

**Financial
Report for
the Half Year
ended
31 December
2013**

Corporate Directory

Board of Directors

Mr Thomas Sanders	Executive Chairman
Mr Mark Edwards	Non-Executive Director
Mr Michael Kitney	Non-Executive Director

Company Secretary

Miss Michelle Simson

Principal Place of Business & Registered Office

12 Walker Avenue
West Perth, Western Australia 6005

Tel: +61 8 9226 3666
Fax: +61 8 9226 3668
Email: breaker@breakerresources.com.au
Website: www.breakerresources.com.au

Auditors

Rothsay Chartered Accountants
Level 1, 4 Ventnor Avenue
West Perth, Western Australia 6005

Share Registry

Advanced Share Registry Services
150 Stirling Highway
Nedlands, Western Australia 6009

Securities Exchange Listing

Shares, Partly Paid Shares and Listed Options in Breaker Resources NL are quoted on ASX Limited (codes: BRB, BRBCA and BRBO respectively). The Home Exchange is Perth, Western Australia.

Financial Report for the Half Year ended 31 December 2013

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Directors' Report

The directors of Breaker Resources NL (**Breaker**) herewith submit the financial report for the half year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Names of Directors

The names of the directors of the Company during or since the end of the half year are:

- ✦ Mr Thomas Sanders
- ✦ Mr Mark Edwards
- ✦ Mr Michael Kitney

The above named directors held office during and since the end of the half year.

Review of Operations

During the reporting period, Breaker Resources NL continued its systematic exploration program focused on identifying Tier 1 gold deposits under transported cover in the emerging eastern half of the Eastern Goldfields Superterrane. The Company has to date identified eight new 10-20km long gold-in-soil anomalies on seven projects using wide-spaced (1,600m x 400m) modern multi-element geochemical sampling techniques.

The Company's primary focus has been progressing exploration at the Dexter Gold Project, where a second regional scale gold-in-soil anomaly was identified at the Sandshoes Prospect in September 2013.

An 8,426m reverse circulation (RC) drilling program targeting the Three Bears and Tallows Prospects which concluded in early July 2013, substantially enhanced the Company's understanding of the Project's geological setting. At the Three Bears Prospect, the drilling successfully traced the redox (water-table associated) gold upslope to the Dexter Shear Zone where a 400m wide zone of alteration and shearing was identified. The final RC drill hole of this program intersected anomalous gold over a 16m-wide zone (up to 0.3g/t gold) with wide-spaced bedrock geochemistry indicating that mineralisation was improving to the south (ASX Release 13 November 2013).

A follow-up RC drilling program of 3,014m was undertaken in November/December 2013. Four of the five angled holes that successfully intersected the Dexter Shear to the south of the Three Bears Prospect encountered a persistent 1m to 3m wide sulphide-rich zone within altered pyrite-bearing amphibolite extending 1km to the south of the Three Bears Prospect. Three RC holes in the northern part of the Three Bears Prospect also encountered altered pyrite-bearing amphibolite.

Although no significant high-grade gold mineralisation was encountered in the RC drilling to the south (maximum 4m at 0.2g/t gold; ASX Release 31 January 2014), the increase in RC drill density at the Three Bears and Tallows Prospects now suggests the inferred bedrock source is to the north.

Further drilling is planned in late March 2014, targeting the Three Bears, Tallows and Sandshoes Prospects.

A 2,021m reconnaissance aircore drilling program was also completed at the Dexter Project in late 2013 to test several geochemical and structural targets at the Three Bears and Tallows Prospects. The drilling encountered anomalous gold up 3m at 0.2g/t gold (ASX Release 31 January 2014) that is the subject of ongoing assessment.

The Company's other projects remain highly prospective with aircore drilling planned at the Attila West, Mt Gill and Kurrajong Prospects in April 2014.

Reconnaissance mapping and rock chip sampling at the Attila West Project identified a 1,000m wide east-dipping structural corridor associated with widespread pathfinder-element anomalism. Following a successful heritage survey in November 2013, it is intended that follow-up work will focus on aircore drilling of priority soil targets in this structural corridor.

Reconnaissance mapping and rock chip sampling was also undertaken at Mt Gill and future drilling will be concentrated on the gold-in-soil anomalies spatially associated with identified pathfinder elements and structural targets. Planning was undertaken during the period for sampling, mapping and drilling programs to test the gold-in-soil anomalies at the Kurrajong, Duketon North, De La Poer and Mt Sefton Projects.

