



Breakaway Completes Restructuring and LionOre Increases its Strategic Investment

23 May 2005

- Sale of Bannockburn Gold Project realises \$2.0 million
- Restructuring now complete
- LionOre invests a further \$3.5 million through Converting Notes
- Breakaway is now funded and able to control its own destiny

Sale of Bannockburn Gold Project

Breakaway Resources Limited (ASX: BRW) ("Breakaway") has executed a Heads of Agreement to sell the Bannockburn Gold Project ("Bannockburn") to LionOre Australia Pty Ltd ("LionOre") for \$0.5 million cash. All environmental liabilities will be cancelled releasing up to \$1.5 million cash to Breakaway held by third parties as security deposits for the Environmental Performance Bonds upon completion of the sale.

Breakaway's restructuring is now complete with the Company owning a streamlined asset base being:

- 100% ownership of Kambalda West Nickel tenements
- 100% of the Miranda Nickel Project
- 100% of the Eloise Regional exploration tenements
- A contingent 30% net profit interest in the Eloise Copper Mine
- Cash reserves of approximately \$4.5 million

Breakaway can now control its own destiny. The Company intends to commence an aggressive exploration program to realise value. A further announcement will be made in due course outlining the planned exploration programs at Miranda, Eloise and Kambalda West.

\$3.5 million Converting Notes Issue

In a separate transaction, LionOre has also subscribed for a series of Converting Notes with a total face value of \$3.5 million ("the Notes"). The Notes are convertible into fully paid shares in Breakaway at an exercise price of 4.5 cents per share.

The Notes issue remains subject to several conditions including Breakaway receiving the requisite regulatory and shareholder approvals. The material terms of the Notes are set out in Appendix A.

The Notes issue cements Breakaway's strategic alliance with LionOre while ensuring the Company's exploration and development programs are fully funded for at least the next two years.



Breakaway's Managing Director, Mike Mulroney said "Breakaway's recent restructuring will see the Company emerge as a 100% owner of three potential company-making projects.

"We are delighted to have LionOre, already a significant shareholder, re-affirm its support. The Notes issue will ensure Breakaway has the funding to properly pursue these opportunities" he said.

LionOre's Managing Director, Mark Ashley said "The Bannockburn Gold Project represents a strategic fit with LionOre's existing operations given its close proximity to our Thunderbox Gold Mine and Waterloo Nickel Project.

"LionOre believes Breakaway's recent restructuring significantly improves the Company's attractiveness. I am particularly enthusiastic about the potential of Breakaway's 100% owned but as yet untested Miranda Nickel Project which could potentially compliment LionOre's hydrometallurgical strategies in Western Australia" he said.

Argonaut Capital Limited acted as sole adviser to the Transaction.

Yours faithfully



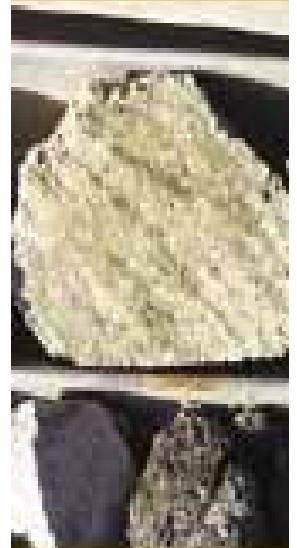
MICHAEL MULRONEY
Managing Director

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BREAKAWAY
Resources Limited



Appendix A: Material Terms of the Unsecured Redeemable Converting Notes

Issuer	Breakaway Resources Ltd (Breakaway).
Subscriber	LionOre Australia Pty Ltd (LionOre).
Issue Type	Unsecured redeemable converting notes (Notes).
Number of Notes and Aggregate Face Value	70 Notes of \$50,000 each with an aggregate Face Value of \$3,500,000.
Coupon Rate	Nil.
Ranking	The Notes will rank for repayment of principal pari passu with all other unsecured obligations of the Company.
Conditions	<p>The obligation of LionOre to subscribe for the Notes is subject to the satisfaction of several conditions subsequent including:</p> <ol style="list-style-type: none">The receipt of all requisite regulatory and shareholder approvals;completion of the Mining Assets Sale Agreement for the acquisition of the Tenements and Infrastructure;completion of the restructure (Agnew Restructure) of the Miranda and Vivien Joint Ventures with Agnew Gold Mining Company Pty Ltd; andextension of the Pre-emptive Treatment Rights Agreement to cover 100% of Breakaway's interest in the Miranda Project.
Maturity Date	Three (3) calendar years after the date of the issue of the Notes.
Conversion	Each Note will be convertible in whole by LionOre at any time up to the date which is 30 days prior to the Maturity Date, into fully paid ordinary shares in the Company (Shares).
Conversion Price	A\$0.045 (4.5 cents)
Redemption of Note	<p>At maturity, all Notes that have not already been converted must be redeemed by Breakaway either by (which choice shall be at Breakaway's sole discretion):</p> <ol style="list-style-type: none">Paying LionOre the outstanding amount of the Notes in cash; orconverting the outstanding amount of the Notes into Shares based on an agreed upon conversion formula subject to a minimum floor price of A\$0.025 (2.5 cents).
Early Redemption	<ol style="list-style-type: none">Breakaway may redeem the Notes at any time prior to the Maturity Date, but not prior to the date which is 12 months after the issue of the Notes by 30 days prior notice in writing to LionOre.LionOre may, during the notice period, exercise its right to convert the Notes in whole or in part.
Governing Law	The Laws of Western Australia.