

BREAKAWAY RESOURCES LIMITED

ABN 160 6159 5051



BREAKAWAY
Resources Limited

FINANCIAL REPORT

For the Year Ended

30 June 2004

The Directors present their report together with the financial report of Breakaway Resources Limited ("Breakaway or the Company") and the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 and the auditors' report thereon.

DIRECTORS

The names and details of the Directors of the Company at any time during or since the end of the financial year are:

MICHAEL GEOFFREY MULRONEY - MANAGING DIRECTOR

(Managing Director since March 2003)

Michael has over 25 years experience in the natural resources and finance sectors. He spent 13 years as a geologist and mining company executive in a broad range of commodities throughout Australia and South East Asia in a number of major and junior mining companies.

He joined leading international investment bank N M Rothschild & Sons (Australia) Limited in 1991 and ultimately became the Director of N M Rothschild & Sons responsible for Western Australia. He has held senior roles in Banking and Investment Banking within the natural resources sector and has extensive experience in mergers and acquisitions and project finance in the global financial and commodity markets. Michael became Managing Director of Breakaway in March 2003.

Michael holds a Bachelor of Applied Science (Geology) and Master of Business Administration from Curtin University and is a Member of the Australasian Institute of Mining and Metallurgy. He is currently the Managing Director of Breakaway Resources Limited and Chairman of Barra Resources Limited.

JONATHAN ALISTER YOUNG - CHAIRMAN

(Director and Chairman since March 2003)

Jonathan graduated from UWA with a Bachelor of Commerce Degree. He qualified as a Chartered Accountant with Price Waterhouse in 1981 spending 7 years in their Perth, Melbourne and Sydney offices.

The following 18 years have been spent in the Finance and Stockbroking industry and Jon is currently Director Private Clients with leading Perth based stockbroking firm Paterson Ord Minnett.

For the past 7 years Jon has served as Non Executive Chairman of the Barmingo Group of companies, one of Australia's largest privately owned underground mining contractors and a major shareholder of Breakaway Resources Limited.

GARRY PATRICK CONNELL - DIRECTOR

(Director since 1999)

Garry Connell has gained valuable experience in the mining industry through his successful involvement in substantial fuel supply and earthmoving businesses. From 1984 and 1998 he was Managing Director of the Kalgoorlie Fuel Company one of BP Australia Limited's largest independent fuel distributors in Australia and supplier to many of the leading mining and industrial companies in the Kalgoorlie/Goldfields region.

He also has extensive experience in the earthmoving business and has undertaken many large and complex projects. He has a 'hands on' approach to management and is well-known in both the Perth and Kalgoorlie business communities.

PETER BUCK - NON-EXECUTIVE DIRECTOR

(Appointed 25 June 2004)

Peter Buck is a geologist of some 30 years experience who gained his Bachelor of Science in Australia and his Masters of Science in Canada.

Peter worked for 23 years for WMC in a variety of senior exploration and production roles both in Australia and Brazil. His experience covers a range of commodities covering gold, nickel and base metals and has been associated with a number of new discoveries and their development.

In 1994 Peter joined Forrestania Gold which later became LionOre. Peter is currently the Exploration Director for LionOre and manages a highly successful team which discovered the Maggie Hays, Emily Ann, Waterloo/Amorac nickel deposits, and the two million ounce Thunderbox gold deposit in Western Australia, the majority of which have been successfully brought into production

COMPANY SECRETARY

GRANT JONATHAN MOONEY

Grant is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies.

Currently, Grant acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

Grant is a member of the Institute of Chartered Accountants in Australia.

DIRECTORS' INTERESTS AND MEETINGS OF DIRECTORS

The following table sets out the relevant interests of each Director in the share capital of the Company at the date of this report and their participation in Board meetings during the year.

Name of Director	Directors' Interests in Ordinary Shares	Number of Options Granted
M G Mulroney	1,750,000*	9,000,000
J A Young	4,990,019*	3,000,000
G P Connell	33,878,552*	1,000,000
P Buck (appointed 25/6/04)	65,217,391*	-

* includes shares in which the director holds a relevant interest but is not the registered holder

During the financial year and to date of this report a total of 13,000,000 options were issued to Directors of the Company as follows:

- 9,000,000 unlisted options were issued to Mr Michael Geoffrey Mulroney following shareholder approval on 28 November 2003
- 3,000,000 unlisted options were issued to Mr Jonathan Alister Young following shareholder approval on 28 November 2003

- 1,000,000 unlisted options were issued to Mr Garry Patrick Connell following shareholder approval on 28 November 2003

DIRECTORS' MEETINGS

Name of Director	Number of Directors' Meetings Attended	Number of Directors' Meetings Held during the Time the Director Held Office During the Year	Number of Audit Committee Meetings Attended	Number of Audit Committee Meetings Held
M G Mulronev	7	7	3	3
J A Young	7	7	3	3
G P Connell	7	7	3	3
P Buck (appointed 25/6/04)	-	-	-	-

The Audit Committee was formed on 24 April 2003 comprising of Jonathan Alister Young (Chairman), Garry Patrick Connell and Grant Jonathan Mooney (Secretary).

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were those of copper, gold, silver, production until 31 January 2004 and exploration for gold, nickel and copper.

RESULT

The consolidated loss after income tax for the financial year was \$3.18 million (2003: loss of \$8.51 million).

A major portion of the loss resulted from:

- Eloise Copper Mine losses for seven months totalling \$8.7 million,
- Sale of Eloise Copper Mine resulting in profit of \$5.46 million from sale of assets,
- Debt forgiveness resulting from the sale of the Eloise Copper Mine of \$3.58 million

DIVIDENDS

No dividend was paid during the year and no dividend will be paid in respect of the current financial year.

REVIEW OF OPERATIONS

The following is a summary of the activities undertaken by the Company over the past financial year.

ELOISE (65 KM SOUTHEAST OF CLONCURRY, QUEENSLAND)

On the 27 January 2004 the Company announced the sale of the Eloise Copper Mine on a walk in - walk out basis to Barmenco Pty Ltd subject to shareholder approval, statutory approval and finalisation of the conditions precedent.

The Company retains a 30% Net profit Interest in the Eloise Copper Mine commencing from the date the Net Profit from mining operations and/or sale equals the total consideration. The Company retains 100% ownership of 245 square kilometers of exploration tenements surrounding the Eloise Copper Mine subject to an option to purchase held by Barmenco.

A shareholders meeting held on the 30 April 2004 approved the sale of the Eloise Copper Mine with final settlement completed on the 30 June 2004 after all conditions precedent were satisfied.

A total profit on the sale of \$9.042 million was generated from the transaction after Barmenco cancelled all amounts outstanding under the Eloise mining contract, assuming all third party trade creditors, debtors, employee entitlements and environmental liabilities for the four mining leases attributed to the Eloise Copper Mine.

The Company retained the regional exploration tenements including 14km strike of the highly prospective Levuka Shear. Work which was complete during the year included ground geophysical surveys over several targets. Encouraging results were received from the Altia Pb/Zn prospect where a new geophysical anomaly was detected west of the known mineralisation and further geophysical work is planned in this area.

WESTERN AUSTRALIA

NICKEL

At the Company's 100% owned Kambalda West Project work continued delineating nickel mineralisation around the Spargoville Nickel camp as well as reconnaissance exploration for nickel and gold on the Yilima option tenements.

Spargoville

At Spargoville exploration drilling below the existing 5B open pit defined additional resources of nickel and gold mineralisation. Combined with the 5A nickel resource the company's nickel inventory now stands at approximately 5900 tonnes of nickel.

A Notice Of Intent was submitted to the relevant government agencies to develop the 5A deposit. Discussions are continuing with third parties to determine the processing route for the ore that maximizes metal recovery of the ore.