Following completion of reconnaissance soil sampling across the Company's tenements in July 2013, areas of low prospectivity were surrendered. At the same time the Company made a number of exploration licence applications to cover newly-identified gold-in-soil anomalies. As at 31 December 2013, the Company's tenement package comprised an area of 4,056km².

In November 2013 the Company announced the conduct of a pro rata renounceable entitlement issue to eligible shareholders. The issue was conducted during December 2013 with the resulting securities allotted just prior to the end of the half year. As at 31 December 2013, the Company's capital structure comprised:

- ✦ 68,875,005 fully paid ordinary securities (ASX: BRB)
- ✦ 28,137,498 listed options (exercise price \$0.25; expiry date 31/12/14) (ASX: BRBO)
- ✦ 6,887,498 partly paid shares (paid up to \$0.01; fully paid at \$0.20) (ASX: BRBCA)
- ✦ 8,400,000 unlisted options (various exercise prices and expiry dates).

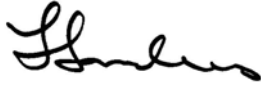
The issue raised \$1.58 million (before costs). In addition, during the period the Company commenced preparation for an application to the federal government's Research & Development Tax Incentive Scheme. Breaker believes that a significant proportion of its 2012/13 exploration expenditure of \$3.95 million may be eligible for a cash rebate under the scheme. The Company's cash in hand as at 31 December 2013 was approximately \$1.7 million.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 4 and forms part of the Directors' Report for the half year ending 31 December 2013.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the directors



TOM SANDERS
Executive Chairman

Perth, 27 February 2014

Competent Person Statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Tom Sanders and Alastair Barker, Competent Persons, who are Members of The Australasian Institute of Mining and Metallurgy. Mr Sanders and Mr Barker are officers of Breaker Resources NL and their services have been engaged by Breaker on an 80% of full time basis; they are both shareholders of the Company. Mr Sanders and Mr Barker have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (**JORC Code**). Mr Sanders and Mr Barker consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The geotechnical information communicated in this report relating to Breaker Resources' exploration results prior to 1 December 2013, and any assessment of exploration completed by past explorers, was first prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was reported.

 **ROTHSAY**

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Breaker Resources NL
12 Walker Ave
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2013 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)



Rothsay Chartered Accountants

Dated 27 February 2014



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Condensed Statement of Comprehensive Income for the Half Year ended 31 December 2013

	Notes	31 December 2013 \$	31 December 2012 \$
Revenue			
Government grant		30,273	-
Interest income	3	14,995	112,937
Total Revenue		<u>45,268</u>	<u>112,937</u>
Expenditure			
Administration expenses		(212,214)	(174,603)
Depreciation expenses	3	(50,118)	(34,216)
Employee benefits expenses	3	(103,407)	(80,708)
Exploration and evaluation expenses		(1,363,553)	(1,464,571)
Share-based payment expenses		-	(85,000)
Interest expenses		(672)	(346)
Total Expenditure		<u>(1,729,964)</u>	<u>(1,839,444)</u>
Profit before income tax		<u>(1,684,696)</u>	<u>(1,726,507)</u>
Income tax benefit / (expense)		-	-
Profit for the period		<u>(1,684,696)</u>	<u>(1,726,507)</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>(1,684,696)</u>	<u>(1,726,507)</u>
Basic and diluted earnings per share attributable to the ordinary equity holders of the Company (cents per share)		<u>(3.05)</u>	<u>(3.13)</u>

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position as at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 \$
Current Assets			
Cash and cash equivalents		1,743,423	2,250,187
Trade and other receivables		85,135	104,356
Total Current Assets		1,828,558	2,354,543
Non-Current Assets			
Property, plant and equipment	5	236,765	285,877
Other financial assets		36,410	49,410
Total Non-Current Assets		273,175	335,287
Total Assets		2,101,733	2,689,830
Current Liabilities			
Trade and other payables		522,331	857,975
Borrowings		13,087	15,211
Provisions		12,418	-
Total Current Liabilities		547,836	873,186
Non-Current Liabilities			
Borrowings		-	5,336
Total Non-Current Liabilities		-	5,336
Total Liabilities		547,836	878,522
Net Assets		1,553,897	1,811,308
Equity			
Contributed equity	6	9,750,960	8,323,675
Reserves		469,533	469,533
Accumulated losses		(8,666,596)	(6,981,900)
Capital and reserves attributable to owners of the Company		1,553,897	1,811,308

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity for the Half Year ended 31 December 2013

