



**ACTIVITY REPORT
FOR THE QUARTER ENDED 30 JUNE 2006**

HIGHLIGHTS

CORPORATE

- Landmark agreement with LionOre Mining International Ltd nearing completion for the acquisition of an outstanding portfolio of nickel projects in Western Australia.
- Respected senior Australian exploration executive, Mr Peter Buck heading up an experienced team soon to include core members of LionOre's successful Australian exploration group.
- The enterprise value of Breakaway post-transaction is in excess of \$100 million, well below current market valuations.
- 1-for-5 capital consolidation completed on 13 July 2006 following shareholder approval on 12 July 2006.
- \$13.5M placement closed strongly oversubscribed, with the level of the raising reduced by March quarter Eloise Net Profit Royalty payment and desire to minimize dilution to shareholders.
- Cash reserves at Quarter end exceeds \$8.8 million, following receipt of March Eloise royalty.

ELOISE PRODUCTION ROYALTY – QUEENSLAND (30% NET PROFIT INTEREST)

- Royalty payment of \$5.06 million received for the March 2006 Quarter, increasing total royalty payments received to 30 June 2006 to \$8.08 million.
- June Quarter royalty payment to be made following receipt of final figures from mine owner/operator, Barmenco Investments Pty Ltd.

ELOISE BASE METAL PROJECT – QUEENSLAND (100% BASE METAL AND COPPER EXPLORATION)

- Preliminary ground EM surveys completed over selected regional Eloise-style copper-gold and base metal targets identified last quarter.
- Targets are under review for follow up geophysics and diamond drilling in late July.

BUNGALBIN – WESTERN AUSTRALIA (100% GOLD)

- RC drilling intersects 8m @ 10.65g/t gold from testing of the Aurora Far East Prospect, 300m east of the high-grade Aurora mine.

CORPORATE

ACQUISITION OF LIONORE'S AUSTRALIAN EXPLORATION PORTFOLIO

On 15 May 2006, Breakaway announced that it had reached agreement with international mining company, LionOre Mining International, to acquire projects from LionOre's premium portfolio of Australian nickel exploration assets for a total consideration of \$10.55 million, to be satisfied through the issue of a combination of Breakaway shares and converting notes.

The transaction complements Breakaway's existing nickel and base metal interests, elevating the Company into the ranks of one of Australia's leading nickel and base metal exploration companies.

As part of the transaction, LionOre's former Director of Exploration & Geology, Mr Peter Buck, who has been a non-executive director of Breakaway since June 2004, was appointed as Breakaway's Managing Director and CEO, heading up an expanded exploration team. The team will comprise a number of core members from LionOre's highly successful Australian exploration group, following completion of the total transaction expected to occur in August 2006.

Under the management of Peter Buck, LionOre's exploration team played a key role in generating the organic growth of that company; from an industry junior with a market capitalization of US\$50 million, to a leading mid-tier nickel producer with a market capitalization of over US\$1 billion within 7 years. The team was instrumental in three major nickel sulphide discoveries – Maggie Hays (1993), Emily Ann (1997), and Waterloo (2003), all of which are currently in production – as well as the 2 million ounce Thunderbox gold resource (1999) which is also in production.

The assets acquired from LionOre represent an outstanding advanced exploration package, incorporating 6 major nickel project areas in Western Australia with a combined area of approximately 3,700km² covering strategic areas in both the Eastern Goldfields and East Kimberley regions. The acquisition package provides a major boost to Breakaway's Western Australian portfolio, both adding to and complementing its assets located in the Eastern Goldfields south of Jubilee's Cosmos-Prospero/Tapinos nickel operations and in the Widgiemooltha district, west of Kambalda.

Breakaway also holds a 30% net profit royalty interest in the Eloise Copper Mine in North Queensland, which is generating a very significant cash flow for Breakaway. It also has 100% ownership of a substantial package of exploration ground surrounding the Eloise Copper Mine offering the potential for discovering further copper-gold deposits and Broken Hill-Cannington style lead-zinc style base metals mineralization.

