

BREAKER... NOT BROKEN!

With the recent release of an updated resource estimate, BRB shares have seen a re-rating, recovering from 22 cents on 04/09 to 34.5 cents on 11/09. Now might be the right time to discuss the Breaker case and wave arms about the Bombora project.

- BRB resource estimate released on 06/09 saw the resource at Bombora swell up by a significant 74%, hop over the 1Moz hurdle, upgrade the original 624koz to indicated level, and all that despite raising the reporting cut-off grade to 0.5g/t.

The new resource estimate stands at:

24.6Mt at 1.4g/t Au for 1,084Moz

We made clear after the site tour we attended last June that looking at the geology and understanding the system, the project had potential to grow and deliver, in line with investors' expectations, which has been proven by the resource upgrade and the market re-rating.

- The price correction following the maiden resource estimate release last April is now behind us and the low 20's where the stock has been hovering for a while were clearly not reflecting the quality and potential size of the Bombora deposit. We had given BRB stock a hold rating in January at 64 cents, suspecting a case of over-promising / under delivering, but recognising that there was intrinsic value in the project. The change to a Speculative Buy recommendation, at 28 cents per share on 15/06 was the reflection of our feeling that the project quality was undervalued at those prices.
- There has always been psychological barriers and hurdles when talking about gold projects; 1g/t Au for grade and 1Moz for size. In the case of Breaker, the latest resource is well above both the 1g/t grade and the 1Moz marks. In the eyes of the gold sector, there is enough gold at a good enough grade to consider a standalone operation.
- Drilling to date shows that Bombora is a large system which can keep growing. There have been several new lodes discovered to the east in the latest round of drilling.
- The current resource includes intercepts between surface and 250m below surface (mbs). Narrower and higher grade intercepts below this limit demonstrate depth potential with values including:
 - 21m at 5.74g/t Au** from 273m including 11m at 10.47g/t Au in hole BBRD0819
 - 12m at 4.29g/t Au** from 264m and 1m at 13.57g/t Au from 282m in hole BBRD0805
 - 16m at 3.2g/t Au** from 278m and 2m at 8.47g/t Au from 291m in hole BBRD0730
- It is clear to us that Bombora is a solid project with room to grow. The gold is there, it is real, and we can see a mine in the (let's hope not so distant) future at Bombora. BRB has recently appointed Linton Putland, a mining engineer with over 30 years' experience, including time as Pacific Road Capital Management's Principal Technical Advisor. Near term catalysts are: more extensional drill results at Bombora as drilling continues, regional exploration results from other prospects within the Lake Roe project, and a (soon to be starting) pre-feasibility study.

26 September 2018

12mth Rating	Spec Buy
Price	A\$ 0.32
Target Price	A\$ na
12mth Total Return	% na

RIC: BRB.AX	BBG: BRB AU
Shares o/s	m 146.2
Free Float	% 100.0
Market Cap.	A\$m 46.8
Net Debt (Cash)	A\$m -5.2
Net Debt/Equity	% na
3mth Av. D. T'over	A\$m 0.169
52wk High/Low	A\$ 0.72/0.22
2yr adj. beta	0.61

Valuation:

Methodology	na
Value per share	A\$ na

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12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	25.5	33.3	(50.0)
Rel. S&P/ASX 300	26.8	33.8	(59.1)

WHY NOT THEN AND WHY NOW?

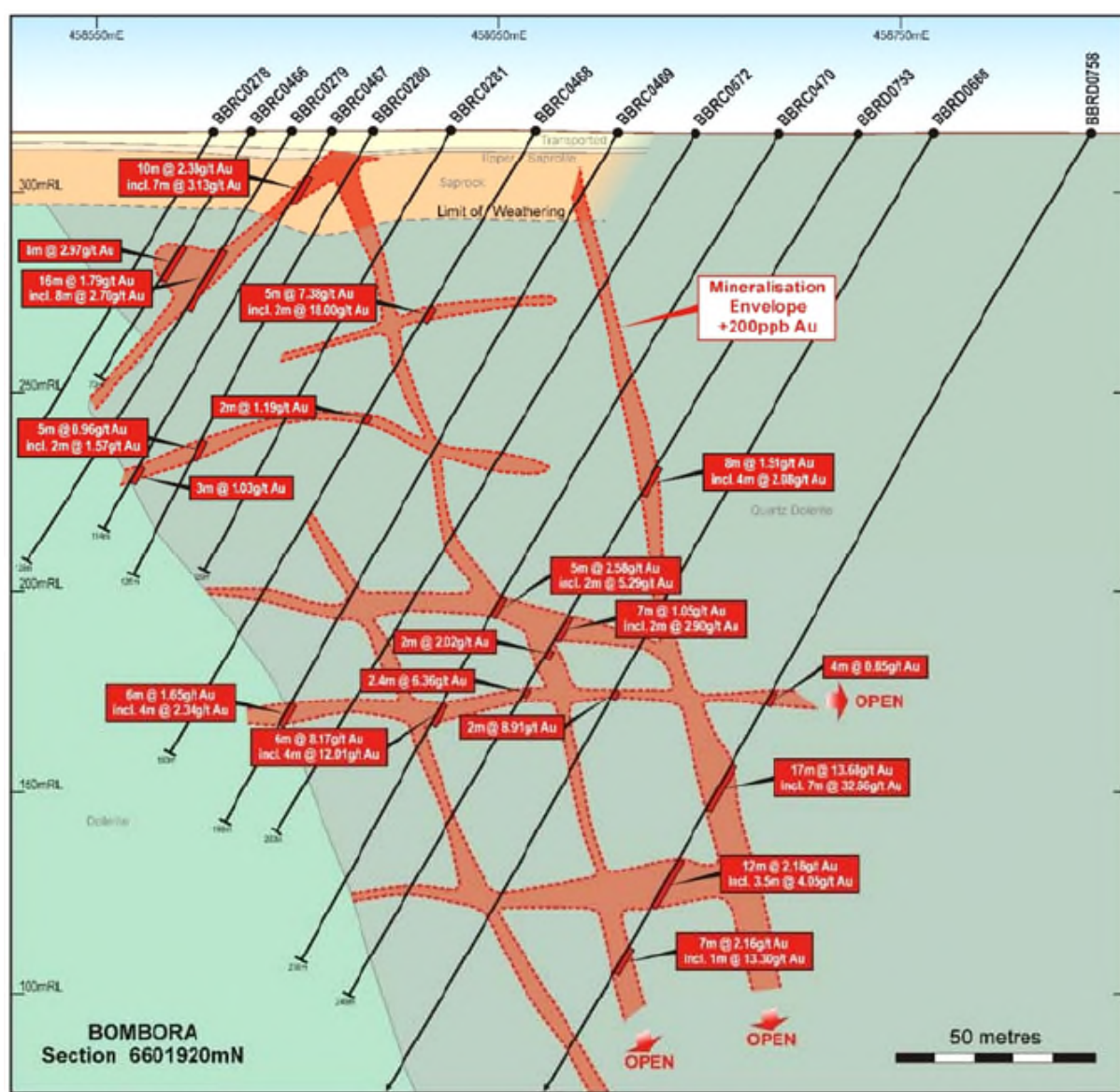
The maiden resource estimate at Bombora released 18 April 2018 had 624koz of gold. The main problem back then was the visibility on the project. Clearly, the message about the quality of Bombora had not translated in a sufficient amount of ounces. Obviously, the general feeling was that despite the positive message carried out by the Company, Bombora was what we could call “another of those low grade open pit stories with little future on its own”.

