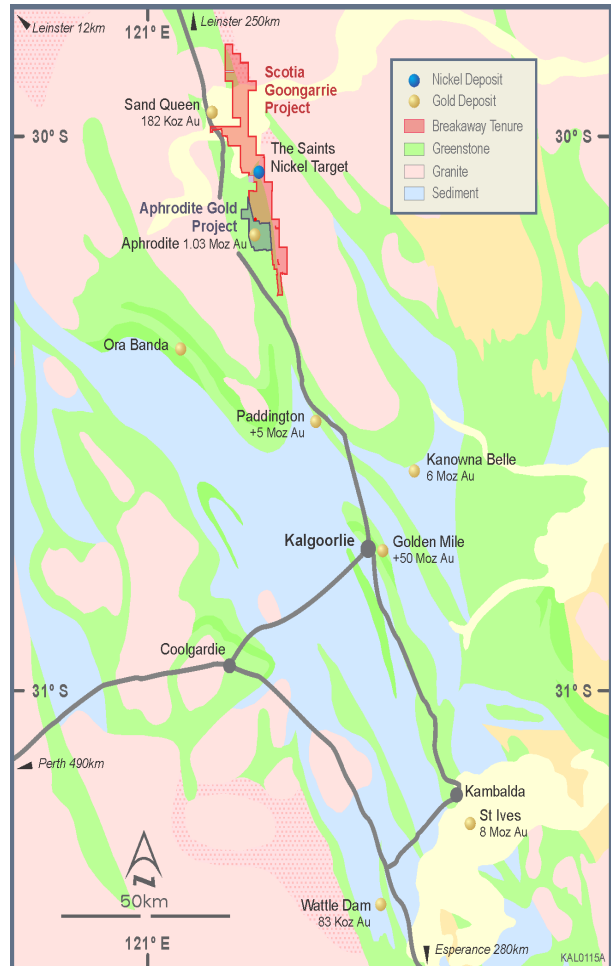


Figure 3: Scotia Project

**VICTOR RAJASOORIAR**  
Managing Director

**ENDS**

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### Competent Persons Statement:

The information in this report that relates to Exploration Results is based on information compiled under the Supervision of Mr Victor Rajasooriar (Managing Director), a full time employee of the Company. Mr Rajasooriar is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). He has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Rajasooriar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

### About Breakaway Resources Limited:

**Breakaway Resources aims to generate shareholder wealth through the discovery and development of a high-quality standalone mineral deposit. The Company's exploration activities are focussed on our priority Eloise Exploration Project (copper-gold) located within the Cloncurry District of North West Queensland, and the Leinster tenements in Western Australia (Gold and base metals), areas that we believe offer the most attractive opportunities for future success.**