Work was also completed to explore the down plunge extensions of the 5A Deposit with encouraging results received from drilling approximately 100m below the existing resource.

Yilima (BRW option to acquire 100%)

At Yilima project located west of the Spargoville mining centre work completed included auger geochemical sampling, which generated several anomalies. Initial field checking and rock chip sampling from areas of ferruginous gossan outcrop located within one of the nickel anomalies returned significantly anomalous nickel, copper gold and sulphur assays up to 3.2% nickel. Significantly, this auger geochemical anomaly remains open and untested to the south.

Follow up geophysics was completed on the Burnam Prospect with several electrical conductors identified. Drilling is planned to test these areas in the New Year.

Bannockburn (BRW 30%)

At the Companies other nickel project at Bannockburn, Jubilee Mines NL has earned their 70% interest in the nickel rights to the tenements. The company is now contributing on a pro-rata basis of 70-30.

Work completed during the year included a detailed geological and geophysical review as well as soil sampling and ground geophysical surveys on several anomalous areas.

GOLD

Bannockburn (BRW 100%)

The Company completed a revaluation of the company's 100% owned Bannockburn Gold Mine substantially upgrading the JORC compliant geological resources.

Viven (20Km east of Leinster, Western Australia)

At the Vivien Gold Project, the Agnew Gold Mining Company (Agnew) a subsidiary of Gold Fields Australasia continued the feasibility study on the deposit. Agnew has presented the Company with a report into the proposed redevelopment of the Viven Gold Project. The Company has commenced a detailed review of this report.

Miranda (Agnew, Western Australia – BRW 40%)

The Miranda Project has seen Agnew (Gold Fields) earn their 60% interest in the tenement package, with the Company now contributing on a pro-rata basis to maintain our interest. Agnew reported encouraging intersections at several prospects

No significant work was completed at the Company's other tenements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

	2004 \$'000
<ul style="list-style-type: none"> • Fully paid ordinary share capital increased during the year as follows: <ol style="list-style-type: none"> 1. 13 February 2004 – cash issue of placement offer of 23,00,000 ordinary shares at 4.8 cents per share to provide additional working capital of \$1.104 million 2. 23 June 2004 – cash issue of a placement offer of 65,217,391 ordinary shares at 4.6 cents per share to LionOre Australia Pty to provide additional working capital of \$3 million 	1,104 3,000
Increase in fully paid share capital	4,104
<ul style="list-style-type: none"> • Sale of Eloise Copper Mine with an effective date 31 January 2004 on walk in – walk out basis for a total consideration and debt forgiveness of \$14.8 million resulting in a total profit of \$9.042 million • On 24 June 2004 Mr Peter Buck was appointed as a non-executive director 	

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

Information as to likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the Company's interests.

ENVIRONMENTAL REGULATION

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining and exploration activities situated in Queensland and Western Australia. There are significant environmental regulations under the Queensland and Western Australian Mining and Environmental Protection Acts, including licence requirements relating to waste disposal, water and air pollution and the handling of dangerous goods in relation to these operations.

The Company is not aware of any matter that requires disclosure regarding any significant environmental regulation in respect to its operating activities.

SHARE OPTIONS

During the financial year and to date of this report a total of 46,333,333 unlisted options were issued as follows:

- 9,000,000 unlisted options were issued to Mr Michael Geoffrey Mulroney following shareholder approval on 28 November 2003
- 3,000,000 unlisted options were issued to Mr Jonathan Alister Young following shareholder approval on 28 November 2003
- 1,000,000 unlisted options were issued to Mr Garry Patrick Connell following shareholder approval on 28 November 2003
- 33,333,333 unlisted options were issued to LionOre Australia Pty Ltd on the 24 June 2004

At the date of this report unissued ordinary shares of the Company under options are as follows:

Number of Options	Exercise Price	Expiry Date
5,000,000	10 cents	1 December 2006
5,000,000	12.5 cents	1 July 2007
3,000,000	15 cents	1 November 2007
33,333,333	6 cents	25 June 2005

DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

The Board of Directors' is responsible for setting the remuneration of executive Board members and senior executives of the Company. Their broad policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and to ensure remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Company's performance is taken into consideration when setting remuneration.

Details of the nature and amount of remuneration provided whilst in office to Directors of the Company during the financial year are as follows:

Name of Director	Base Emolument (Salary & Fees)	Superannuation Contributions	Non Cash Benefits	Options Issued A\$	Total
Executive Directors					
M G Mulroney	165,138	13,998	19,031	198,000	396,167
Non Executive Directors					
J A Young *	-	40,000	-	69,000	109,000
G P Connell *	-	30,000	-	23,000	53,000
P Buck (Appointed 24 June 2004)	-	-	-	-	-
G J Mooney (Company Secretary)	61,035	-	-	-	61,035
Executive Officers (excluding directors)					
T G Hart	99,430	8,948	11,964	-	120,342
J Guy	96,000	8,550	-	-	104,550
W C Bramwell	90,274	8,124	28,395	-	126,793

* Paid into superannuation fund.

Jonathan Alister Young and Garry Patrick Connell are due \$10,000 and \$7,500 respectively as at balance date.

During the year a total of 13,000,000 options were issued to Directors in accordance with the Notice of Annual General meeting dated 28 November 2003. An estimate value options were calculated at the date granted using a Black-Scholes Option price model with the following assumptions:

- Interest rate 4.75%;
- Dividend yield of nil;
- Current underlying Share price of \$0.08 cents; and
- Volatility rate of 50%

INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts, for the current Directors and current and former officers, including executive officers and secretaries of the Company.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as disclosure is prohibited under the terms of the contract.

ROUNDING OFF

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

This report has been signed in accordance with a resolution of the Directors made at Perth on 30 September 2004.



MICHAEL MULRONEY
Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"). The Board has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. Other information about the Company's corporate governance practices were adopted by the board on 16 August 2004 and are set out on the Company's website at www.Breakawayresources.com.au

- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and procedure for selection and appointment of new directors;
- Summary of code of conduct for directors and key executives;
- Summary of policy on securities trading;
- Audit Committee Charter;
- Policy and procedure for selection of external auditor and rotation of audit engagement partners;
- Summary of policy and procedure for compliance with continuous disclosure requirements;
- Summary of arrangements regarding communication with and participation of shareholders;
- Summary of Company's risk management policy and internal compliance and control system;
- Process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

BOARD OF DIRECTORS

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

The Board operates in accordance with Breakaway Resources Limited's Constitution, ASX Listing Rules, the Corporations Act, various Mining Acts and other applicable laws while achieving these goals.

At commencement of the financial year, the Board of Directors comprised two non-executive Directors, and one executive Director, who was Managing Director and Chairman. However, the Board of Directors was restructured during the year following the acquisition of BMV Properties Limited (formerly Breakaway Resources Limited).

The Board is now comprised of a Non Executive Chairman, Managing Director and a Non Executive Director. Full details of the company's directors and their relevant experience and skills are detailed in the Directors' Report.

The current structure of the Board of Directors does not include an independent director for the purposes of the Australian Stock Exchange - Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations". It is the intention of the Board of Directors to appoint an independent director during the current financial year.

With the exception of an Audit Committee, the consolidated entity is not considered to be of a size, nor is its affairs of

such complexity to justify the establishment of separate committees. Accordingly all matters, which may be capable of delegation to a committee, are dealt with by the full Board.

In addition to formal Board meetings, the Board regularly meets informally to retain full and effective control over the consolidated entity and monitor the executive management. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company's Constitution and the Listing Rules of Australian Stock Exchange Limited govern the procedures for election and retirement of Directors.

All Directors have the right to seek independent legal and accounting advice concerning any aspect of the Company's operations and undertakings.

AUDIT AND AUDIT COMMITTEE

During April 2003 the Company formed an Audit Committee with an established Charter.

