

BREAKAWAY RESOURCES LIMITED

ABN 160 6159 5051



BREAKAWAY
Resources Limited

FINANCIAL REPORT

For the Half-Year Ended
31 December 2004

CONTENTS

	Page
Directors' Report.....	1
Auditor Independence Declaration.....	5
Statement of Financial Performance.....	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration.....	11
Independent Review Report	12

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 2004 and the review opinion thereon.

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>
Michael Geoffrey Mulroney - Managing Director	Managing Director since March 2003
Jonathan Alister Young - Chairman	Director and Chairman since March 2003
Garry Patrick Connell - Director	Director since 1999
Peter Buck - Director	Director since June 2004

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity for the half-year were the mineral exploration of gold, nickel and copper.

RESULT

The loss from ordinary activities after income tax for the financial period was \$1.486 million (2003: loss of \$8.620 million).

REVIEW OF OPERATIONS

Financial

The consolidated entity recorded a pre tax loss of \$1.486 million for the six months ended 31 December 2004.

On the 31st December 2004 the Company completed a placement of 46,443,050 new shares at an issue price of 3.8 cents each to raise \$1,707,836.

The Company appointed Argonaut Capital Limited as advisers to assist in generating value from the Company's asset base.

NICKEL

KAMBALDA WEST

Spargoville

At Spargoville, a seven hole diamond drilling program was completed on targets at 5A, 5B and Andrew's deposits.

5A Deposit

At 5A, a single drill hole tested a moderate DTHEM conductor located down plunge. The hole successfully intersected the target position which was structurally disrupted and brecciated. A narrow zone of remobilised disseminated sulphide mineralisation was intersected below the contact in the footwall ultramafic.

5B Deposit

At 5B, three diamond drill holes tested an area beneath the existing nickel - gold resource with considerable success. All three holes successfully intersected massive and/or disseminated nickel sulphide mineralisation slightly above the basal contact position at approximately 250 metres vertical depth, some 70 metres below the existing resource.

Andrew's

At Andrew's, a three hole program to access the area beneath the Andrew's deposit was hampered by drilling difficulties.

The first hole located at the southern end of the deposit, intersected the ultramafic-mafic contact. The contact was marked by a thin band of sediment overlain by a broad zone of disseminated nickel sulphide mineralisation.

Spargos Reward

An auger geochemical sampling program was extended to cover the eastern portion of the Spargos Reward area which is believed to host prospective ultramafic sequences. The assay results highlighted several new anomalous nickel-copper zones within the eastern ultramafic sequence in the Spargos Reward area. These zones are of a similar or higher magnitude geochemical response to the areas of known mineralisation at Spargoville. Detailed mapping of these zones is underway to determine areas for follow up geophysical and drilling programs.

Yilmia

(100% BRW)

Burnam Prospect

At Burnam, a down hole EM survey was undertaken on the nine RC drill holes completed in the previous half. The EM results were influenced by strong, spurious, near-surface weathering effects. However, several low order off hole conductors were defined primarily associated with zones of disseminated sulphide mineralisation containing nickel. These results are being evaluated to assist in identifying further drilling targets in the area.

Following the execution of an option agreement over the adjacent tenements, a single fixed loop ground EM survey was completed over a coincident moving loop surface EM conductor identified east of the 350 metre long Burnam auger geochemical anomaly. The fixed loop EM survey did not confirm the moving loop anomaly necessitating further ground TEM prior to considering further drilling.

Kemble Prospect

A surface moving loop TEM survey completed over the Kemble Prospect during the half identified several moderate to strong conductors. Recently completed detailed surface mapping revealed that conductors identified on the eastern side of the prospect are likely to be associated with carbonaceous cherty sediments.

BANNOCKBURN NICKEL JOINT VENTURE

(South East of Leinster, WA)

Joint Venture manager Jubilee Mines NL ("Jubilee") reported an active half at Bannockburn focussed at Babylon, Antioch, Mt Clifford, Cody Well and Schimitz Well prospects.

GOLD

BANNOCKBURN GOLD PROJECT (100% BRW)

The Company increased total project resources to 489,000 ounces. The Bannockburn Gold Project scoping study examined the near term potential of the existing gold resources with encouraging results. The study has recommended further drilling to increase the resource to reserve conversion rate to sustain a minimum three year mine life.