Following an investor site visit on 14 June 2018, we were able to join the dots between the Company's optimism and geological reality.

“A good picture is worth a thousand words.”

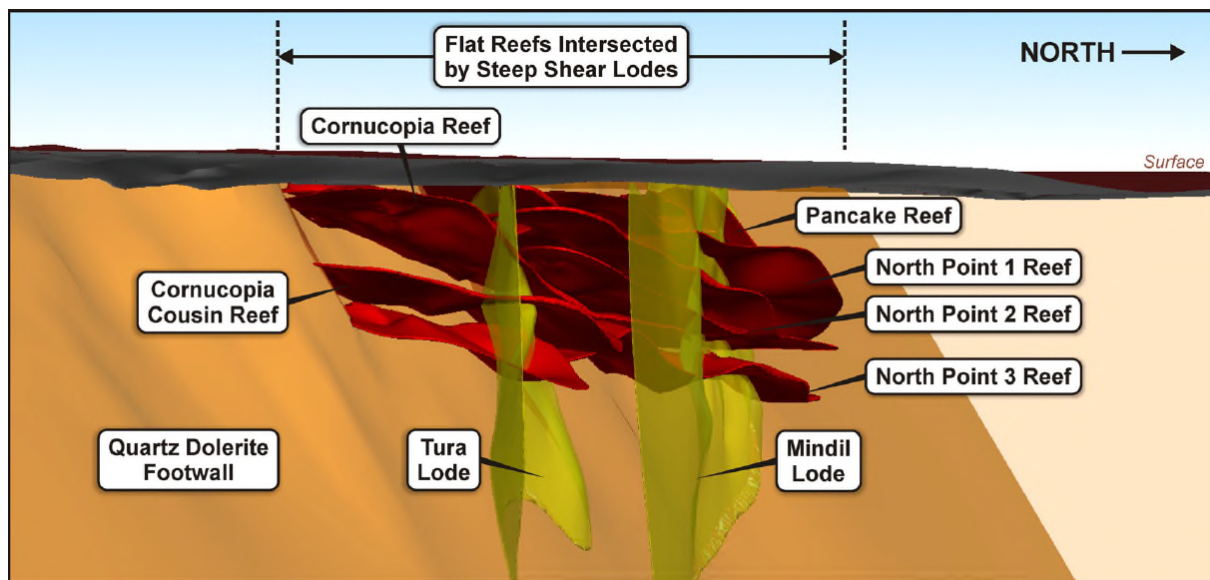
Well... In this case it will take a few pictures but the result should be the same.

Figure 1: We went from this kind of drawing...



Source: BRB – 28/03/2018 Announcement

Figure 2: To this kind of drawing



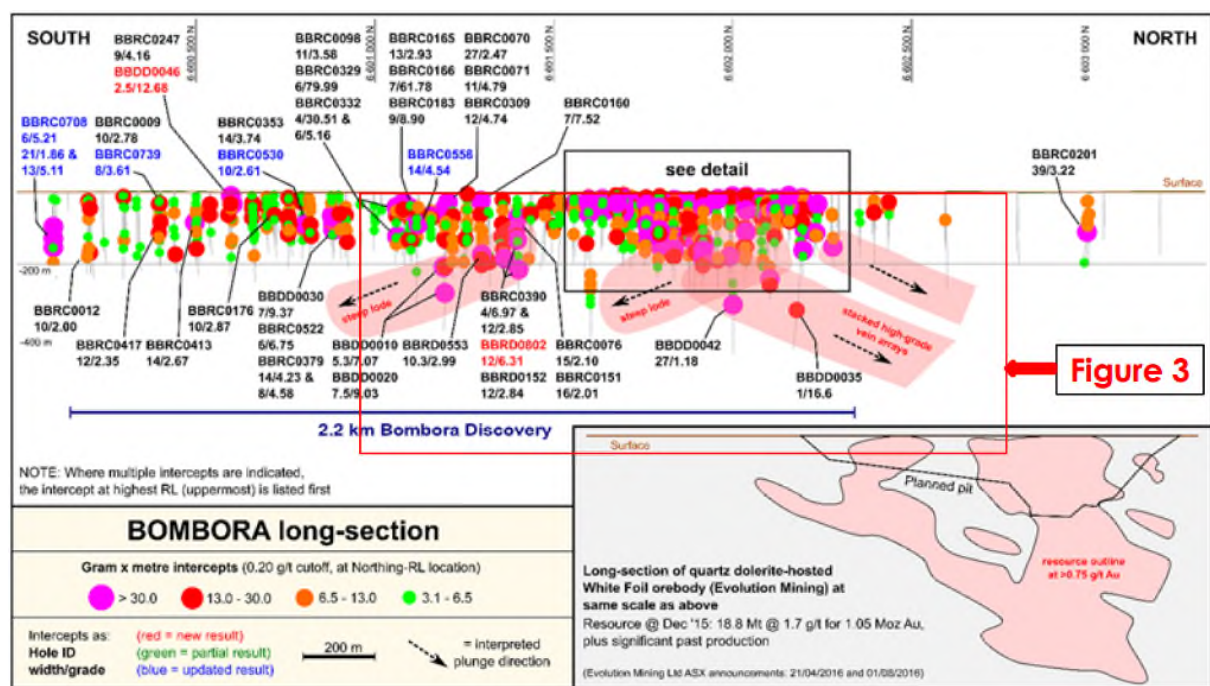
Source: BRB – 06/09/2018 Announcement

For the average geologist, playing the “spot the difference” between those two pictures is like comparing a bicycle and a sports car for the motorsports enthusiast.

Up until the release of the maiden resource, there was a general feeling, that we happily shared, that the level of understanding of Bombora was insufficient to detect value and future potential. The world could then only be split between the “believers” and the “others”.

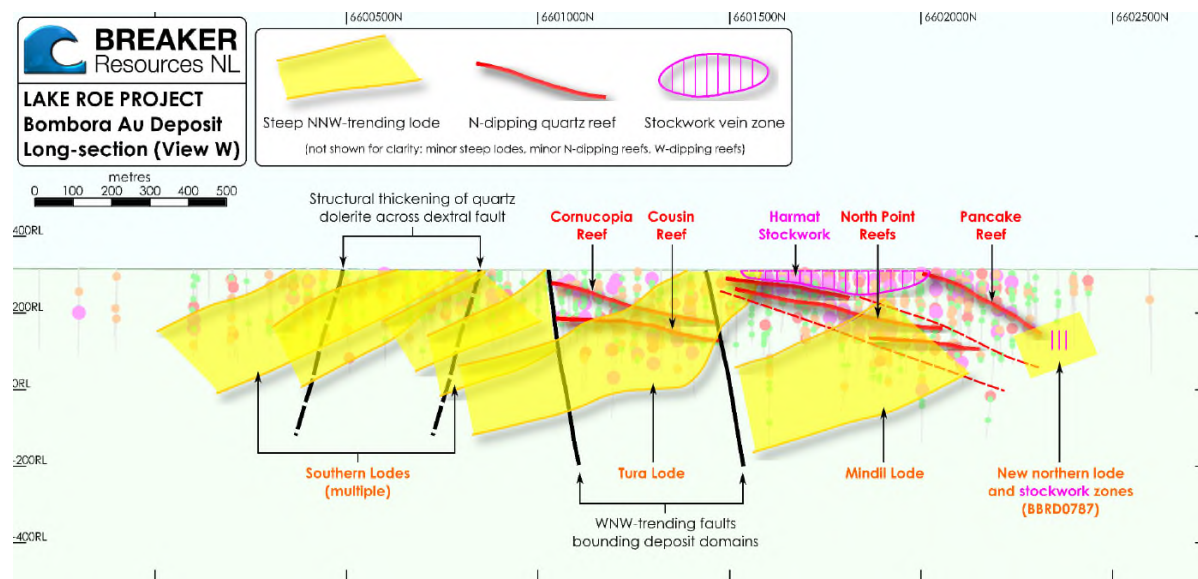
Let's have a look at another before/after example:

Figure 3: Before...