The amalgamation of Breakaway's and LionOre's exploration assets provides the newly-repositioned Breakaway with commanding strategic ground holdings or nickel rights in some of Australia's most prospective nickel and base metal provinces.

Following the transaction, LionOre will remain a significant shareholder in Breakaway with a holding not to exceed 19.9% (together with A\$9m of converting notes), giving it the opportunity to retain exposure to the outstanding growth and development opportunities from the amalgamated assets.

INDEPENDENT VALUATION AND SHAREHOLDER'S MEETING

Ahead of a Shareholder Meeting to approve the LionOre transaction and a proposed 1-for-5 share capital consolidation, Breakaway commissioned an Independent Expert's Report by BDO Consultants (WA) Pty Ltd. This Report concluded that the transaction was fair and reasonable and provided 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.

A valuation of the LionOre exploration assets provided by RSG Global, as part of the Independent Expert's Report, estimated a preferred mid-point valuation of \$32.9 million. Applying these valuations, the Independent Expert estimated a realisable value of Breakaway's net assets post-transaction in the range of \$81.5 million – \$121.7 million, representing an estimated value per share in the range 45.2 cents - 67.7 cents on a post-consolidation basis.

At a Shareholders' Meeting held on 12 July 2006 all Resolutions, including those relating to the LionOre transaction and 1-for-5 capital consolidation, were approved. The capital consolidation was completed on 13 July 2006, with Breakaway shares re-commencing trading on 17 July under the code: BRWDA (reverting to ASX code BRW on 27 July 2006).

The 1-for-5 capital consolidation was designed to bring Breakaway's share capital in line with the Company's expected market capitalization following completion of the transaction.

CAPITAL RAISING

Breakaway appointed international investment bank, Royal Bank of Canada, to manage what was initially proposed to be a circa \$20 million capital raising, to underpin its exploration objectives following the acquisition of the LionOre exploration portfolio.

However, following the receipt of the \$5.06 million royalty payment from the Eloise Copper Mine for the March 2006 Quarter and the positive outlook for future payments, it was decided to reduce the size of the raising, in part to reduce the dilutionary impact of the raising on existing shareholders and also to ensure that LionOre's equity stake in Breakaway remained below the required 19.9% post-transaction.

In addition, in response to the global correction in equity markets during May and early June and ongoing market volatility, Breakaway's directors decided to restrict the raising at a time when the Company's shares were trading well below the independent valuation provided in the Independent Expert's Report.

The book-build for this capital raising, comprising a placement of 45 million shares at 30 cents each (on a post-consolidation basis) to raise \$13.5 million, was completed on 17 July, with the offer well oversubscribed. The placement was made to a mix of predominantly Australian institutional and retail investors but included some overseas investors.

ELOISE REGIONAL

ELOISE NET PROFIT ROYALTY

The Company received a further payment from its 30% net profit royalty in the Eloise Copper Mine in Queensland during the quarter. As announced to the market on 12 May, the Company received payment of \$5.06 million for the March 2006 Quarter, bringing total payments received from the royalty to \$8.08 million from September 2005 until 31 March 2006.

Breakaway is awaiting finalization of the June Quarter Eloise Mine accounts by Barmenco so that the royalty figure for the June quarter can be announced. As a consequence of the strong increases in the copper price, these payments are adding significantly to the Company's cash reserves, strengthening its capacity to substantially increase the exploration commitment, to unlock the potential of its projects in the shorter term.

Breakaway has been advised by Barmenco that, while resources and reserves at Eloise are still in the process of being evaluated, the current mine plan has an expected life of two years. As the deposit remains open at depth, exploration drilling is expected to continue to extend the mine life. To improve future ventilation and ensure continuation of successful mining at depth, Barmenco is about to commence the development of a new ventilation shaft. Although the capital cost of this improvement to the project is still under review, it is estimated that the cost will be in the vicinity of \$9 million.

