



# BREAKAWAY

## Resources Limited

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Dear Shareholder,

It is with great pleasure that I have the opportunity to present to you the meeting materials for the purposes of a shareholders meeting to among other things, consider a transaction that will reshape Breakaway, enabling it to develop into a leading Australian base metal resource company.

On 15 May 2006, Breakaway announced an agreement to acquire LionOre Australia Pty Ltd's ("LionOre") key exploration projects, and with the acquisition, procure a highly experienced exploration team with a successful track record of new discoveries.

While full details of the transaction with LionOre are set out in detail in the meeting materials, I can summarise the key points as follows:

- Breakaway acquires 6 new major nickel project areas in Western Australia, stretching from the Kimberley in the North to the Eastern Goldfields in the South, having a combined area of approximately 3,700 square kilometres.
- Numerous disseminated and massive nickel sulphide occurrences have been identified on the majority of projects and a resource of 5,000 tonnes of contained nickel has been established at Scotia.
- The agreed total purchase price for these assets is \$10.55 million, payable in shares and converting notes.
- LionOre's former Director Geology and Exploration, Mr Peter Buck, will join Breakaway as its Managing Director to lead an invigorated exploration team which includes former members of LionOre's successful exploration department.
- With this acquisition, Breakaway has procured the backing of international investment bank Royal Bank of Canada Inc to assist with a capital raising of up to \$20 million to enable Breakaway to fully evaluate the potential of its projects.
- Consolidation of capital on a 1:5 basis.

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Your directors are firmly of the opinion that the acquisition of the LionOre assets and exploration team, together with Breakaway's prime exploration acreage at Miranda (nickel), Kambalda (nickel/gold) and Eloise (lead-zinc-copper), combined with the current copper revenues flowing from our 30% net profit royalty interest in the Eloise Mine, will provide Breakaway with the assets to develop into one of the most well rounded emerging mid tier resource companies in the marketplace today.

This scale of transaction and the prospectivity of these projects necessitates the raising of substantial additional funding, circa \$20 million via new shareholders, which is a requirement under the transaction. However, we are cognisant of the support that has been shown by our existing shareholders and have limited the impact of the share consolidation to levels where we believe that value is not eroded and thus enable them to enjoy the growth opportunities together with new investors.

In summary, your directors provide the following four compelling reasons for you to vote in favour of this transaction which we support unanimously:

1. **The assets are being acquired from LionOre at a substantial discount.** The preferred independent valuation of the assets is approximately \$32 million. The purchase consideration is \$10.55 million.
2. **The acquisition of a new portfolio of quality nickel projects** offering a high discovery potential, based on known nickel occurrences located on all of the projects.
3. **The transaction creates a significant uplift in value for current Breakaway shareholders.** The post transaction enterprise value, based upon an exploration valuation mid-point will be more than \$100 million, representing a pre-consolidation value of over 11 cents per share.
4. **The recruitment of this outstanding management and technical team is unprecedented and their value will be immeasurable to promote the future growth of Breakaway** and overcome the serious shortage of global skills confronting the resources industry.

In closing, it is with a great deal of optimism that your board looks forward to 2006-2007. Your team, having the benefit of the acquisition of a new high quality project portfolio and the injection of additional substantial funds, will undertake aggressive exploration for new discoveries under the current buoyant market conditions.

Yours sincerely



**JON YOUNG**  
Chairman