Source: BRB – 28/03/2018 Announcement

Figure 4: ...After



Source: BRB – 17/09/2018 Presentation

There again, looking at figure 3, it was difficult to make sense of plunges going north or south and where all the grade intervals and pierce points belonged.

Quite clearly, figure 4 shows that the team at BRB knows “who’s who” between lodes reefs and stockworks. And with that simple updated diagram, the message is clearer.

We mentioned it enough, and probably here for the last time that the main discrepancy was between the Company’s and the market’s understanding of the project and mismatching expectations.

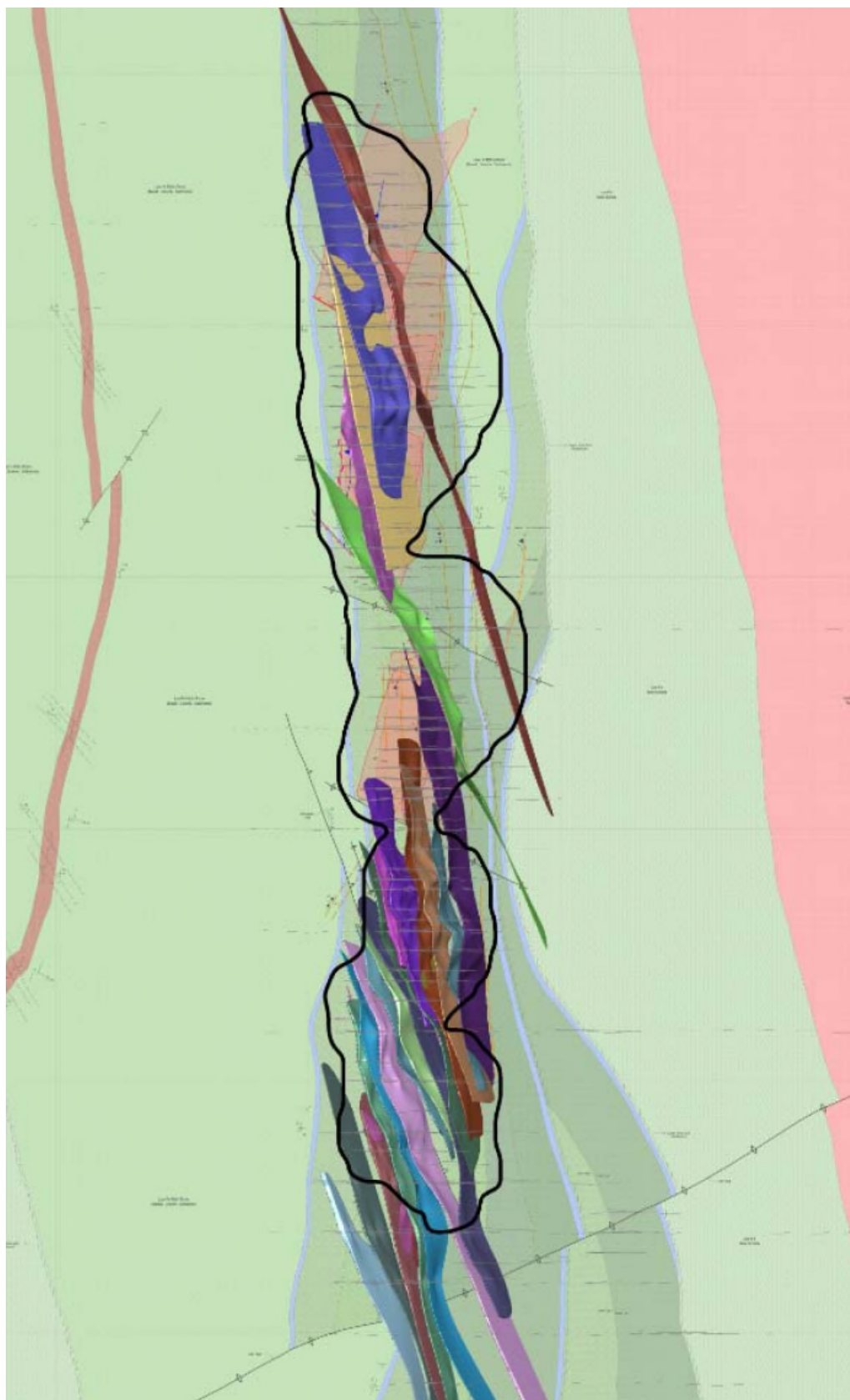
From the movement in the Company’s value since the release of the upgraded resource estimate, we feel that expectations (from the investors) and delivery (from the Company) are now more in line.

The market correction following the release of the maiden resource had one good point, the amount of information released to the market helped a lot in understanding why BRB was very optimistic about Bombora’s future.

So... Answering the first question, why not then and why now? Well, Bombora went from an unclear project where controls on gold mineralisation were only constrained by grades in a complicated mix of lodes and reefs to a well constrained complex geological system where lodes, reefs and stockwork systems and their geological controls are well understood.

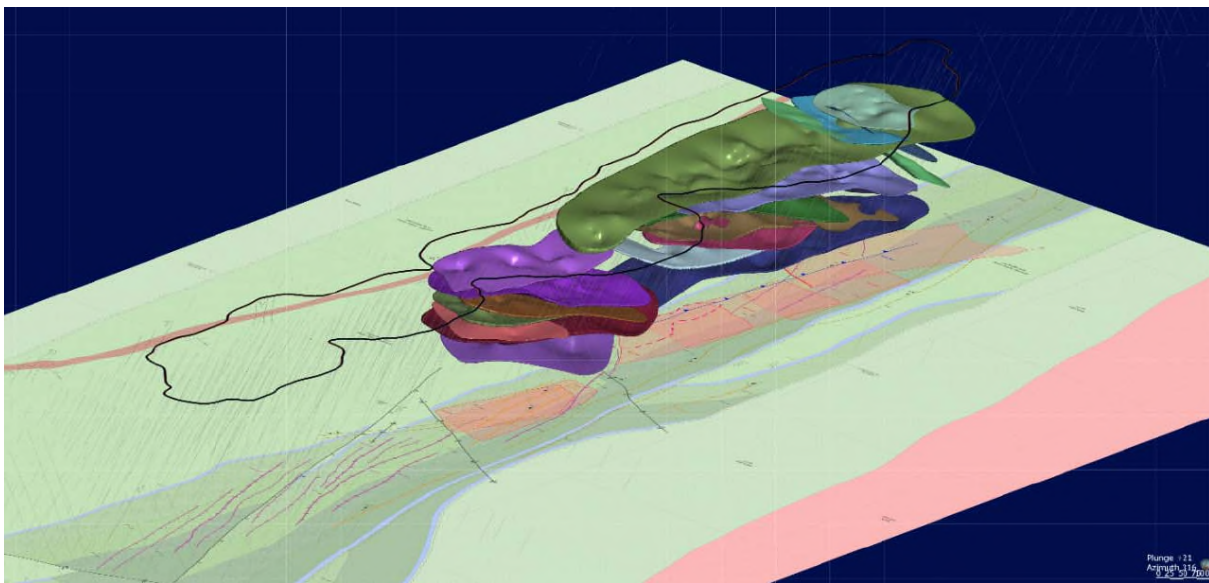
Bombora then was lacking clarity and visibility, Bombora now is showing the attributes of a solid, growing gold system.