	Contributed Equity \$	Share- based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2012	8,323,675	126,300	(2,384,100)	6,065,875
Loss for the period	-	-	(1,726,507)	(1,726,507)
Total comprehensive loss for the period	-	-	(1,726,507)	(1,726,507)
Transactions with owners in their capacity as owners:				
Issue of employee options	-	85,000	-	85,000
Balance at 31 December 2012	8,323,675	211,300	(4,110,607)	4,424,368
Balance at 1 July 2013	8,323,675	469,533	(6,981,900)	1,811,308
Loss for the period	-	-	(1,684,696)	(1,684,696)
Total comprehensive loss for the period	-	-	(1,684,696)	(1,684,696)
Transactions with owners in their capacity as owners:				
Shares issued during the period	1,584,125	-	-	1,584,125
Share issue transaction costs	(156,840)	-	-	(156,840)
Balance at 31 December 2013	9,750,960	469,533	(8,666,596)	1,553,897

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the Half Year ended 31 December 2013

	Notes	31 December 2013 \$	31 December 2012 \$
Cash flows from operating activities			
Payments to suppliers and employees		(261,491)	(489,599)
Payment for exploration and evaluation expenditure		(1,851,270)	(2,024,013)
Government grant received		30,273	-
Interest received		14,995	112,937
Interest paid		(672)	(346)
Net cash inflow/(outflow) from operating activities		<u>(2,068,165)</u>	<u>(2,401,021)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,006)	(144,747)
Proceeds from other financial assets		13,000	(13,000)
Net cash inflow/(outflow) from investing activities		<u>11,994</u>	<u>(157,747)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		1,584,125	-
Payments of share issue costs		(27,258)	-
Proceeds from borrowings		-	30,250
Repayment of borrowings		(7,460)	(2,365)
Net cash inflow/(outflow) from financing activities		<u>1,549,407</u>	<u>27,885</u>
Net decrease in cash and cash equivalents		<u>(506,764)</u>	<u>(2,530,883)</u>
Cash and cash equivalents at the beginning of the period		<u>2,250,187</u>	<u>6,981,610</u>
Cash and cash equivalents at the end of the period		<u>1,743,423</u>	<u>4,450,727</u>

The above condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Half Year ended 31 December 2013

1. Significant Accounting Policies

(a) Basis of preparation

The Half Year Financial Report for the half year reporting period ended 31 December 2013 has been prepared in accordance with the *Corporations Act 2001* (**Corporations Act**) and AASB 134: 'Interim Financial Reporting'.

The Half Year Financial Report does not include notes of the type normally included in the annual financial report. Accordingly, it is recommended that this report is read in conjunction with the Annual Financial Report for the year ended 30 June 2013 and any public announcements made by Breaker Resources NL during the half year in accordance with continuous disclosure requirements arising under the Corporations Act and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out in (b).

(b) Adoption of new and revised accounting standards

The Company has adopted the revised AASB 119: 'Employee Benefits' since 1 July 2013. The revised standard has changed the accounting for annual leave obligations. Annual leave liabilities that are not expected to be settled wholly within 12 months after the end of the reporting period will be calculated on a discounted basis.

The change of the accounting policy has not had any impact on the Company because the Company had no annual leave liability on 1 July 2013.

The Company has also reviewed all new standards that have been issued but are not yet effective for the half year ended 31 December 2013. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised standards on the Company's business and therefore no change is necessary to the accounting policies.

(c) Comparative Figures

Comparative figures have been prepared to conform to the current year's presentation.

2. Segment Reporting

For management purposes, the Company has identified only one reportable segment as exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

2. Segment Reporting (continued)

	31 December 2013 \$	31 December 2012 \$
Segment revenue	30,273	-
<i>Reconciliation of segment revenue to total revenue before tax:</i>		
Interest income	14,995	112,937
Total revenue	45,268	112,937
Segment results	(1,363,553)	(1,464,571)
<i>Reconciliation of segment result to net loss before tax:</i>		
Depreciation expense	(50,118)	(34,216)
Other corporate and administration expenses	(271,025)	(227,720)
Net loss before income tax	(1,684,696)	(1,726,507)
	31 December 2013 \$	30 June 2013 \$
Segment operating assets	102,297	340,033
<i>Reconciliation of segment operating assets to total assets:</i>		
Other corporate and administration assets	1,999,436	2,349,797
Total assets	2,101,733	2,689,830
Total assets includes additions to non-current assets	1,006	144,747
Segment operating liabilities	285,968	773,686
<i>Reconciliation of segment operating liabilities to total liabilities:</i>		
Other corporate and administration liabilities	261,868	104,836
Total liabilities	547,836	878,522

3. Revenue and Expenses

Loss for the half-year includes the following revenue and expenses items:

	31 December 2013	31 December 2012
	\$	\$
Interest income	14,995	112,937
Depreciation expenses	50,118	34,216
Employee benefits expenses	103,407	165,708
✦ Wages, salaries and superannuation	59,751	38,757
✦ Directors' fees	40,000	40,222
✦ Share-based payments	-	85,000
✦ Others	3,656	1,729
Exploration expenditure	1,363,553	1,464,571

4. Dividends

There were no dividends paid or declared by the Company during the period.

