



BREAKAWAY

Resources Limited

21 August 2006

BREAKAWAY COMPLETES LIONORE ACQUISITION: ANNOUNCES MAJOR COPPER & NICKEL EXPLORATION DRILLING PROGRAMS

KEY POINTS

- **\$10.55M acquisition of LionOre exploration portfolio completed, enabling major exploration programs to proceed on all three Breakaway project areas.**
- **Drilling of multiple copper & base metal targets to commence shortly surrounding the Eloise Copper Mine in Queensland's Cloncurry region.**
- **Drilling programs planned to commence in the Eastern Goldfields at the Miranda Project, targeting extensions of the Cosmos South mineral system, and at the Wildara, Scotia and Kalgoorlie nickel projects.**
- **Shallow drilling to commence shortly in the East Kimberley at the Kepler and Keller Creek nickel targets, located in close proximity to the Copernicus and Sally Malay nickel deposits.**

Breakaway Resources Limited (ASX: BRW) is pleased to announce that it has completed the acquisition of LionOre Mining International's premium portfolio of Australian nickel exploration assets, enabling it to escalate exploration across its entire project portfolio. Major drilling programs are scheduled to commence shortly at all three of Breakaway's project groups in Queensland and Western Australia.

Completion pursuant to the Asset Sale Agreement with LionOre Australia Pty Ltd was achieved on Friday 18 August. Under the Agreement, Breakaway has acquired a select portfolio of Australian base metal projects for a total consideration of \$10.55 million, to be satisfied by the issue to LionOre of 4.8 million Breakaway shares and converting notes with a face value of \$9 million.

The transaction with LionOre has also seen 15.56 million Breakaway shares issued to LionOre following the conversion of existing converting notes with a face value of \$3.5 million. Following completion of the transaction, LionOre holds a 19.8% relevant interest in Breakaway.

With settlement of its recent \$13.5 million capital raising and expanded portfolio of premium exploration assets, Breakaway has been repositioned as one of Australia's leading mid-tier nickel and base metal exploration companies. With cash reserves of circa \$20 million and the \$6.07 million June 06 royalty payment scheduled to be received at the end of September Quarter from its 30% net profit royalty in the Eloise Copper Mine in Queensland, Breakaway is uniquely positioned in the junior resource sector.

MAJOR EXPLORATION PROGRAMS COMMENCE

Breakaway is pleased to advise that, with the completion of the LionOre transaction, it plans to escalate exploration activity on three fronts, at its 100%-owned exploration ground surrounding the Eloise Copper Mine in Queensland, at its nickel exploration projects in the East Kimberley region of WA, and at its nickel projects in the Eastern Goldfields.

The Company has allocated a minimum exploration budget of \$6 million for its 2006/07 exploration programs. The program and budget has been distributed between the Eloise Project in Queensland and the Eastern Goldfields and the Kimberley regions of Western Australia.

Eloise Project, Queensland

A diamond drilling rig has been secured to commence evaluation of a series of targets on Breakaway's 100%-owned ground surrounding the Eloise Copper Mine in the Cloncurry region of Queensland, with a minimum budget of \$1.5 million allocated for 2006/07. Breakaway holds 350km² of highly prospective tenements in the heart of the Mt Isa Block, a major global base metal province which is currently attracting considerable exploration interest.

Key targets to be tested in the forthcoming drilling program are located on the Levuka structural corridor and include:

- the **Altia lead-zinc-silver prospect**, located 3km south west of Eloise (past intersections include 39m @ 8.14% Pb and 30ppm Ag), which has had limited drilling and remains open in all directions;
- the **Eloise copper trend**, testing for strike repetitions of Eloise-style copper mineralisation;
- a series of geophysical targets located along the highly prospective **Levuka Shear**, including the Levuka North Prospect, approximately 15km north of the Eloise Mine.

This drilling program represents the most comprehensive exploration program to be carried out outside of the immediate Eloise Mine area in the past 15 years. In addition, the Company plans to review a series of base metal and precious metal occurrences that have become apparent in the central portion of the Eloise project area.