Figure 5: Plan view of colour coded individual vertical and steep dipping lodes over geology



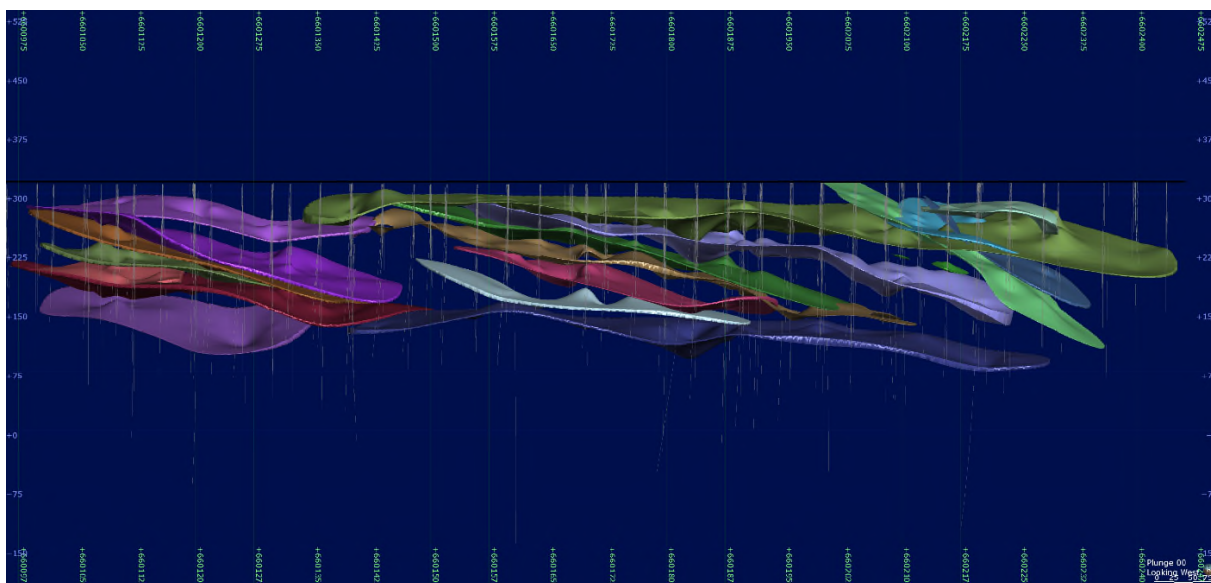
Source: BRB

Figure 6: 3D view of colour coded individual flat and shallow dipping lodes over geology looking NW



Source: BRB

Figure 7: Section view of horizontal and shallow dipping lodes 3D envelopes looking W



Source: BRB

We feel a lot more confident now, having seen all those diagrams, that the current resource estimate is well constrained, the geology very well understood and that the prospect of expansion of the current resource base is certainly likely.

AND FROM HERE AND NOW... WHERE TO?

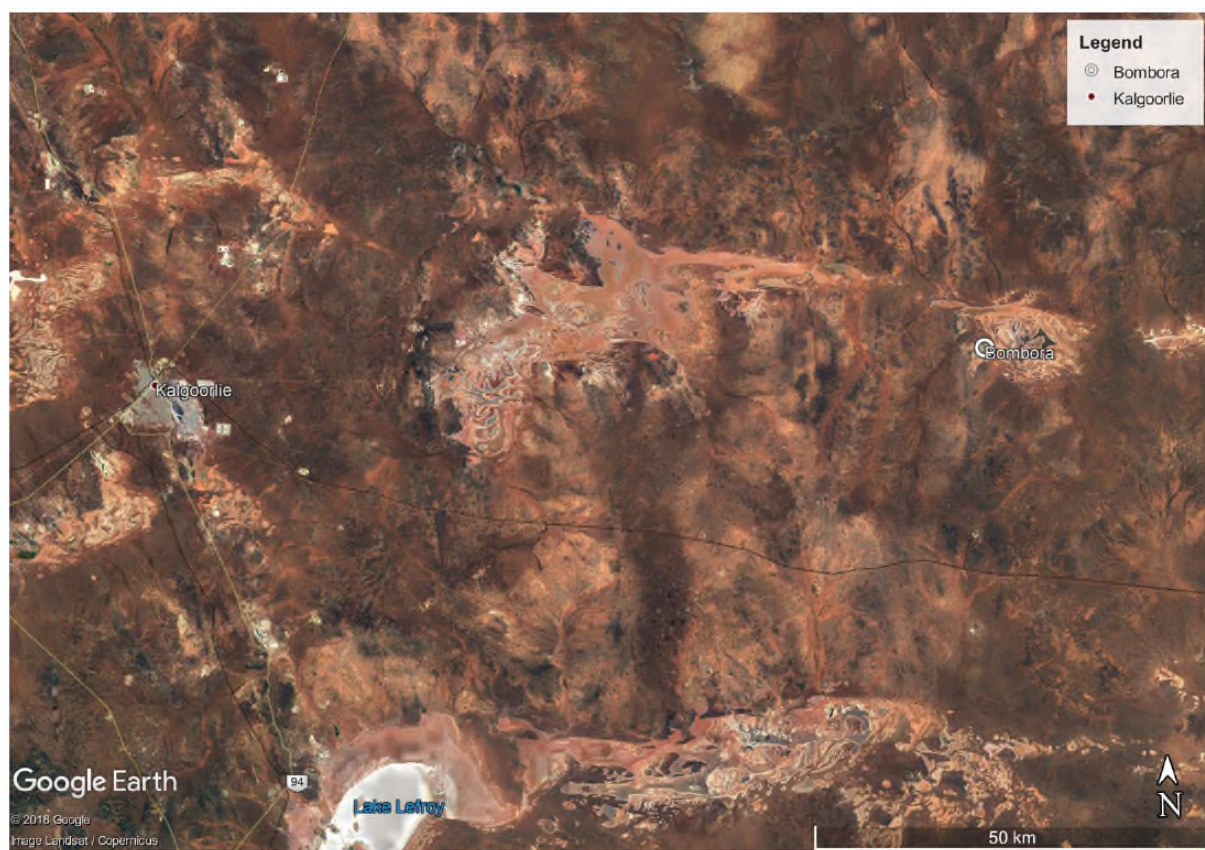
To try and figure out where BRB is going, we'll bring back in some of the fundamentals of the project.

The location:

Bombora is located 100km east of Kalgoorlie. 65km south of Carosue Dam, Saracen's 5Moz operation (Source: SAR annual report to shareholders resource statement). And 25km north of the Trans Australian Railway (and service road).

The postcode there does not get much better. The goldfields and Kalgoorlie understand gold quite well and the region certainly has the right level of industry support.