The company is working cooperatively with Barmenco by initiating a detailed review of in-mine drill results, to identify nearby exploration targets, of which there are positive signs, for future drill testing by Barmenco. Both parties view this co-operative effort as a way of utilising both groups' individual strengths and expertise to increase the mine life of the project and, consequently, Breakaway's ongoing royalty interest. This programme will gain momentum once the LionOre transaction is completed in August.

ELOISE EXPLORATION

In response to the prevailing high base metal prices and the regional potential as signified of the Eloise copper deposit and Altia lead-silver prospect, Breakaway is planning to significantly increase exploration on its surrounding 100% owned Eloise exploration project, immediately following completion of the LionOre transaction.

The Company will initially focus its attention on the northerly trending Levuka Shear Zone. It will consider the scope for strike repetitions of Eloise-style copper mineralization and regional extensions beyond the Altia lead-silver-zinc prospect (39m @ 8.14% Pb and 30ppm Ag in hole ADH008), located 3km south Eloise, as well as new targets. Over the broader project there are a series of encouraging buried geophysical targets which require further investigation to define higher priority drill targets.

During the quarter, 18.1 line kilometres of preliminary moving loop EM and 6.8km of Fixed Loop EM surveys were carried out to initially evaluate nine geophysical targets on the Levuka Shear and Maronan Trend. The results of this work are currently being processed and interpreted. Decisions on further geophysics and drilling will be made once the data has been interpreted.

In late July, the company is planning to commence a diamond drilling program, to test several combined gravity and magnetic targets at the Levuka North Prospect on the Levuka Shear, approximately 15km north of the Eloise Mine.

MIRANDA – PINNACLES BELT

Breakaway holds a 100% interest in the base metal rights over 350km² of tenements located immediately south of Jubilee Mines' Cosmos and Prospero nickel deposits, in the highly prospective Leinster-Mt Keith nickel belt of Western Australia.

EXPLORATION

Miranda

Rated as one of the most prospective nickel exploration belts in Australia, Breakaway has commenced exploration in several areas of the project and intends to actively pursue exploration more extensively along this ultramafic belt following completion of field heritage work.

Field heritage surveys with traditional owners on the northern Miranda area are well advanced. The company is preparing submissions to the relevant government agencies to allow exploration activities to be undertaken in parts of the project area considered less culturally significant by traditional owners.

Pinnacles

During the quarter, the Company completed a drill program, commenced last quarter as a preliminary test of the geology and surface TEM conductors, within the southern Pinnacles Well Ultramafic Belt.

A program, consisting of four RC and diamond drillholes, was completed for 743 metres of drilling on six EM conductors. Difficult drilling conditions were encountered in the weathered zone with two EM conductors remaining to be explained.

No nickel sulphides were intersected by the drilling. Four conductors, appear to relate to either black shales or pyrrhite-filled shears. Down-hole TEM surveys will be completed on the holes where the surface conductors could not be explained, to determine if there are any nearby off-hole conductors requiring additional drilling.

KAMBALDA WEST PROJECT (100%)

Breakaway's Kambalda West Project encompasses the Spargoville Nickel Mining Centre, 20km west of the Kambalda town site. The area is prospective for both nickel sulphides and gold mineralisation.

During the quarter, work on the Kambalda West Project comprised compilation and targeting on the Yilima and Spargoville ultramafic belts. Several high priority targets were identified from this work for drill testing in the near-future. A surface EM survey is planned, to test prospective basal contact positions along strike from the existing nickel sulphide occurrences at Spargoville.

BUNGALBIN GOLD PROJECT (100%)

A program of five RC drill holes for a total of 523 metres was completed on the Aurora Far East Prospect, 300 metres east of the high grade Aurora Deposit (25,000t @11.95g/t Au recovered) and 100 metres along strike from gold mineralisation at the Aurora East Prospect. Gold mineralisation at Bungalbin is nuggety and associated with narrow steep-dipping quartz fill shears within sheared dolerite and basalts.