The Audit Committee comprises Jon Young (Non Executive Chairman), Garry Connell (Non Executive Director) and Grant Mooney (Company Secretary).

The Audit Committee has met three times this year with all members in attendance. The Company's auditors, managing director and financial controller attend only upon invitation.

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The Company has appointed, with their consent, KPMG as its auditors.

The external auditors were appointed in 1995. The lead external audit partner was last rotated in 2002, and is being rotated off in 2009.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board relies on several internal controls:

- There is a comprehensive monthly management reporting system. Management reports detailing consolidated entity expenditure are prepared and presented to Board members monthly. Results are reported against budget and variations from budget have been discussed with site personnel to ascertain the reasons for the variances each month for each of the consolidated entity's operations. Budgets are revised when management has sufficient historical information to make informed forecasts.
- Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure Requirements.
- The consolidated entity conducts a review of the ability and experience of potential senior employees prior to appointment. Informal appraisals are conducted regularly together with on the job monitoring and training for all employees.

ETHICAL STANDARDS

Breakaway is committed to the highest standards of ethical business conduct. As part of that commitment, Breakaway established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Breakaway's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- Acting with honesty and integrity
- Abiding by laws and regulations
- Respecting confidentiality and handling information in a proper manner
- Maintaining the highest standards of professional behaviour
- Avoiding conflicts of interest
- Striving to be a good corporate citizen and to achieve community respect.

Breakaway also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Breakaway, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

BUSINESS RISKS

The Board adopts practices to identify significant areas of risk and to effectively manage those risks in accordance with the consolidated entity's risk profile.

Where appropriate the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Company's main areas of risk include:

- Mineral exploration, development and production;
- Fluctuating metal prices and exchange rates;
- Financing; and
- Title to assets.

The Board gives regular consideration to all these matters.

SHARE TRADING

A formal policy has been adopted which is to ensure compliance with the "insider trading" provisions of the Corporations Act by executive staff who may be in possession of sensitive information concerning the Company's affairs, prior to release to the market.

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

During the reporting period from 1 July 2003 to 30 June 2004 the company has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
2.1	A majority of the Board should be independent directors	Directors Jon Young, Michael Mulroney, Garry Connell and Peter Buck do not satisfy the test of 'independence' as set out in ASX Corporate Governance Council Best Practice Recommendations. Michael Mulroney is an Executive of the Company and the remaining Directors are associates of substantial shareholders of the Company. The Board is comprised of a Non-Executive Chairman, a Managing Director and two non-executive directors.	The Board considers that given the size of the company, the Board considers it more important that directors are motivated to perform as a result of their shareholding and active involvement in the company.
2.2, 2.3	The chairman should be an independent director	Jon Young is the Chairman of the Company and whilst a non-executive, he is considered an associate of the Company's major shareholder, Barmenco Pty Ltd. As such, the Company does not satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations.	The Board considers that Jon Young's appointment as Chairman of the Company is in the best interests of the Company given its size. The Board has implemented measures so as to avoid any potential matters of conflict that may arise at Board level and ensure that all dealings with related parties are at arms length and on commercial terms or alternatively, are approved by shareholders.
2.4	The board should establish a nomination committee	The Board does not have a nomination committee	The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any nomination committee are normally undertaken by the full board.
4.2, 4.3	The board should establish an audit committee	The Company has a formally constituted audit committee that meets on a regular basis to discuss various aspects of the accounting and audit function. However, this function does not entirely comply with Best Practice Recommendations in that a majority of members were not independent directors.	Although there was not strict compliance with the Best Practice Recommendations at year end, the Board considers that given the composition, qualifications and availability of the Board and its members, the audit committee had the best and most suitable composition to efficiently carry out the functions of an audit committee in view of their respective experience in the financial matters of mineral exploration and mining companies.
8.1	Disclose the process for performance evaluation of the board and individual directors	The Board and individual directors are constantly aware of the Company's share price, market capitalisation and its financial performance.	In a competitive environment such as the sector in which Breakaway operates, market forces will ensure

DIRECTORS' REPORT

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		There is no formal policy for evaluating performance. However, the Company maintains regular contact with financial advisors and stockbrokers seeking third party feedback on the Company's performance in order to continue to seek improvement in this area.	that the board and individual directors are judged based upon the performance of the company both relative to the market and relative to its particular circumstances.
9.2	The board should establish a remuneration committee	A remuneration committee has not been established.	Given the size and scope of the company's operations, and the size of the board it is not considered that a remuneration committee is necessary. Accordingly the company does not have a remuneration committee.

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from sale of goods		21,997	67,088	21,997	60,095
Other revenues from ordinary activities		15,343	4,139	15,169	3,687
Total revenue from ordinary activities	2	37,341	71,227	37,166	63,782
Expenses from ordinary activities					
Cost of goods sold		28,321	67,794	28,321	60,451
Borrowing costs	3	86	598	83	541
Employee costs		2,312	-	2,340	-
Exploration costs	3	1,181	-	1,181	-
Depreciation and amortisation costs	3	1,613	-	1,584	-
Other expenses from ordinary activities	3	7,005	11,342	5,900	11,176
Total expenses from ordinary activities		40,518	79,734	39,409	72,168
Loss from ordinary activities before related income tax		(3,177)	(8,507)	(2,243)	(8,386)
Income tax benefit relating to loss from ordinary activities	5	-	-	-	-
Loss from ordinary activities after related income tax		(3,177)	(8,507)	(2,243)	(8,386)
Basic loss per share (cents per share)	25	(0.82)	(4.20)		
Diluted loss per share (cents per share)	25	(0.80)	(4.20)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets		2,309	4,641	2,294	4,640
Receivables	6	252	5,728	170	5,663
Other financial assets	7	28	17	28	17
Inventories	8	-	732	-	732
Total Current Assets		2,589	11,118	2,492	11,052
Non Current Assets					
Receivables	6	1,212	434	1,830	848
Other financial assets	9	-	-	6,256	6,256
Property, plant and equipment	10	796	2,563	60	1,498
Exploration, evaluation and development expenditure	11	8,409	11,815	916	4,758
Total Non Current Assets		10,417	14,812	9,062	13,360
Total Assets		13,006	25,930	11,554	24,412
Current Liabilities					
Payables	12	646	14,125	270	13,652
Interest bearing liabilities	13	27	155	2	133
Provisions	14	581	668	81	656
Total Current Liabilities		1,254	14,948	353	14,441
Non Current Liabilities					
Interest bearing liabilities	13	6	138	-	106
Provisions	14	1,987	2,012	387	912
Total Non Current Liabilities		1,993	2,150	387	1,018
Total Liabilities		3,247	17,098	740	15,459
NET ASSETS		9,759	8,832	10,814	8,953
Equity					
Contributed equity	15	57,022	52,918	57,022	52,918
Accumulated losses	16	(47,263)	(44,086)	(46,208)	(43,965)
TOTAL EQUITY		9,759	8,832	10,814	8,953