Figure 8: Project location map over satellite image showing the close proximity to Kalgoorlie and the railway



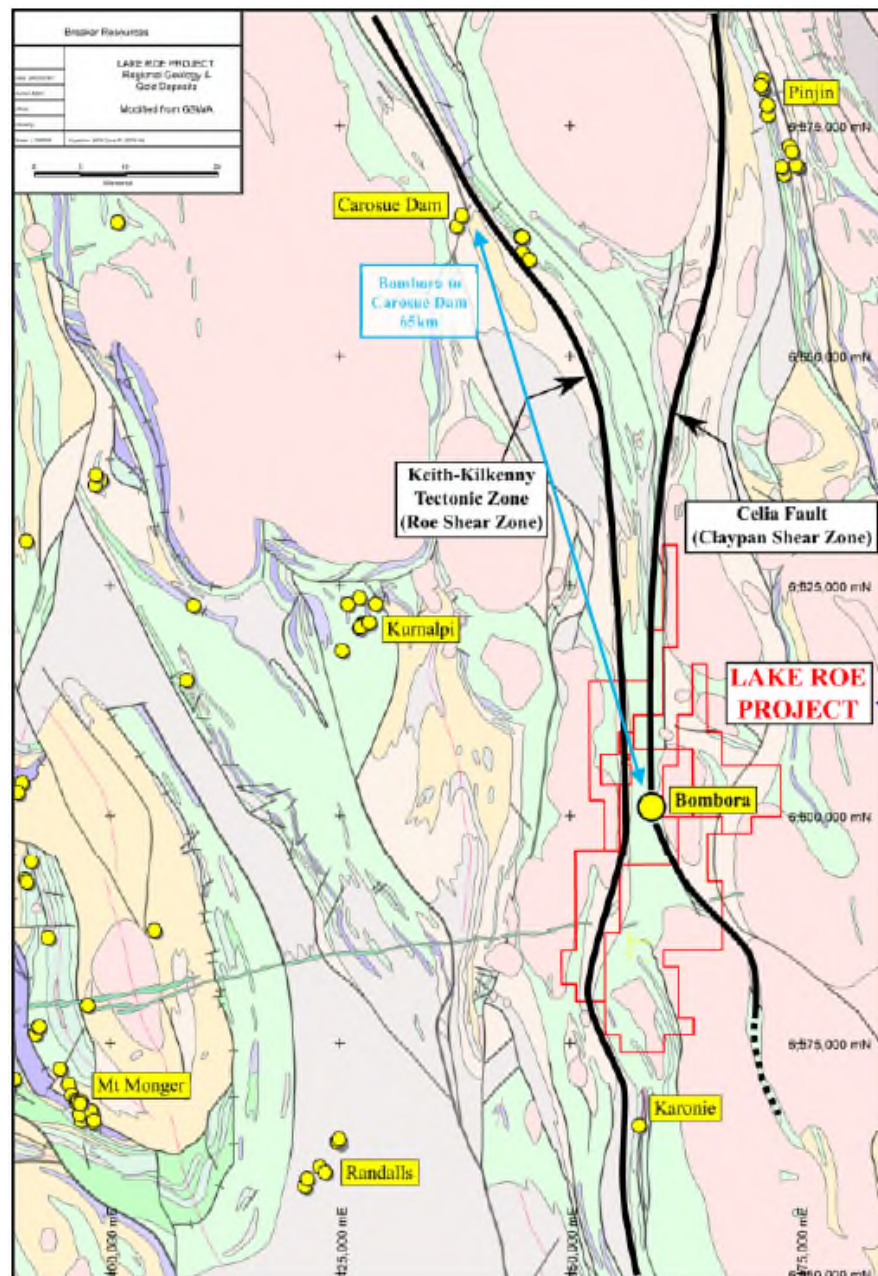
Source: Google Earth.

The geology:

On the geology front, Bombora, despite being hidden under a variable level of cover and partly under a salt pan, is hosted in a dolerite, part of a greenstone belt and sits on the Celia fault, a major crustal structure.

Like most of the crustal scale shear zones within the greenstone belts of the Western Australian Goldfields, the Celia Shear hosts several occurrences of gold mineralisation, including Bombora.

Figure 9: Location map of the Lake Roe project on interpretative geology map.



Source: BRB

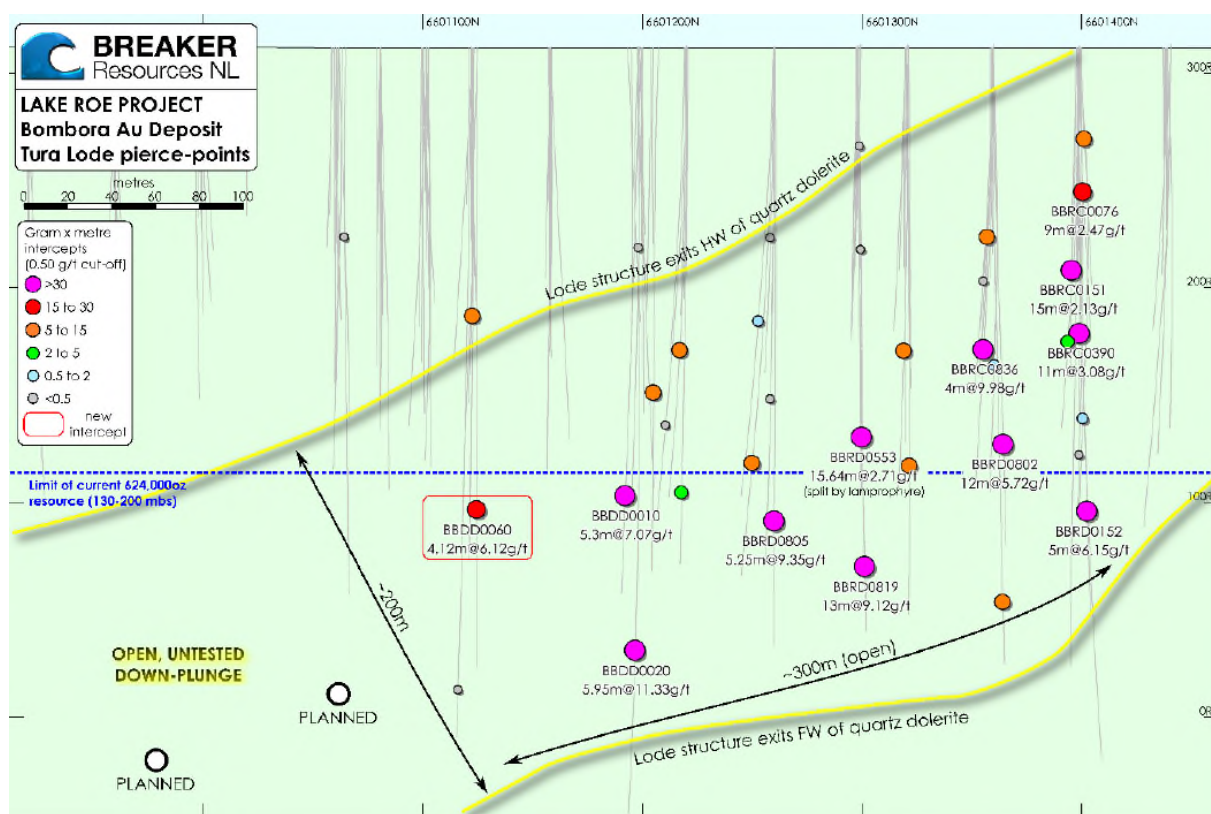
The extension potential at Bombora:

Given the complexity of the mineralised system at Bombora, most of the drilling was done to increase drill density between surface and 250m below surface in order to improve geological confidence in the resource.

This means that there is limited drilling below the 250mbs (meters below surface) mark. However, as little drilling as there is there, BRB found several intervals of high grade mineralisation within the depth extensions of existing lodes (Mindil and Tura).

Those narrower and higher grade intervals show that the system extends at depth and without waving the arms too widely, we felt that these intercepts fit well with underground mining potential.