A structural study has identified eight priority gold targets which are currently being evaluated with geophysical techniques prior to drilling.

VIVIEN EXPLORATION AND MINING JOINT VENTURE

(Gold Fields Australasia Pty Ltd can earn 60%)

The Vivien gold deposit is located approximately seven kilometres east of the Agnew Gold Project owned by Agnew Gold Mining Company Pty Ltd ("AGMC"), a subsidiary of Gold Fields Limited.

The Company received a report from AGMC into the proposed redevelopment of the Vivien Gold Project (BRW 100%, Gold Fields can earn 60%). The Company has commenced a detailed independent review of the report.

The Company has completed a detailed independent review of the report received from AGMC into the proposed redevelopment of the Vivien Gold Project. The review has identified a number of alternative scenarios to the proposed Vivien development plan. The Company is incorporating the new information into a revised development plan which is anticipated to be completed in the first quarter of the year. It is anticipated that this plan will form the basis of further discussions with AGMC on the development of the Vivien Gold Project.

MIRANDA EXPLORATION JOINT VENTURE

(Gold Fields Australasia Pty Ltd 60% BRW 40%)

Joint Venture partner AGMC reported an active half with exploration centred on the Maria, Quartz City, Leinster Downs and Fortitude prospects.

A significant drilling program was completed at Maria.

RC drilling at Fortitude, along strike from AGMC's Songvang deposit intersected new gold mineralisation.

DIRECTORS' REPORT

Auditor's Independence Declaration

The copy of the auditor's Independence Declaration as required under sections 307C of the Corporation Act 2001 is set out on page 5.

ROUNDING OFF

Breakaway is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the Director's Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth this 15th day of March 2005.

Signed in accordance with a resolution of the Directors.



J A Young
Chairman



M G Mulroney
Managing Director



Chartered Accountants
& Business Advisers

Level 7, BGC Centre
28 The Esplanade
Perth WA 6000
PO Box Z5066
St Georges Terrace
PERTH WA 6831

Tel: (08) 9278 2222
Fax: (08) 9278 2200
www.pkf.com.au/wa

Auditor's Independence Declaration to the Directors of Breakaway Resources Limited

As lead engagement partner for the review of Breakaway Resources Limited for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (I) no contraventions of the independence requirements of 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.

A handwritten signature in black ink that reads 'PKF'.

PKF
Chartered Accountants

A handwritten signature in black ink that reads 'Neil G Smith'.

Neil G Smith
Partner

Dated at Perth, Western Australia this 15th day of March 2005

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	Consolidated	
	2004	2003
	\$'000	\$'000
Revenue from sale of goods	-	19,646
Other revenues from ordinary activities	141	286
Total revenue from ordinary activities	141	19,932
Expenses from ordinary activities:		
Cost of goods sold	-	23,832
Borrowing costs	54	595
Employee expenses	421	1,588
Exploration expenses written off	674	512
Depreciation and amortisation expense	29	1,359
Legal expenses	187	-
Occupancy expenses	54	-
Insurance expenses	31	-
Other expenses from ordinary activities	177	666
Total expenses from ordinary activities	1,627	28,552
Loss from ordinary activities before related income tax	(1,486)	(8,620)
Income tax benefit relating to ordinary activities	-	-
Loss from ordinary activities after related income tax	(1,486)	(8,620)
Basic loss per share (cents per share)	(0.3)	(2.30)
Diluted loss per share (cents per share)	(0.3)	(2.30)

The statement of financial performance is to be read in conjunction with the notes to the financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Note	Consolidated	
		31 Dec 2004 \$'000	30 June 2004 \$'000
Current Assets			
Cash assets		1,459	2,309
Receivables		202	252
Other financial assets		46	28
Other		45	-
Total Current Assets		1,752	2,589
Non Current Assets			
Receivables		1,633	1,212
Property, plant and equipment		810	796
Exploration, evaluation and development expenditure		10,242	8,409
Total Non Current Assets		12,685	10,417
Total Assets		14,437	13,006
Current Liabilities			
Payables		1,634	646
Interest bearing liabilities		68	27
Provisions		581	581
Total Current Liabilities		2,283	1,254
Non Current Liabilities			
Interest bearing liabilities		-	6
Provisions		2,138	1,987
Total Non Current Liabilities		2,138	1,993
Total Liabilities		4,421	3,247
NET ASSETS		10,016	9,759
Equity			
Contributed equity		58,765	57,022
Accumulated losses		(48,749)	(47,263)
TOTAL EQUITY		10,016	9,759

