



22 June 2006

BREAKAWAY ADVANCES LIONORE ACQUISITION:
IN PREPARATION FOR SHAREHOLDERS' MEETING - 12 JULY 2006

KEY POINTS

- **Notice of Meeting and associated documents despatched in advance of a Shareholders Meeting scheduled for Wednesday, 12 July 2006.**
- **Proposed \$10.55M acquisition of LionOre exploration portfolio and associated capital consolidation & capital raising deemed fair and reasonable.**
- **Preferred valuation by RSG Global of LionOre assets being acquired of \$32.9M.**
- **Independently assessed Enterprise value (Mid-point) of Breakaway post-transaction estimated at over \$100M, representing a pre-consolidation value of over 11 cents per share.**
- **Transaction strongly supported by major shareholders.**
- **Book-build for circa \$20M capital raising to commence mid-July 2006, to be managed by RBC.**
- **Exploration is proceeding vigorously on all projects in anticipation of the finalization of the transaction so that drilling can commence on a number of projects in the remainder of calendar 2006.**

Breakaway Resources Limited (ASX: BRW) has taken further key steps towards its proposed acquisition of LionOre Mining International's premium portfolio of Australian nickel exploration assets, with an Independent Expert's report concluding that the transaction is **fair and reasonable** and providing an estimate of the enterprise value of Breakaway post-transaction of **more than \$100 million** based on a mid-point valuation of the exploration assets being acquired. Breakaway's current market capitalisation is circa \$30 million.

The proposed acquisition and other resolutions, including a proposed capital consolidation, will be voted on by Breakaway shareholders at a shareholders' meeting which has been convened for **12 July 2006**. Breakaway also plans to undertake a \$20 million capital raising managed by international investment bank, Royal Bank of Canada, during July.

Breakaway announced last month that it had reached agreement to acquire LionOre's premium portfolio of Australian nickel exploration assets for \$10.55 million in Breakaway shares and converting notes, reshaping the Company as a leading Australian base metal resource company. As part of the acquisition, Breakaway has procured key former members of LionOre's successful exploration department, headed up by respected Australian exploration executive, Mr Peter Buck as CEO.

Mr Buck said the Independent Expert's report and accompanying documentation in the Notice of Meeting, highlighted key aspects of the transaction, which included 6 major new nickel project areas in Western Australia with a combined area of approximately 3,700 square kilometres, comprising strategic areas in both the Kimberley and the Eastern Goldfields regions. An independent valuation of the LionOre exploration assets commissioned by Breakaway and provided by RSG Global has a preferred valuation of **\$32.9 million**.

Following completion of the transaction, Breakaway will have approximately 180.4 million shares on issue with LionOre holding an 18.5% stake (following conversion of its existing notes).

The Independent Expert's report, by BDO Consultants (WA) Pty Ltd estimates the value of Breakaway shares following the proposed 1-for-5 capital consolidation in the range 38.8-63.0 cents. Applying these valuations including the valuation of the assets being acquired, the Independent Expert's report estimates a realisable value of Breakaway's net assets following completion of the transaction in the range of **\$81.5 million – \$121.7 million**, representing a value per share estimated in the range **45.2 cents-67.7 cents**.

Under a mandate entered into with the Royal Bank of Canada on 17 May 2006, the issue price to be used for the \$20 million capital raising to be undertaken by Breakaway, to underpin its exploration programs over the next 3 years, with the price being determined on the basis of normal market factors and ensuring the dilution of existing shareholders is minimized. The bookbuild is scheduled to commence in mid-July.

“This is a substantial capital raising which will ensure that, together with Breakaway's existing cash resources, the Company is adequately funded to pursue a major exploration program within the newly amalgamated ground holdings of the two companies in Western Australia and Queensland,” Mr Buck said.

The assets include the outstanding package of advanced and greenfields nickel exploration ground in Western Australia assembled by LionOre over the past 7-8 years, together with Breakaway's substantial ground packages immediately south of Jubilee's Cosmos-Prospero/Tapinos nickel operations and in the Widgiemooltha district, west of Kambalda. Numerous disseminated and massive nickel sulphide occurrences have been identified on the majority of projects.

Breakaway also holds a 30% net profit royalty interest in the Eloise Copper Mine in North Queensland, which generated a cash flow to Breakaway of approximately \$8 million in the period from September 2005 to the end of the March 2006 Quarter. It also has 100% ownership of a substantial package of exploration ground surrounding the Eloise Mine with the potential for the discovery of copper-gold-iron oxide deposits and Broken Hill-Cannington lead-zinc style base metals mineralization.

“Breakaway has a real opportunity to implement one of the most wide-ranging exploration efforts seen to date in Australia, targeting the next generation of blind discoveries which recent experience has shown can be found at depth by applying smart geological thinking combined with modern exploration techniques,” Mr Buck said.

“The quantum of the proposed raising is such as to ensure that Breakaway has the opportunity to fill the void created by the absence of substantial new minerals discoveries in Australia and the lack of commitment to exploration in recent years,” he added. “We have a 3-year plan to make a real difference by allocating substantial resources and personnel to a committed exploration effort designed to produce results that will lead to the development of Australia's next significant mining operation.”

“Exploration is continuing on all projects in preparation for undertaking drilling on a number of the advanced projects and higher potential targets in the second half of 2006 following completion of the transaction.”

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