Figure 10: Depth extent potential of the Tura lode

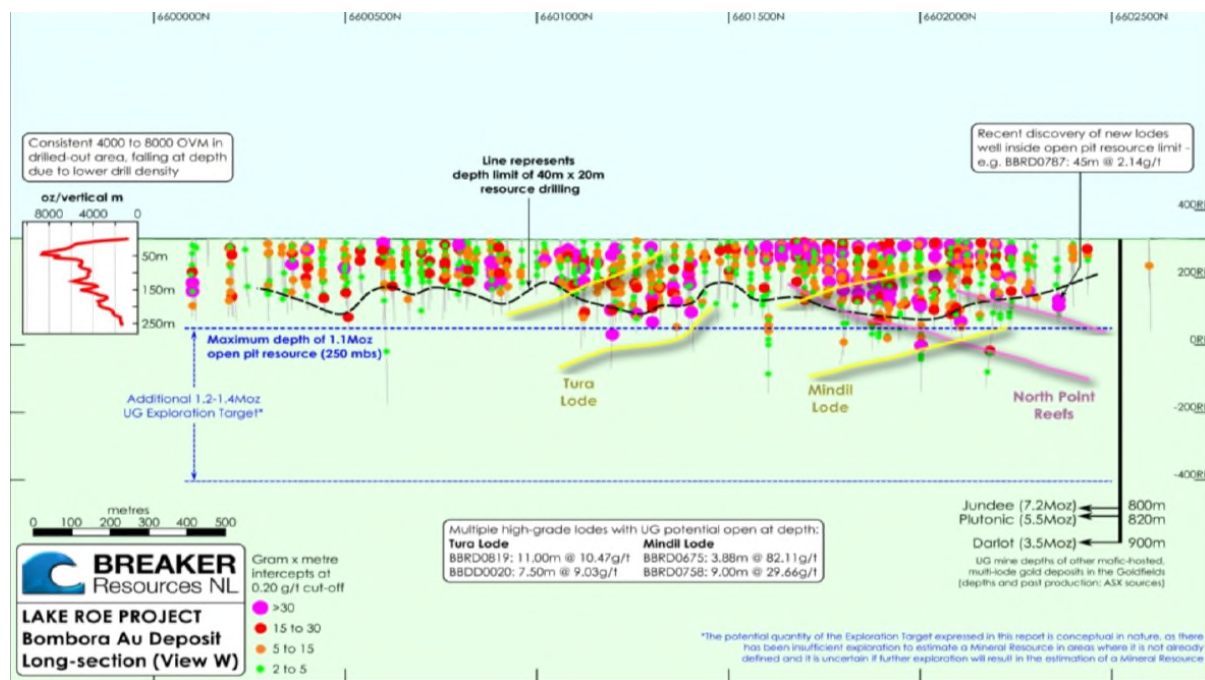


Source: BRB

Figure 10 shows in a dotted blue line the vertical extent of the original maiden resource estimate at 200m below surface. The deepest drilling pierce points in the Tura Lode, materialised by coloured dots show narrow high grade intervals compatible with underground mining techniques.

The two white dots on the long section materialise planned deeper exploration holes designed to test the depth extent potential of the Tura lode.

Figure 11: Long section showing 1.2-1.4Moz conceptual exploration target below current drilling



Source: BRB

The underground exploration target of 1.2 to 1.4Moz announced by BRB, despite being conceptual in nature is credible. Of course, it would mean that the system continues at depth as expected but given the current level of geological understanding, it does not sound unrealistic.

Furthermore, in the course of the past few years, BRB defined several other prospects which have not received as much drilling attention as Bombora. Those prospects to the north and the south of the existing resource have a good chance to increase the overall number of ounces for the project. Figure n shows in red the footprint of the original gold in aircore drilling anomaly which led to the discovery of Bombora and the delineation of the 1.1Moz resource.

Several drill intercepts from the prospects to the north and south of Bombora have returned results which show the extension potential.

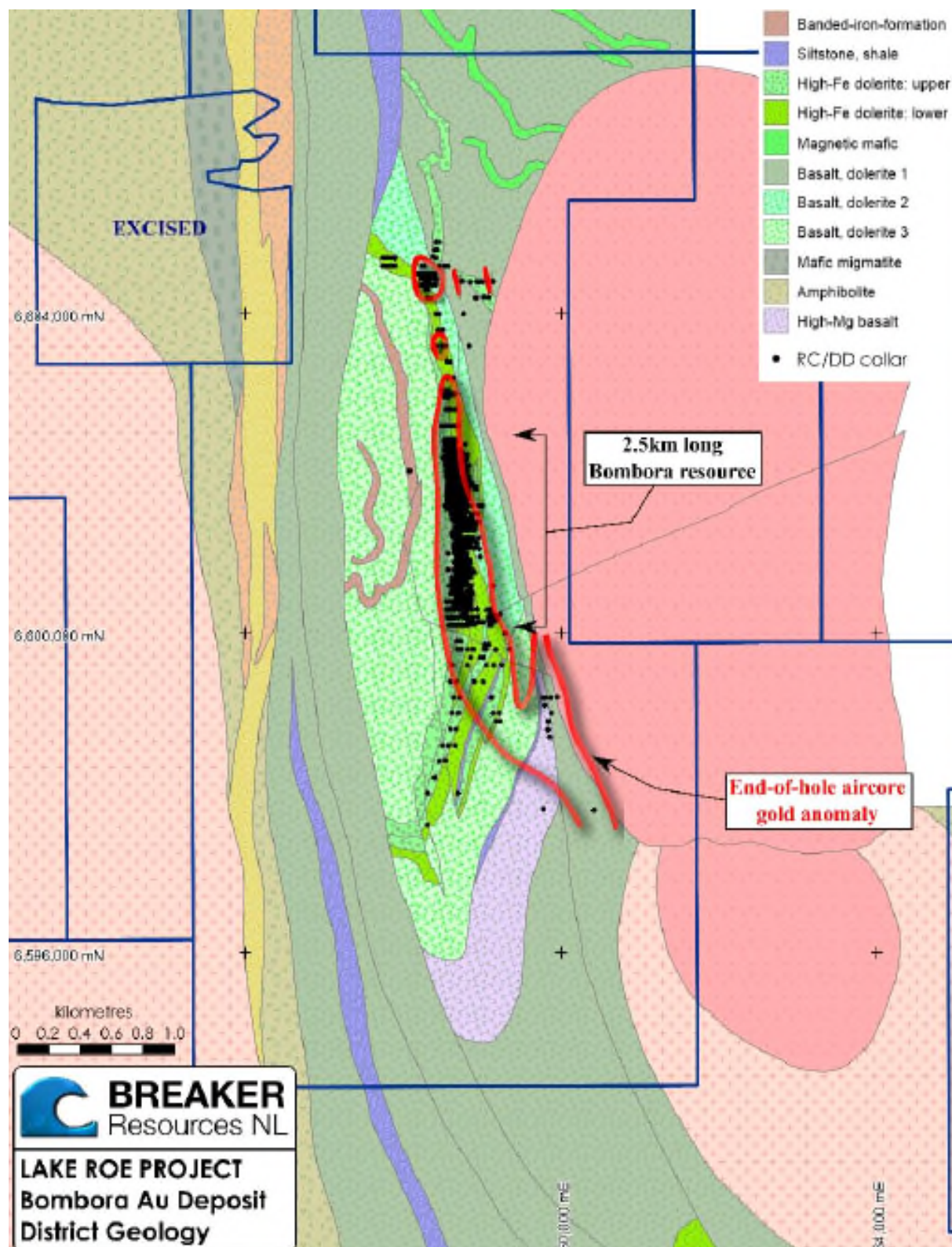
Figures 13 and 14 show the “near resource” exploration targets and drill intercepts to date.