The statements of financial position are to be read in conjunction with the notes to the financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash receipts in the course of operations		23,963	64,575	23,712	56,895
Cash payments in the course of operations		(27,292)	(56,663)	(27,292)	(48,351)
Interest received		104	159	102	145
Borrowing costs paid		(62)	(598)	(59)	(541)
Net cash provided by/(used in) operating activities	23(b)	(3,287)	7,473	(3,537)	8,148
Cash flows from investing activities					
Payments for exploration and development		(1,953)	(5,818)	(1,430)	(5,633)
Payments for property, plant and equipment		(1,216)	(122)	(1,216)	(122)
Proceeds from sale of property, plant and equipment		353	-	43	-
Proceeds from sale of tenement		-	155	-	155
Payments for tenements		(17)	-	(17)	-
Proceeds on disposal of non-current assets		-	612	-	246
Payments to controlled entity		-	-	-	(2,086)
Proceeds on disposal of controlled entity (net of cash disposed)	27(b)	-	2,285	-	2,616
Payments for disposal of Eloise Copper Mine		(46)	-	(46)	-
Payment for controlled entity (net of cash acquired)	27(b)	-	(134)	-	(68)
Net cash used in investing activities		(2,879)	(3,022)	(2,666)	(4,892)
Cash flow from financing activities					
Repayment of borrowings		-	(782)	-	(500)
Repayment of lease liability		(270)	(1,738)	(247)	(650)
(Repayment of) / proceeds from convertible note			(2,100)		(2,100)
Proceeds from share issue (net of transaction costs)		4,104	4,216	4,104	4,216
Net cash provided by/(used in) financing activities		3,834	(404)	3,857	966
Net increase/(decrease) in cash held		(2,332)	4,047	(2,346)	4,222
Cash at the beginning of the financial year		4,641	594	4,640	418
Cash at the end of the financial year	23(a)	2,309	4,641	2,294	4,640

The statements of cashflows are to be read in conjunction with the 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

The financial report is a general purpose financial report which has been prepared in accordance with the Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of Consolidation

Controlled Entities

The consolidated accounts of the consolidated entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities included in the consolidated financial statements have been eliminated in full on consolidation.

(c) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST").

Sales of Goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer, in accordance with the sales contracts.

Sales revenue is calculated after commodity and foreign exchange hedging, and foreign exchange differences on sales receipts, but prior to treatment, refining and freight costs. Sales revenue may be adjusted due to assay, metal price, weight and currency variations.

Interest Income

Interest income is recognised as it accrues taking into account the effective yield on the financial asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales not originally purchased for the intention of resale are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

(f) Derivatives

The consolidated entity is exposed to changes in foreign exchange rates and commodity prices from its activities. It is the consolidated entity's policy to use derivative financial instruments from time to time to hedge these risks. The consolidated entity's policy is not to enter, hold or issue these derivative financial instruments for trading purposes.

(g) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial performance as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(h) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Exploration and evaluation expenditure carried forward relating to areas of interest which have not reached a stage permitting reliable assessment of economic benefits are not qualifying assets.

(i) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company.

Diluted earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issues of the Company

(j) Investments

Controlled Entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are proposed by the controlled entities.

Other Entities

Investments in other listed and unlisted entities are carried at the lower of cost, or recoverable amount, being a Directors' valuation based on market values at the time of the valuation. Dividends are brought to account as they are received.

(k) Recoverable Amount of Non-Current Assets – Valued on Cost Basis

The carrying amounts of non-current assets valued on the cost basis, except exploration and evaluation expenditure (refer note 1(s)), are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the statement of financial performance in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(l) Receivables

Trade receivables

Trade receivables to be settled within 60 days and are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(m) Inventories

Inventories of finished goods stocks and ore stocks are carried at the lower of cost of production and net realisable value. Inventories of consumables and spares are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of each finished product's market value. Further costs to bring the stock to a marketable product and expenses of marketing, selling and transport to customers are estimated and are deducted to establish net realisable value.

(n) Acquisitions of Assets

All assets acquired including property, plant and equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

Subsequent Additional Costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(o) Leased Assets

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments is recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(p) Depreciation and Amortisation

Useful Lives

Assets having limited useful lives are depreciated / amortised using the straight line method over their estimated useful lives, with the exception of carried forward exploration, evaluation and development costs in the production phase which is amortised on a units of production basis over the life of 100% of the economically recoverable reserves and a proportion of resources. Finance lease assets are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads. The depreciation and amortisation rate for plant and equipment is between 5% and 40% (2003: 5% and 40%).

(q) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Long Service Leave

The provision for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' service provided up to reporting date.

Provisions for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

The provision is calculated using estimated future increases in wage and salary rates, the consolidated entity's experience with staff departures and the probability that employees as a group will remain in the entity's employ for the period of time necessary to qualify for long service leave. Related on-costs have also been considered in the liability.

(r) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

Amortisation

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of 100% of the economically recoverable reserves and a proportion of resources.

Restoration/rehabilitation

Provisions are made for mine site rehabilitation and restoration on an incremental basis during the course of mine life (which includes the mine closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

(s) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Accounts payable are normally settled within 60 days.

(t) Review of Accounting Estimates

The estimates and underlying assumptions are review on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

(u) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.

In the statement of financial performance, the expense recognised in respect of a provision is presented net of the recovery. In the statement of financial position, the provision is recognised net of the recovery receivable only when the entity:

- Has a legally recognised right to set-off the recovery receivable and the provision, and
- Intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2 REVENUE FROM ORDINARY ACTIVITIES				
Revenue from sale of goods:				
Copper revenue	19,951	52,463	19,951	52,463
Gold revenue	1,673	5,515	1,673	5,515
Silver revenue	373	1,497	373	1,497
Nickel revenue	-	620	-	620
Quicklime and limestone revenue	-	6,993	-	-
Sale of goods revenue from operating activities	21,997	67,088	21,997	60,095
Other revenues:				
<i>From operating activities</i>				
Interest: Other parties	107	159	105	145
<i>From outside operating activities</i>				
Gross proceeds from the sale of non-current assets (see note 18)	11,309	3,819	11,299	3,453
Foreign exchange gains	183	-	183	-
Debt forgiveness	3,581	-	3,581	-
Sundry Other	164	161	1	89
Total other revenues	15,344	4,139	15,169	3,687
Total revenue from ordinary activities	37,341	71,227	37,166	63,782
3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
(a) Individually significant items of expense/(revenue) included in profit from ordinary activities before income tax expense				
Gross proceeds from the sale of non-current assets	(11,309)	3,819	(11,309)	3,453
Debt forgiveness	(3,581)	-	(3,581)	-
Carrying value of Eloise assets sold	5,798	-	5,798	-
Write off of loan on disposal of controlled entity	-	-	-	822
Settlement of legal action relating to former mining contractor	-	339	-	339
Carrying value of Loongana Lime Pty Ltd net assets disposed of	-	3,150	-	3,052
Write down of plant and equipment work in progress	-	760	-	15
Write down of inventory to net realisable value	-	286	-	286
Exploration, evaluation and development costs written down to recoverable amount in respect of				
• Eloise	-	4,095	-	4,095
• Other	-	250	-	250
Total individually significant items of expense	9,092	8,880	9,092	8,859

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3	LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (Continued)				
(b)	Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
	Borrowing costs:				
	Related parties	-	208	-	208
	Other parties				
	Finance charges on capitalised leases	-	117	-	62
	Glencore International AG	58	265	58	265
	Other	28	8	25	6
	Total borrowing costs	86	598	83	541
	Depreciation				
	Plant and equipment	688	2,234	659	1,900
	Total depreciation	688	2,234	659	1,900
	Amortisation:				
	Mine development and production expenditure	765	2,710	765	2,710
	Deferred expenditure - exploration expenditure	160	300	160	290
	Total amortisation	925	3,010	925	3,000
	Total depreciation and amortisation	1,613	5,244	1,584	4,900
	Amounts set aside/(credited) to provision for:				
	Employee entitlements	14	42	(249)	59
	Rehabilitation - tenements	14	70	527	70
	Total amounts set aside/(credited) to provisions		112	278	129
	Lease rental expense - operating lease		79	30	79
	Exploration expenditure incurred written off		1,181	-	1,181
	Government royalties on mineral sales or production		332	917	332
	Net (profit)/loss on disposal of non-current assets:				
	Non-current assets		(9,092)	(353)	(10)
					(161)