In parallel with this activity on its 100%-owned ground, Breakaway will continue to review in-mine exploration opportunities in collaboration with the owner and operator of the Eloise Mine, Barmingo Investments Pty Ltd. This will include a review of potential extensions to the existing Eloise orebody, which has only been drilled to approximately 200m below the current production level but remains open at depth.

Eastern Goldfields, Western Australia

Within its Eastern Goldfields project portfolio, Breakaway is in the process of securing aircore and diamond drilling rigs.

Initial drilling programs will comprise:

- the **Miranda Project** (100% owned Ni rights), targeting southern extensions of Jubilee Mines' Cosmos South mineral system;
- the **St Patrick's nickel sulphide prospect** at Breakaway's 100%-owned **Scotia Nickel Project** in the Kalgoorlie region, which contains an existing resource of approximately 135,600 tonnes at 3.7% Ni which remains open in two directions. Drilling will test extensions to this deposit and nearby nickel and copper anomalies.
- the **Golden Valley prospect Kalgoorlie Nickel Project** (earning a 60% interest), targeting deeper mineralisation below numerous near-surface nickel occurrences; and
- the **Firefly prospect**, which comprises untested nickel-copper gossan and coincident EM geophysical anomalies.

In addition, as part of the current exploration phase, Breakaway will commence a detailed review of the various nickel deposits comprising its West Kambalda Project, with a view to developing appropriate exploration strategies. A minimum budget of circa \$4 million has been allocated to the Eastern Goldfields projects for 2006/07, which can be increased subject to exploration success.

East Kimberley, Western Australia

Within its East Kimberley project portfolio (earning 60%) in Western Australia, Breakaway has secured an RC drilling rig which will shortly commence a program of shallow drilling designed to test a series of priority nickel sulphide targets, including:

- the **Kepler target**, located immediately north of the Sally Malay/ Thundelarra JV Copernicus nickel deposit and the Copernicus North prospect, where the joint venturers recently announced significant intersections including **24m @ 2.46% nickel and 1.16% copper and 14m @ 1.54% nickel and 0.92% copper**; and
- the **Keller Creek nickel target**, approximately 8 kilometres west northwest of the Sally Malay mine, where previous drilling by LionOre intersected **6.7m @ 2.03% nickel and 0.56% copper**. Breakaway's drilling will be targeting extensions to this mineralisation and a parallel analogue.

Breakaway has allocated a minimum budget of \$0.5 million to its East Kimberley Project, which can be increased subject to exploration success.

Summary

With the completion of the LionOre transaction, Breakaway has entered an exciting new growth phase with the planned commencement of wide-ranging exploration programs across all three of its core project areas.

Commenting on the significant milestone, Breakaway's Chief Executive, Mr Peter Buck, said: "With the integration of the Breakaway and LionOre assets nearing completion, a strong cash position to underpin our exploration activities, and a committed, talented and focused group of people steering our exploration efforts, this is a very exciting time for the Company."

"We will shortly have a total of about 4 diamond, RC and aircore drilling rigs active across the country once contracts have been secured, testing priority copper, nickel and base metal targets located in the heart of some of Australia's most prospective exploration acreage," Mr Buck said. "Our vision was to implement one of the most wide-ranging exploration efforts seen to date in Australia, targeting the next generation of blind discoveries, and we are advancing towards making that vision a reality."

"The completion of the transaction with LionOre enables us to significantly step up our exploration activity, building on the work our team has already completed in recent months – applying smart geological thinking and modern exploration techniques to the outstanding exploration assets within our portfolio," he said. "We are looking forward to an exciting, challenging and rewarding period ahead."

ENDS

<p><u>For further information contact:</u> Mr Peter Buck Managing Director Breakaway Resources Limited Mob: 0411 554 099</p>	<p>Mr Jon Young Chairman Breakaway Resources Limited Mob: 0418 876 363</p>
---	---