At this point in time, it might also be worth refreshing memories. BRB holds 550km² of tenure around the Bombora project and most of the efforts have been dedicated to the Bombora deposit, a “large” 1.25km² system.

This means that there is still about 548km² of tenure to explore.

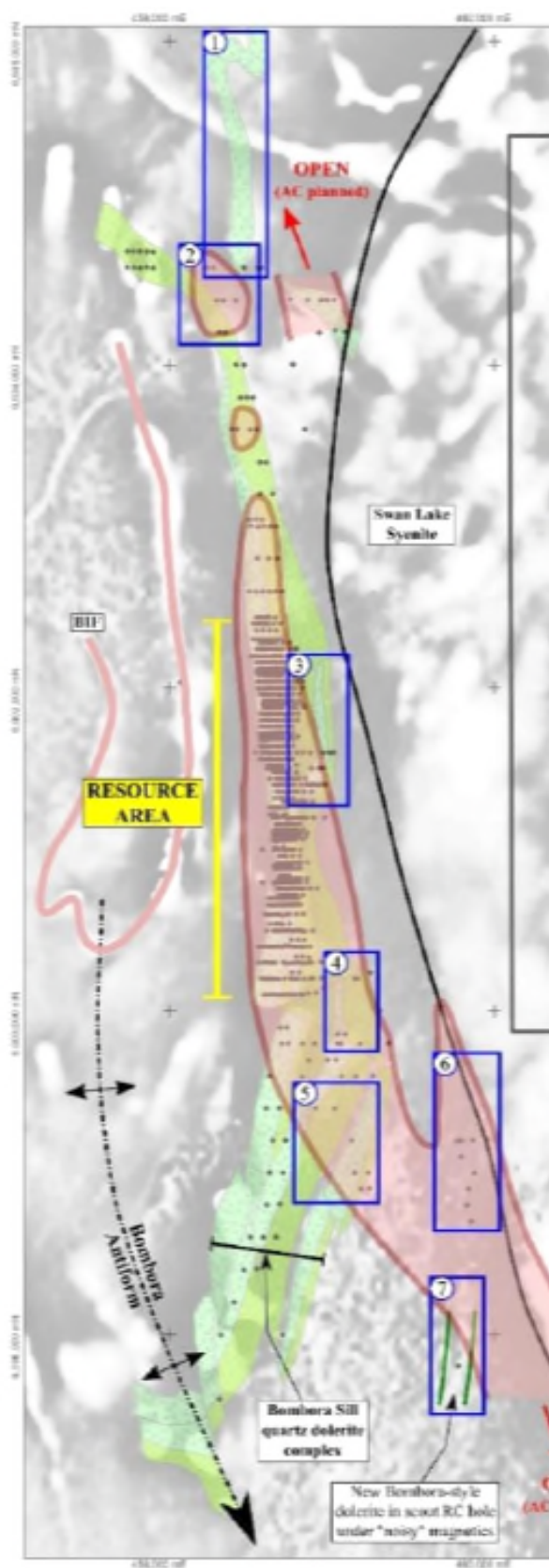
To be honest, a little bit less considering that BRB conducted some reconnaissance field work leading to the discovery of outcropping lithium pegmatite (see after).

Figure 12: Bombora extension potential map



Source: BRB

Figure 13: "Near resource" exploration targets



Source: BRB

Figure 14: Drill intercepts on “near resource” exploration targets

①	Target:	Northern quartz dolerite
	Intercepts:	9m @ 1.94g/t (BBRC0116)
②	Target:	Crescent
	Intercepts:	19m @ 2.35g/t (BBRC0858) 11m @ 1.65g/t (BBRC0872) 16m @ 0.73g/t (BBRC0874)
③	Target:	Eastern quartz dolerite
	Intercepts:	17m @ 1.52g/t (BBRC0077) 9m @ 3.02g/t (BBRC0158) 4.6m @ 3.00g/t (BBDD0011)
④	Target:	South Inlet
	Intercepts:	20m @ 1.76g/t (BBRC0405) 4m @ 13.70g/t (BBRC0901) 5m @ 6.35g/t (BAC0765) 12m @ 2.44g/t (BBRC0901)
⑤	Target:	Bombora South
	Intercepts:	6m @ 5.22g/t (BBRC0406) 11m @ 1.52g/t (BAC1061) 8m @ 0.73g/t (BBRC0029) 16m @ 0.54g/t (BBRC0028)
⑥	Target:	Claypan
	Intercepts:	5m @ 3.58g/t (BAC1032) 7m @ 1.65g/t (BBRC0705) 10m @ 0.92g/t (BAC1074)
⑦	Target:	Southern quartz dolerite
	Intercepts:	N/A (only tested by one hole)

Source: BRB

Now that we have had a bit more visibility on the geology and the structural framework of bombora, we are certainly more confident about the growth potential of the project.

From what we can see, Bombora has the potential to evolve into a classic “goldfields story” with an open pit mine continuing into an underground development unfolding as exploration and drilling continues.

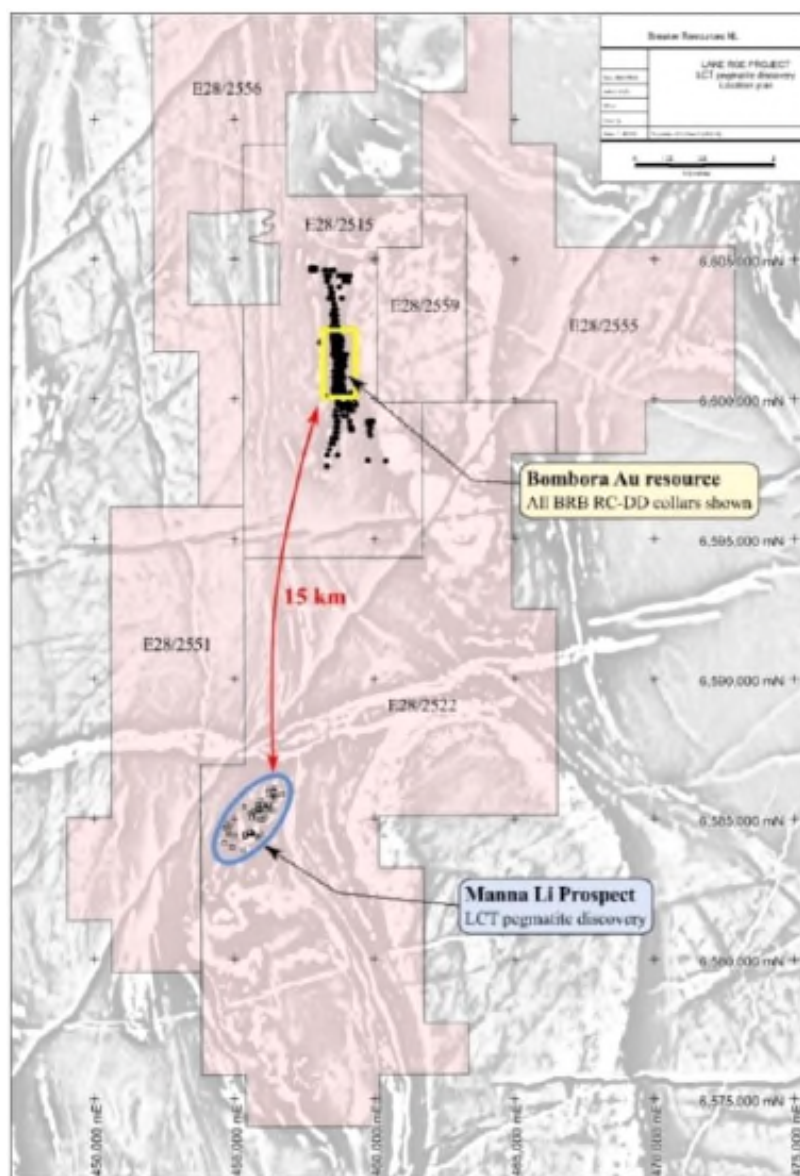
The 1.1Moz currently within the resource estimate new foundation to expand the resource base at Bombora and build up a robust project all based on a greenfields discovery.