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
4 REMUNERATION OF AUDITORS				
Audit Services				
<i>Auditors of the Company</i>	35,750	79,640	35,750	59,000
Amounts received, or due and receivable, for taxation services by:				
<i>Auditors of the Company</i>	30,993	10,780	28,243	10,780
	Consolidated		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
5 TAXATION				
(a) Income tax expense				
The prima facie tax benefit on loss from ordinary activities differs from the income tax benefit as follows:				
Prima facie tax benefit on loss from ordinary activities calculated at 30% (2003:30%)	(953)	(2,552)	(672)	(2,516)
Increase in tax expense due to:				
Non-deductible expenses	2	-	2	-
Decrease in income tax expenses				
Revaluation increment of shares	(3)	-	(3)	-
Equity raising costs	(17)	-	(17)	-
Decrease in income tax expense due to:				
Tax effect of permanent differences:				
Amortisation differences	-	(459)	-	(459)
Write off of non-current assets	-	1,303	-	1,303
Other	-	499	-	282
Income tax benefit attributable to loss from ordinary activities before individually significant income tax items	(971)	(1,209)	(691)	(1,390)
Individually significant income tax item:				
Tax losses not brought to account	971	1,209	691	1,390
Total income tax benefits attributable to loss from ordinary activities	-	-	-	-

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
5 TAXATION (Continued)				
Income tax benefit attributable to loss from ordinary activities is made up of				
(b) Deferred tax liabilities				
Provision for deferred income tax comprises the estimated expenses at the applicable rate of 30% on the following items:				
Expenditure deductible for tax but deferred and amortised for accounting purpose on exploration and development	(490)	-	(269)	-
Other	(1)	-	-	-
	<u>(491)</u>	<u>-</u>	<u>(269)</u>	<u>-</u>
(c) Deferred tax assets				
Future income tax benefit				
The future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provisions and accrued employee benefits not currently deductible for tax purpose	790	-	160	-
Other	16	-	16	-
Future income tax benefit not recognised	(315)	1,907	93	1,782
	<u>491</u>	<u>1,907</u>	<u>269</u>	<u>1,782</u>

As at 30 June 2004, the Consolidated Entity and Company have estimated net unrecognised income tax losses of \$29,188,831 and \$21,111,118 respectively, available to be offset against future years taxable income. These losses are expected to be realised at an applicable company tax rate of 30% (2003 30%). The benefit of these losses of \$8,756,649 (2003 \$6,047,191) and \$6,333,354 (2003 \$4,005,563) has not been brought to account as realisation is not virtually certain.

Estimated income tax losses carried forward are dependent on the lodgement of certain income tax returns outstanding for the consolidated Entity. The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and amount sufficient to enable a benefit to be realised;

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000

5 TAXATION (Continued)

- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

During the financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owed entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to Breakaway Resources Limited. As at 30 June 2004, the directors of Breakaway Resources Limited and BMV Properties Limited have not made a decision to elect to be taxed as a single entity. In accordance with UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances", the financial effect of the legislation has not been brought to account in the financial statements for the financial year ended 30 June 2004.

6 RECEIVABLES

Current

Trade debtors		217	3,932	150	3,902
Other		35	1,796	20	1,761
		<u>252</u>	<u>5,728</u>	<u>170</u>	<u>5,663</u>

Non-Current

Loans to controlled entity (a)	19	-	-	618	414
Other – mining tenement bonds		1,212	434	1,212	434
		<u>1,212</u>	<u>434</u>	<u>1,830</u>	<u>848</u>

- (a) the controlled entity has a surplus funds available

Loans to controlled entities are interest free and unsecured. There are no formal repayment arrangements, however the Company will not call for payment prior to 1 July 2005 except to the extent that the controlled entity has a surplus funds available

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
7 OTHER FINANCIAL ASSETS					
Current					
Shares listed on a prescribed stock exchange - at cost		31	31	31	31
Less: provision for diminution in value		(3)	(14)	(3)	(14)
		<u>28</u>	<u>17</u>	<u>28</u>	<u>17</u>
8 INVENTORIES					
Current					
Consumables and spares - at cost		-	188	-	188
Copper concentrate stocks - at net realisable value		-	544	-	544
		<u>-</u>	<u>732</u>	<u>-</u>	<u>732</u>
9 OTHER FINANCIAL ASSETS					
Non-Current					
Investment in controlled entity					
Unlisted shares at cost	27	-	-	6,256	6,256
		<u>-</u>	<u>-</u>	<u>6,256</u>	<u>6,256</u>
10 PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment - at cost		1,546	15,288	427	13,868
Less: Accumulated depreciation		(750)	(12,725)	(367)	(12,370)
		<u>796</u>	<u>2,563</u>	<u>60</u>	<u>1,498</u>
Total property, plant and equipment - at net book value					
Reconciliations					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Land and Buildings					
Carrying amount at beginning of year		-	139	-	-
Disposals through sale of controlled entity		-	(135)	-	-
Additions		-	-	-	-
Depreciation		-	(4)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at end of year					
Plant and Equipment					
Carrying amount at beginning of year		2,563	8,404	1,498	3,563
Additions		1,208	122	1,208	122
Acquisition through entity acquired		-	1,076	-	-

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
10 PROPERTY, PLANT AND EQUIPMENT (Continued)					
Disposals		(2,287)	(161)	(1,987)	(287)
Disposal of entity		-	(4,648)	-	-
Depreciation		(688)	(2,230)	(659)	(1,900)
Carrying amount at end of year		<u>796</u>	<u>2,563</u>	<u>60</u>	<u>1,498</u>
Capital works in progress					
Carrying amount at beginning of year		-	1,041	-	15
Disposal of entity		-	(281)	-	-
		-	760	-	15
Transfer to plant and equipment		-	-	-	-
Written off		-	(760)	-	(15)
Carrying amount at end of year		-	-	-	-
Total property, plant and equipment		<u>796</u>	<u>2,563</u>	<u>60</u>	<u>1,498</u>
11 EXPLORATION, EVALUATION AND DEVELOPMENT					
Costs carried forward in respect of areas of interest in:					
Production phase					
At cost		-	76,076	-	76,076
Accumulated amortisation		-	(67,623)	-	(67,623)
Less write down to recoverable amount		-	(4,095)	-	(4,095)
		-	4,358	-	4,358
Exploration and/or evaluation phase					
At cost		8,409	7,457	916	400
Total exploration, evaluation and development expenditure		<u>8,409</u>	<u>11,815</u>	<u>916</u>	<u>4,758</u>
The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.					
12 PAYABLES					
Current					
Trade creditors		322	13,297	202	13,221
Other accrued expenses		142	471	68	431
Loan from related entity	19	182	357	-	-
		<u>646</u>	<u>14,125</u>	<u>270</u>	<u>13,652</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
13 INTEREST BEARING LIABILITIES					
Current					
Lease/hire purchase liability	17	27	155	2	133
Non-Current					
Lease/hire purchase liability	17	6	138	-	106
14 PROVISIONS					
Current					
Employee benefits	21	36	123	36	111
Rehabilitation		545	545	45	545
		581	668	81	656
Non-Current					
Employee benefits	21	7	102	7	102
Rehabilitation		1,980	1,910	380	810
		1,987	2,012	387	912
15 CONTRIBUTED EQUITY					
Issued and Paid-up Capital					
466,325,729 ordinary shares, fully paid (2003:378,108,338)		57,022	52,918	57,022	52,918
Movements in ordinary share capital					
Balance at the beginning of the financial year		52,918	42,514	52,918	42,514
137,500,000 ordinary shares at fair value of 4.5c pursuant to shareholders meeting for acquisition of BMV Properties Limited (previously Breakaway Resources Limited, as per terms set out in the Notice of Meeting and Explanatory Memorandum)		-	6,188	-	6,188
Public share offer of 112,500,000 ordinary shares at 4c pursuant to prospectus		-	4,500	-	4,500
23,000,000 ordinary shares issued at 4.8 cents Feb 2004		1,104	-	1,104	-
65,217,391 ordinary shares issued at 4.6 cents to Lion Ore June 2004		3,000	-	3,000	-
Transaction costs arising from public share offer pursuant to prospectus		-	(284)	-	(284)
Balance at the end of the financial year		57,022	52,918	57,022	52,918

NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15 CONTRIBUTED EQUITY (Continued)					
Terms and Conditions					
<p> Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation. </p>					
16 ACCUMULATED LOSSES					
Opening accumulated losses		(44,086)	(35,579)	(43,965)	(35,579)
Loss from ordinary activities after related income tax		(3,177)	(8,507)	(2,243)	(8,386)
Accumulated losses at end of the year		<u>(47,263)</u>	<u>(44,086)</u>	<u>(46,208)</u>	<u>(43,965)</u>
17 COMMITMENTS					
Lease/Hire Purchase Commitments					
Lease/hire purchase repayments are payable as follows:					
not later than one year		88	247	62	220
later than one year but not later than five years		8	181	2	148
		<u>96</u>	<u>428</u>	<u>64</u>	<u>368</u>
Less: future lease/hire purchase charges		(3)	(135)	(1)	(129)
		<u>93</u>	<u>293</u>	<u>63</u>	<u>239</u>
Lease/hire purchase liabilities provided for in the financial statements					
Current		27	155	2	133
Non-current		6	138	-	106
Total lease/hire purchase liability		<u>33</u>	<u>293</u>	<u>2</u>	<u>239</u>
Exploration Commitments					
<p> The consolidated entity has minimum expenditure obligations in pursuance of the terms and conditions of mining tenements in the forthcoming year of approximately \$5,537,400 (2003 \$5,620,980). A minimum of \$2,513,454 (2003: \$2,728,492) of this amount is expected to be paid by joint venture partners. These obligations are not provided for in the financial report. These obligations may be varied from time to time subject to statutory approval. </p>					

Note	Consolidated	
	2004	2003
	\$'000	\$'000

18 DISCONTINUING OPERATION

On the 26th January 2004 the Company disposed of its Eloise Copper Mine to Barmenco Pty Ltd ("Barmenco"), the underground mining contractor at the Eloise Copper Mine. Under the Term of the sale, Barmenco acquire all the assets of the Eloise Copper Mine on a "walk in walk out" basis by cancelling all amounts outstanding under the Eloise mining contract, assuming all third party trade creditors, debtors, employee entitlements and environmental liabilities for the Eloise Copper Mine as at 31st January the disposal is expected to deliver the following benefits;

- It will stop the working capital and capital outflow associated with the underperformance of the Eloise Mine;
- It will enable the company to focus on the exploration and development of its significant Western Australian Gold and Nickel projects;
- the Company will retain full exposure to the significant copper exploration potential in the area surrounding the Eloise Copper Mine and a contingent Net Profit interest in the long-term future of the Eloise mine; and
- the removal of all the liabilities associated with the Eloise Mine will significantly strengthen the Company's balance sheet to fund emerging production developments in its nickel and gold assets.

On the 30 June 2004 the Company signed the contract as per the HOA to complete the sale of the Eloise Copper Mine to Barmenco for the consideration price of \$14.840 million consisting of gross proceeds of \$11.259 million and debt forgiveness of \$3.581 million. The carrying amount of the net assets as at 31 January 2004 were \$5.798 million resulting in a gain of \$9.042 million before tax which has been recognised.

The Company has retained a 30% Net Profit Interest in the Eloise Copper Mine from the date the project begins to make a net profit from mining operations and /or trade sale that equals the total consideration price. The Company has also retained exploration tenements of approximately 245sqm surrounding the Eloise Copper Mine.

The results of the Eloise Copper Mine for the period 1 July 2003 to 31 January 2004, which have been included in the financial statements of Breakaway Resources Limited for the 30 June 2004 were as follows:

	Consolidated	
	2004	2003
	\$'000	\$'000
Financial Performance		
Revenue from sale of goods	(21,997)	(59,475)
	-	
Total revenue from ordinary activities	(21,997)	(59,475)
Expenses from ordinary activities		
Cost of Goods Sold	27,894	59,293
Employee expenses	1,395	-
Depreciation and amortization expense	1,557	4,095
Other expenses from ordinary activities	(100)	-
Loss from ordinary activities before income tax expense	8,749	3,913
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after related income tax expense	8,749	3,913
Financial Position		
Segment Assets	9,915	24,412
Segment Liabilities	(18,957)	(15,549)
Net Assets	(9,042)	8,863
Cash Flow		
Net cash (used in)/provided by operation activities	(1,513)	11,276
Net cash (used in) investing activities	(1,216)	(5,508)
Net cash (used in) financing activities	-	(651)
Net (decrease)/increase in cash held	(2,729)	5,117

19 RELATED PARTY DISCLOSURES

Directors

The names of each person holding the position of director of Breakaway Resources Limited during the financial year were:

- M G Mulroney – appointed since 2003
- J A Young – appointed since 2003
- G P Connell – appointed since 1999
- P Buck – appointed 24 June 2004

Consolidated	
2004	2004
\$'000	\$'000

19 RELATED PARTY DISCLOSURES (Continued)

Directors' Remuneration

Information on Directors' remuneration is disclosed in Note 20.

Directors' Holdings of Shares and Share Options

The interests of Directors of the Company and their director-related entities in shares and share options of the Company are set out as follows:

Ordinary shares in Breakaway Resources Limited	40,618,571	40,618,571
Options over ordinary shares	13,000,000	-

Jonathan Alister Young is also the Chairman of Barmenco Pty Ltd and therefore has an indirect interest in 92,511,292 shares held by Barmenco.

Peter Buck is a director of LionOre Australia Pty Ltd and therefore has an indirect interest in 65,217,391 shares held by LionOre.

Consolidated		The Company	
2004	2003	2004	2003
\$	\$	\$	\$

Transactions with directors' related entities

Transactions between parties are on normal commercial terms and conditions unless otherwise stated.

(i) Amounts paid or payable to Barmenco Pty Ltd, a company in which Mr J A Young is a director

- gross proceeds (including debt forgiveness) on the sale of the Eloise Copper Mine (refer note 18)
- for the supply of mining contractor services
- for reimbursement of costs paid on behalf of controlled entity

	14,840,036	-	14,840,036	-
	19,312,801	26,320,347	19,312,801	26,320,347
		17,643	-	-

(ii) Amounts paid or payable to Barcon Logistics Pty Ltd, a Company in which Mr G P Connell has an interest:

- for the hire of equipment used in mining and milling

	-	15,661	-	15,661
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(iii) Amounts paid or payable to Alameda Pty Ltd, a Company in which Mr J A Alman has an interest.

- for payment of legal fees on loan agreement

	-	2,477	-	2,477
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NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
19 RELATED PARTIES DISCLOSURES (Continued)				
<ul style="list-style-type: none"> for repairs to programmable mineral analyser interest on loan account for the lease of office premises 	-	2,100	-	2,100
	-	32,793	-	32,793
	-	8,133	-	8,133
Total amounts paid or payable	34,152,837	26,399,154	34,152,837	26,381,511
(i) Amounts received or receivable from Barcon Logistics Pty Ltd: <ul style="list-style-type: none"> for the purchase of plant & equipment at independent valuation 	-	10,000	-	-
(ii) Amounts received or receivable from Murion Cattle Co Pty Ltd: <ul style="list-style-type: none"> for the purchase of plant & equipment at independent valuation 	-	26,800	-	26,800
(iii) Amounts received or receivable from Barmenco Pty Ltd: <ul style="list-style-type: none"> for the purchase of plant & equipment at independent valuation 	-	176,000	-	176,000
Total amounts received or receivable	-	212,800	-	202,800
Amounts owing to related parties at balance date are:				
<ul style="list-style-type: none"> Alameda Pty Ltd (trade creditors) (a) Loan from Barmenco Pty Ltd (b) Barmenco Pty Ltd (trade creditors) 	-	2,100	-	2,100
	181,989	357,169	-	-
	-	9,437,899	-	9,420,256
Total amounts payable to related parties	181,989	9,797,168	-	9,422,356
(a) Amounts owed to Alameda Pty Ltd are at normal terms and conditions for trade creditors.				
(b) The borrowings from Barmenco Pty Ltd are non interest bearing. The debt is repayable on demand.				