The statement of financial position is to be read in conjunction with the notes to the financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	Consolidated	
	2004	2003
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	50	21,004
Cash payments in the course of operations	(530)	(23,434)
Interest received	65	67
Borrowing costs paid	(59)	(596)
Net cash (used in)/provided by operating activities	<u>(474)</u>	<u>(2,959)</u>
Cash flows from investing activities		
Payments for exploration and development	(1,997)	(278)
Payments for property, plant and equipment	(44)	(1,212)
Payments for exploration tenements	(21)	-
Proceeds from the sale of plant and equipment	-	353
Net cash (used in)/provided investing activities	<u>(2,062)</u>	<u>(1,137)</u>
Cash flow from financing activities		
Repayment of lease liability	(22)	(94)
Proceeds from share issue	1,708	-
Net cash used in financing activities	<u>1,686</u>	<u>(94)</u>
Net increase/(decrease) in cash held	(850)	(4,190)
Cash at the beginning of the financial period	2,309	4,641
Cash at the end of the financial period	<u><u>1,459</u></u>	<u><u>451</u></u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of Preparation of Half-Year Financial Report

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Breakaway and its Controlled Entity during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

(b) Going Concern

The financial report has been prepared on the going concern basis that contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. For the half year ended 31 December 2004, the consolidated entity recorded a loss of from ordinary activities of \$1.486 million. At 31 December 2004, the consolidated entity had current liabilities of \$2.283 million.

The directors are confident that it is appropriate to prepare the financial report on a going concern basis for the following reasons:

- The Company with the appointment of Argonaut Capital as advisers is in the process of generating value from the Company's asset base within the current quarter.
- If required, the Company has the ability to seek additional capital through a placement of shares or future rights issues to shareholders.

Should the Company be unable to generate value from the asset base and unable to raise further capital, the Company would be unable to repay amounts owed to creditors. In this circumstance the consolidate entity will be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial report.

2. SEGMENT INFORMATION

The Company operates solely in the natural resources exploration and mining industry in Australia

3. SUBSEQUENT EVENTS

No significant events have occurred subsequent to the reporting date.

4. CONTINGENT LIABILITIES

There have been no changes to the contingent liabilities since the most recent annual report.

5. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Company's financial reports in the future. The potential impacts on the Company's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2005 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the Company are as follows:

- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- deferred exploration, evaluation and development costs will be recognised as per AASB 6 which determines that entities recognising exploration and evaluation assets must perform impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to the statement of financial performance. The adoption of AASB 6 is not expected to lead to a change in the Company's accounting policy with respect to exploration and evaluations expenditure.

The Company in consultation with its external advisers has established a project to achieve transition to IFRS reporting beginning with the half-year ending 31 December 2005.

DIRECTORS' DECLARATION

In the opinion of the directors of Breakaway Resources Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 7 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards AA5B 1029 "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.

Dated at Perth this 15th day of March 2005.

Signed in accordance with a resolution of the Directors.



J A Young
Chairman



M G Mulroney
Managing Director



Chartered Accountants
& Business Advisers

Level 7, BGC Centre
28 The Esplanade
Perth WA 6000
PO Box Z5066
St Georges Terrace
PERTH WA 6831

Tel: (08) 9278 2222
Fax: (08) 9278 2200
www.pkf.com.au/wa

INDEPENDENT REVIEW REPORT

To the Members of Breakaway Resources Limited

Scope

We have reviewed the financial report of Breakaway Resources Limited for the half-year ended 31 December 2004 as set out on pages 6 to 11. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

STATEMENT

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 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1 (b) to the financial report, the ability of Breakaway Resources Limited to continue as a going concern is dependent on the company generating value from its asset base through sale or joint venture and/or raising additional capital.



PKF
Chartered Accountants



Neil G Smith
Partner

Dated at Perth, Western Australia this 15th day of March 2005