Two of the drill holes intersected gold mineralization (see table below), which appears to lie on a parallel lode to the Aurora Deposit. Hole 06ERC004 intersected 8 metres @10.65g/t Au from 46 metres. Although the results are variable due to a high nugget factor, they are considered significant due to their location approximately 40 metres along strike from previous reconnaissance drilling, which intersected 3 metres at 12.42g/t Au from 51 metres. The Company believes that the Aurora Far East Prospect has the potential to develop into a narrow, high-grade gold system similar to the Aurora Deposit. Further drilling is required to better define the mineralization, however that will be undertaken in accord with the overall exploration priorities elsewhere.

Hole ID	Northing	Easting	Asia	Dip	TD	Interval		Width	Au g/t
						From	To		
06ERC001	6629861	753030	158	-60	120				NSI
06ERC002	6629871	753055	158	-60	103				NSI
06ERC003	6629831	753080	158	-60	90				NSI
06ERC004	6629888	753113	154	-60	120 <i>Inc</i>	46	54	8	10.65
						46	50	4#	11.4
						50	51	1	22.2
						51	52	1	8.06
06ERC005	6629832	753184	154	-60	90	60	61	1	1.79

Composite sample

WORK DURING THE COMING QUARTER

Settlement of the \$13.5 million placement is expected to occur around 27 July 2006 with final completion of the LionOre transaction in August 2006. After the completion of these two items, the expanded company will become fully operational to commence work in its own right on the combined assets.

Planning of forthcoming exploration programs at all of the Company's key projects is underway with preliminary budgeting of 2006/7 expenditures anticipated to exceed \$6 million with the potential to be increased as warranted by results. The programme and budget will be distributed between the Eloise project in Queensland, and the Eastern Goldfields and Kimberley regions of Western Australia, according to rankings assigned to individual targets. It is encouraging that there are a large number of targets in preparation for drilling.

The estimated breakdown of exploration expenditure across the various project areas is:

- circa \$4 million on nickel sulphide exploration in the Eastern Goldfields of Western Australia;
- circa \$1.5 million on base metals at Eloise, with the bulk of the expenditure focused on 100%-owned Breakaway ground; and
- circa \$0.5-1 million in the East Kimberley region of Western Australia.

At the Eloise Copper Project, Breakaway will evaluate the geological database to delineate in-mine drill targets for Barmingo. On 100%-owned ground, there are a number of geophysical targets, in addition to the Altia base metal target, which will be evaluated to define and rank drill targets. Drilling is expected to commence early in the September quarter.

In the Eastern Goldfields and the East Kimberley, exploration will focus on advanced targets characterized by nickel sulphide mineralization, delineated by other explorers in the 1970's, and more recently by LionOre, but not followed up.

In summary, key objectives for the September Quarter include:

- diamond drilling on the Eloise exploration project commencing at Levuka North;
- increased exploration in the Eastern Goldfields and continuation of the East Kimberley programme;
- Settlement of the \$13.5 million capital raising and completion of the acquisition of LionOre exploration portfolio; and
- integration of Breakaway's and LionOre's exploration teams to create a newly energized, focused and highly motivated exploration group aiming for early exploration success.

Breakaway is positioned for an exciting future, with a robust nickel and base metal asset portfolio comprising its existing exploration portfolio (incorporating a strong royalty cashflow) and the newly acquired LionOre assets.

This underpins the independent estimate of the enterprise value for the Company of circa \$100 million and provides a solid foundation for the Company to pursue its objective to become a leading Australian nickel and base metal group.



PETER BUCK
Managing Director and CEO

The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by James Guy who is a Member of The Australian Institute of Geoscientists. James Guy is a fulltime employee of the Company and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. James Guy consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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