5. Property, Plant and Equipment

	Office Equipment	Exploration Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
At 30 June 2013				
Cost	54,831	107,711	213,838	376,380
Accumulated depreciation	(12,111)	(24,369)	(54,023)	(90,503)
Net book amount	42,720	83,342	159,815	285,877
Half year ended 31 December 2013				
Opening net book amount	42,720	83,342	159,815	285,877
Additions	-	1,006	-	1,006
Depreciation charge	(7,281)	(14,461)	(28,376)	(50,118)
Closing net book amount	35,439	69,887	131,439	236,765
At 31 December 2013				
Cost	54,831	108,717	213,838	377,386
Accumulated depreciation	(19,392)	(38,830)	(82,399)	(140,621)
Net book amount	35,439	69,887	131,439	236,765

6. Equity Securities Issued

	31 December 2013 #	31 December 2012 #	31 December 2013 \$	31 December 2012 \$
Issues during half year of:				
✦ Ordinary shares	13,775,001	-	1,515,250	-
✦ Partly paid shares	6,887,498	-	68,875	-
✦ Share options*	6,887,498	-	-	-

* Options at an exercise price of \$0.25 with an expiry date of 31 December 2014.

	31 December 2013		30 June 2013	
	#	\$	#	\$
Ordinary shares fully paid	68,875,005	9,682,085	55,100,004	8,323,675
Ordinary shares partly paid	6,887,498	68,875	-	-

7. Commitments

Exploration Commitments:

The Company has certain commitments to meet minimum expenditure requirements on the mining exploration assets in which it has an interest. Outstanding exploration commitments are as follows:

	31 December 2013 \$	30 June 2013 \$
Within one year	1,332,750	1,712,000

Lease Commitments:

The Company leases its office under a non-cancellable operating lease expiring within three (3) years. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31 December 2013 \$	30 June 2013 \$
Within one year	74,555	74,000
Later than one (1) year but not later than five (5) years	97,572	129,500
	<u>172,127</u>	<u>203,500</u>

8. Contingencies

Pursuant to a mineral exploration and land access agreement (**MELA Agreement**) with the Cosmo Newberry (Aboriginal Corporation) and Yilka Native Title Group (WAD297/08) (together the **Indigenous Party**), the Company, whilst it holds certain tenement licences, must pay the following consideration to the Indigenous Party:

- (i) \$200,000 within 7 days of each of the first and second anniversary of the date of the MELA Agreement;
- (ii) \$200,000 within 7 days of the third anniversary and each subsequent anniversary of the date of the MELA Agreement indexed for CPI (All Groups) until the termination of the MELA Agreement; and

in addition to the above, within 28 days of the Company filing exploration expenditure reports with the Department of Mines and Petroleum, the Company must pay the Indigenous Party 10% of its overall exploration expenditure in relation to the "Agreement Area¹" for the previous year less the relevant amount payable for that year under any of the above, where 10% of its overall exploration expenditure for the previous year is greater than the relevant amount payable for that year under any of the above.

9. Related Party Transactions

During the period the Company paid a total of \$157,878 to Goldfields Geological Associates in exchange for Mr Thomas Sanders' services. The amount also included the reimbursement to him for other Company's expenses.

10. Subsequent Events

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations on the state of the affairs of the Company in the financial period subsequent to 31 December 2013.

¹"Agreement Area" means the Aboriginal reserves the subject of that agreement (reserves 22032, 25050, 20396 and 25051) and the area of the Yilka native title claim.

Directors' Declaration

The directors declare that:

- ✦ In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- ✦ In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



TOM SANDERS
Executive Chairman

Perth, 27 February 2014



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

Independent Review Report to the Members of Breaker Resources NL**The financial report and directors' responsibility**

The interim financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Breaker Resources NL for the period ended 31 December 2013.

The Company's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Breaker Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.

Conclusion

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

- giving a true and fair view of the financial position as at 31 December 2013 and of the performance for the period ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


Rothsay


Graham R Swan
Partner

Dated 27 February 2014



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).