Wholly owned group

TRANSACTIONS

The Company performs certain office services and pays for certain items on behalf of controlled entities. These transactions are in the normal course of business and on normal terms and conditions.

BALANCES WITH CONTROLLED ENTITIES

The aggregate amounts receivable from BMV Properties Limited by the Company at balance date are:

Receivables - non current

Loan to controlled entity – BMV Properties Limited

617,563 414,105

617,563 414,105

20 DIRECTORS AND EXECUTIVE'S REMUNERATION

Name of Director		Base Emolument (Salary & Fees) \$	Superannuation Contributions \$	Non Cash Benefits \$	Options Issued \$	Total \$
Executive Directors						
M G Mulroney	2004	165,138	13,998	19,031	198,000	396,167
	2003	51,125	4,601	6,870	-	62,596
Non Executive Directors						
J A Young	2004	-	40,000	-	69,000	109,000
	2003	-	12,274	-	-	12,274
G P Connell	2004	-	30,000	-	23,000	53,000
	2003	-	24,403	-	-	24,403
P Buck (Appointed 24 June 2004)	2004	-	-	-	-	-
	2003	-	-	-	-	-
G J Mooney (Company Secretary)	2004	61,035	-	-	-	61,035
	2003	103,162	-	-	-	103,162
Total	2004	226,173	83,998	19,031	290,000	619,202
Total	2003	154,287	41,278	6,870	-	202,435
Executive Officers (excluding directors)						
T G Hart	2004	99,430	8,948	11,964	-	120,342
	2003	39,802	3,582	-	-	43,384
J J Guy	2004	96,000	8,550	-	-	104,550
	2003	24,000	2,160	-	-	26,160
W C Bramwell	2004	90,274	8,124	28,395	-	126,793
	2003	-	-	-	-	-
Total	2004	285,704	25,622	40,359	-	351,685
Total	2003	63,802	5,742	-	-	69,544

During the financial year and to date of this report a total of 13,000,000 options were issued to Directors of the Company as follows:

- 9,000,000 unlisted options were issued to Mr Michael Geoffrey Mulroney following shareholder approval on 28 November 2003
- 3,000,000 unlisted options were issued to Mr Jonathan Alister Young following shareholder approval on 28 November 2003
- 1,000,000 unlisted options were issued to Mr Garry Patrick Connell following shareholder approval on 28 November 2003

An estimate value options were calculated at the date granted using a Black-Scholes Option price model with the following assumptions:

- Interest rate 4.75%;
- Dividend yield of nil;
- Current underlying Share price of \$0.08 cents; and

- Volatility rate of 50%

Directors and executive's remuneration included amounts paid by the Company during the year to indemnify directors and executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

EQUITY INSTRUMENTS

Option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

Specified directors	Held at 1 July 2003	Granted as Remuneration	Exercised	Held at 30 June 2004
M G Mulronev	-	9,000,000	-	9,000,000
J A Young	-	3,000,000	-	3,000,000
G P Connell	-	1,000,000	-	1,000,000

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

Specified directors	Held at 1 July 2003	Purchases	Received on exercises of Options	Sales	Held at 30 June 2004
M G Mooney	1,750,000	-	-	-	1,750,000
J A Young	4,990,019	-	-	-	4,990,019
G P Connell	33,878,552	-	-	-	33,878,552
Specified Officers					
T G Hart	50,000	250,000	-	-	300,000
J Guy	115,000	-	-	-	115,000

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
21 EMPLOYEE BENEFITS				
Aggregate liability for employee benefits including on-costs				
• Current	36	123	36	111
• Non-Current	7	102	7	102
	43	225	43	213

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates	3%	3%	3%	3%
Discount rate	5%	5%	5%	5%
Settlement term (years)	10	10	10	10
Number of Employees				
Number of Employees at year end	10	36	10	32

22 SEGMENT INFORMATION

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business Segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

<i>Copper Mining</i>	Exploration, development and mining of copper, gold, silver and nickel.
<i>Exploration</i>	Exploration of gold and nickel.

Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

<i>Australia</i>	Tenement interests Australia.
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NOTES TO THE FINANCIAL STATEMENTS

	Copper Mining \$'000	Exploration \$'000	Consolidated \$'000
22 SEGMENT INFORMATION (Continued)			
Primary Reporting			
<i>30 June 2004</i>			
<i>Revenue</i>			
Total segment revenue	21,997	-	21,997
Sale of Eloise Copper Mine	14,840	-	14,840
Other unallocated revenue			504
Total revenue			37,341
<i>Result</i>			
Segment result	(8,725)	(1,342)	(10,067)
Sale of Eloise Copper Mine			9,042
Unallocated expenses			(2,152)
Loss from ordinary activities before tax			(3,177)
Income tax benefit			-
Net loss			(3,177)
Depreciation and amortisation	1,557	13	1,570
Unallocated expenses			43
Total depreciation and amortisation			1,613
Non-cash expenses other than depreciation and amortisation	-	-	-
<i>Assets</i>			
Segment assets	-	9,205	9,205
Unallocated assets			3,801
Total assets			13,006
Acquisition of non-current assets	1,216		1,216
<i>Liabilities</i>			
Segment liabilities	-	3,168	3,168
Unallocated liabilities			79
Total liabilities			3,247
Secondary reporting			
Geographical segments	Australia		Consolidated
External segment revenue by location of customer	37,341		37,341
	Australia		Consolidated
Segment assets by location of assets	13,006		13,006
Acquisition of non-current assets	1,216		1,216

NOTES TO THE FINANCIAL STATEMENTS

	Copper Mining \$'000	Exploration \$'000	Limestone \$'000	Consolidated \$'000
22 SEGMENT INFORMATION (Continued)				
Primary reporting				
<i>30 June 2003</i>				
Revenue				
Total segment revenue	60,095	25	6,993	67,113
Other unallocated revenue				4,114
Total revenue				71,227
<i>Result</i>				
Segment result	(3,913)	23	(724)	(4,614)
Unallocated expenses				(3,893)
Loss from ordinary activities before tax				(8,507)
Income tax benefit				-
Net loss				(8,507)
Depreciation and amortisation	4,900		333	5,244
Non-cash expenses other than depreciation and amortisation	4,646	-	745	5,391
<i>Individually Significant items</i>				
Settlement of legal action relating to former mining contractor		-	-	339
Prepayments written off				
Capital development costs written off	4,095	-	-	4,095
Carrying value of Loongana Lime Pty Ltd net disposal of	3,150	-	-	3,150
Write down of inventory to net realisable value	286	-	-	286
Write down of plant and equipment work in progress	15	-	745	760
<i>Assets</i>				
Segment assets	24,412	8,187	-	32,599
Eliminations				(6,669)
Total assets				25,930
Acquisition of non-current assets	122	9,210	-	9,332
<i>Liabilities</i>				
Segment liabilities	15,459	2,053	-	17,512
Eliminations				(414)
Total liabilities				17,098
Secondary reporting				
Geographical segments	Australia			Consolidated
External segment revenue by location of customer	71,227			71,227

22 SEGMENT INFORMATION (Continued)

	WA	QLD	Consolidated
Segment assets by location of assets	8,187	24,412	32,599
Acquisition of non-current assets	9,210	122	9,332