The lithium dis-covey or dis-traction:

The regional exploration reconnaissance work led BRB to lithium bearing pegmatite.

We understand that this can cause a little bit of confusion but this is what happens when someone goes exploring further out than anyone else or where no one else had been before... And it is also what happens in exploration, when someone goes looking for gold and finds lithium on the way...

Figure 15: Lithium pegmatite sub-outcrop location map



Source: BRB

At this stage, we do not really know what to do of this Lithium project, the grades are there, the size of the project is there too. It certainly represents an opportunity for Breaker but we shall wait and see on this one as we cannot really see the value of this lithium project at this stage in the Company's story.

Checking out recent numbers:

It is always difficult to put a price tag on a gold project. In essence, each and every project is different and comparing apples with apples is more than often a challenge. Therefore, we do not put a target price on exploration stocks as there are too many unknowns with exploration companies to accurately produce a financial model.

However, in the past two weeks, two transactions in the gold sector have attracted our attention as proxies for an attempted valuation of BRB shares.

On 10/09/2018, Ramelius Resources (RMS) announced a takeover bid for Explaurum Resources (EXU) and the Tampia project.

On 24/09/2018, Regis Resources (RRL) announced a takeover bid for Capricorn Metals (CMM) and the Karlawinda project.

Both Karlawinda and Tampia projects are more advanced than Bombora but both are open pit stories with overall grades comparable to Bombora's. We compiled first approximation numbers in the following table.

Figure 16: Value metrics from recent takeover bids in the gold sector

Company	Ounces in resource	Resource grade (g/t)	Mkt cap. (\$m)	Cash at end of June 2018 (\$m)	Estimated cash outgoings (\$m)	Enterprise Value (\$m)	EV/in-the-ground Resource oz	Comments
EXU	675,000	1.74	55.4	3.4	n/a	52.0	77.03 EV\$/oz	Current value as at 25/09/2018
EXU	675,000	1.74	54.2	3.4	n/a	50.8	75.25 EV\$/oz	Implied value from RMS takeover announcement (10/09/2018)
CMM	1,400,000	1	65.1	5.5	2.25	59.6	42.55 EV\$/oz	Current value as at 25/09/2018
CMM	1,400,000	1	85.3	5.5	2.25	79.8	56.91 EV\$/oz	Implied value from RRL takeover announcement (24/09/2018)
BRB	1,085,000	1.4	48.2	5.2	3.35	43	39.63 EV\$/oz	Current value as at 25/09/2018

Source: Patersons Securities Limited, companies announcements.

Figure 17: BRB Price simulation at various EV\$/oz

EV\$/oz	BRB EV (\$m) (rounded)	BRB share price simulation (\$) (rounded)
39.63	43.0	0.33
42.55	46.2	0.35
56.91	61.7	0.46
75.25	81.6	0.59
77.03	83.6	0.61

Source: Patersons Securities Limited

At the current going takeover prices for open pit 1-2g/t Au projects BRB share price has a lot further to grow.

THE APPOINTMENT OF LINTON PUTLAND, ANOTHER POSITIVE STEP ON THE PATH TO DEVELOPMENT:

On 16/08, BRB appointed Linton Putland to the Company's board of directors.

Mr Putland is a mining professional with over 30 years' experience. He will be providing BRB advice on project management, mine planning, feasibility study management, mining proposals, mining contract, and mining tenders.

Mr Putland has a strong technical mining experience, including project development, finance and production. He currently is a non-executive director of Pacific Energy Limited and Azumah Resources Limited. Mr Putland was also the Principal Technical Adviser to private equity group Pacific Road Capital Management from 2012 to 2017.

We can certainly see this new appointment to the board of directors of BRB as another step towards development with added mining expertise to the board when the company announced a pre-feasibility study in the list of coming catalysts for the Company's share price.

Just as a reminder, the Board of directors is composed of:

Mr Tom Sanders, Executive Chairman, a geologist.

Mr Mike Kitney, Non-Executive Director, a process engineer.

Mr Linton Putland, Non-Executive Director a mining engineer.

Mr Mark Edwards, Non-Executive Director, a lawyer.

Ms Michelle Simson, Company Secretary.

With the even mix of geology, process, mining, legal and corporate experience at the board level, BRB is now progressing towards PFS and development of a new (still growing) project in the Goldfields.

THE BREAKER INVESTMENT CASE:

1.1Moz at 1.4g/t Au from surface currently valued just below \$40EV/oz.

Extension potential to the north, south, east and at depth.

Depth extent conceptual exploration target of 1.2-1.4Moz in line with geological interpretation.

A board with the skill set to get Bombora mining.

Catalysts: PFS & ongoing drilling, resource upgrade after more drilling.

Risks:

Below we have identified a number of risks which may impact BRB. These are by no means a complete list of risks and there may be others beyond those identified:

Exploration: BRB is exploration focused. Exploration is inherently risky and there is no guarantee that more economic mineralisation will be delineated. Further drilling is needed to follow-up targets which may or may not result in further discoveries.

Technical: The development of the Bombora deposit will require significant additional testwork (metallurgy, geotechnical, hydrogeological).

Financing: The prefeasibility work and continued drilling at the Bombora discovery will require further capital. There is no guarantee that these funds will be available at a reasonable cost or create an excessive level of dilution to existing shareholders.

Commodity Price: Once in a development scenario at Bombora, BRB is most exposed to fluctuations in the price of gold.

Exchange Rate: BRB has Australian based assets and is subject to fluctuations in the Australian dollar against the US dollar.

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
30 May 17	Hot off the Press	na	0.69	SB	
06 Jul 17	Hot off the Press	na	0.67	SB	-2.9%
05 Oct 17	Hot off the Press	na	0.68	SB	0.7%
06 Oct 17	Resources Review Book	na	0.68	SB	0.7%
01 Nov 17	Hot off the Press	na	0.60	SB	-11.8%
23 Jan 18	Research Note	na	0.64	H	6.7%
04 Apr 18	Resources Review Book	na	0.52	H	-18.8%
18 Apr 18	Hot off the Press	na	0.43	H	-17.3%
13 Jun 18	Hot off the Press	na	0.26	H	-39.5%
15 Jun 18	Hot off the Press	na	0.28	SB	7.7%
31 Jul 18	Hot off the Press	na	0.25	SB	-12.5%
31 Jul 18	Hot off the Press	na	0.25	SB	0.0%
04 Sep 18	Hot off the Press	na	0.24	SB	-4.1%
06 Sep 18	Hot off the Press	na	0.28	SB	19.1%
	Current Share Price		0.32		14.3%

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

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