23 NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash assets	2,309	4,641	2,294	4,640

(b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities

Loss from ordinary activities after income tax	(3,177)	(8,507)	(2,243)	(8,386)
Add/(less) items classified as investing/financing activities				
Profit on sale of non-current assets	(5,511)	(353)	(5,511)	(161)
Finance charges on capitalised leases	10	117	10	62
Add non-cash items				
Write off of loan on disposal of controlled entity	-	-	-	822
Amortisation of exploration expenditure	-	300	-	290
Amortisation of mine development expenditure	925	2,710	925	2,710
Exploration, evaluation and development costs written off	1,181	4,345	1,181	4,345
Provision for non-recoverability of loan to controlled entity	-	-	-	-
Capital work in progress written off	-	760	-	15
Debt forgiveness (sale of Eloise)	(3,581)	-	(3,581)	-
Pre-payments written off	-	-	-	-
Write down of inventory to net realisable value	-	286	-	286
Depreciation	688	2,234	659	1,900
Net cash provided by operating activities before change in assets and liabilities	(9,465)	1,892	(8,560)	1,883
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				

	Consolidated		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
23 NOTES TO STATEMENTS OF CASH FLOWS (Continued)				
(Increase)/decrease in inventories	731	1,972	731	2,047
(Increase)/decrease in prepayments	(130)	(49)	(130)	(3)
(Increase)/decrease in receivables	5,641	(2,101)	5,658	(2,763)
Increase/(decrease) in trade and other creditors	903	5,030	681	6,348
Increase/(decrease) in provisions	(189)	758	(1,138)	645
Increase/(decrease) in mining tenement bonds	(778)	(29)	(779)	(9)
Increase/(decrease) in deferred taxes payable	-	-	-	-
Increase/(decrease) in current tax liabilities	-	-	-	-
Net cash provided by operating activities	(3,287)	7,473	(3,537)	8,148

Non cash financing activities and investing activities

During the financial year ended 30 June 2004 the consolidated entity acquired property plant and equipment with an aggregate fair value of \$1,215,562 (2003: \$68,000) by means of finance leases assigned on acquisition of controlled entity. The acquisitions are not reflected in the Statements of Cash Flows.

During the financial year ending 30 June 2003 the Company acquired a wholly owned subsidiary (refer note 28)

24 FINANCING ARRANGEMENTS

- (i) Unconditional Performance Bonds totalling \$2,182,000 have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of the mineral tenements of a controlled entity. These bonds have been provided under a guarantee facility provided by N M Rothschild & Sons (Australia) Limited with a restricted cash deposit of \$1,000,000 as at 30 June 2004 and agreement to have the bonds totally cash backed by the 30 June 2005 and are secured by a fixed and floating charge over Bannockburn Gold treatment plant and associated infrastructure and a fixed and floating charge over all of Breakaway's assets of no less than \$1,000,000. The guarantee facility incurs interest at 2.5% and is due for renewal on 15 February 2004.
- (ii) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Macquarie Bank Limited totalling \$416,000. Inclusive of this amount is \$78,000 that is expected to be refunded due to disposal of tenements and \$205,000 held on behalf of Barmenco in regards to sale the Eloise Copper Mine awaiting for the bonds to be transferred to Barmenco.

NOTES TO THE FINANCIAL STATEMENTS

	2004 Cents	2003 Cents
25 LOSS PER SHARE		
Basic loss per share (cents per share)	(0.82)	(4.20)
Diluted loss per share (cents per Share)	(0.80)	-
Weighted average number of ordinary shares used in the calculation of basic loss per share	387,183,144	202,765,872
Weighted average number of ordinary shares used in the calculation of diluted loss per share	394,819,756	-

26 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(a) Foreign Exchange Risk

The consolidated entity's policy is to enter into, from time to time, forward foreign exchange contracts and foreign currency option contracts to hedge a portion of anticipated sale commitments denominated in US dollars in each financial period.

Board approval is required before any forward foreign exchange or foreign currency option contract is entered into. The amount of anticipated future sales are forecast in light of budgeted production and shipping schedules.

(b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets (excluding investments) of the consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, less any provision for doubtful debts.

(c) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is:

	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2004						
Financial Assets						
Cash assets		3.5%	2,309	-	-	2,309
Receivables	6	5.2%	1,212	-	252	1,464
Other financial assets	7	-	-	-	28	28
			3,521	-	280	3,801

	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
26 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (Continued)						
Financial Liabilities						
Payables	12	-	-	-	646	646
Lease liabilities	13	7.87%	-	33	-	33
Employee benefits	14	-	-	-	43	43
			-	33	689	722
2003						
Financial Assets						
Cash assets		4.37%	4,641	-	-	4,641
Receivables	6	4.6%	758	-	5,404	6,162
Other financial assets	7	-	-	-	17	17
			5,399	-	5,421	10,820
Financial Liabilities						
Payables	12	-	-	-	14,125	14,125
Lease liabilities	13	6.95%	-	293	-	293
Employee benefits	14	-	-	-	225	225
				293	14,350	14,643

(d) **Net fair values of financial assets and liabilities**

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

Listed shares included in other financial assets are traded in an organised financial market and the net fair value is determined by valuing them at the quoted market bid price for the shares at balance date.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of accounts receivable, payables, bank loans, lease liabilities and employee benefits approximate net fair value.

	Interest Held	
	2004	2003
	%	%
27 CONTROLLED ENTITIES		
(a) Particulars in relation to controlled entities		
Parent entity		
Breakaway Resources Limited		
Controlled entities		
BMV Properties Limited	100	100
All entities are incorporated in Australia		

	Consolidated		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

(b) Acquisition/disposal of controlled entities
 The following controlled entities were acquired or disposed of during the financial year:

Acquisition of entities

During the financial year ending 30 June 2003 the Company acquired 100% of the voting shares of BMV Properties Limited via the issue of 137,500,000 ordinary shares in the Company

Consideration – 137,500,000 shares at 4.5c	-	6,188	-	-
Incidental costs on acquisition (cash)	-	68	-	-
Consideration on acquisition	-	6,256	-	-

Fair value of net assets of entity acquired:

Cash	-	(66)	-	-
Receivables	-	221	-	-
Property, plant and equipment	-	1,076	-	-
Exploration expenditure	-	6,872	-	-
Payables	-	(46)	-	-
Borrowings	-	(701)	-	-
Rehabilitation Provisions	-	(1,100)	-	-
Consideration (cash)	-	-	-	-

BMV Properties Limited was acquired on 13 March 2003 and the operating results of the entity from that date have been included in consolidated operating profit. The entities principle activity is the exploration of tenements.

Consolidated		The Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

27 CONTROLLED ENTITIES (Continued)

Disposals of entities

During the financial year ended 30 June 2003, the Company disposed of all of its ordinary shares of Loongana Lime Pty Ltd. Details of the disposal are as follows (in aggregate):

Consideration (cash)	-	2,616	-	-
Consideration (receivables) (i)	-	436	-	-
Total consideration	-	3,052	-	-
Net assets of entity disposed				
Cash	-	332	-	-
Receivables	-	1,522	-	-
Inventory	-	911	-	-
Property, plant and equipment	-	5,064	-	-
Exploration, evaluation and development	-	5	-	-
Other assets	-	66	-	-
Payables	-	(1,356)	-	-
Interest bearing liabilities	-	(2,240)	-	-
Provisions	-	(1,154)	-	-
Net assets	-	3,150	-	-
Loss on disposal	-	98	-	-

The entity was disposed of on 7th April 2003 and the operating result to that date was included in the consolidated operating profit.

During the financial year ending 30 June 2003 an intercompany loan of \$821,972 was forgiven, and a conversion of debt to equity of \$3,052,481 between the Company and Loongana Lime Pty Ltd occurred.

- (i) Receivables include amounts due to be refunded for tenement bonds from Macquarie Bank and prepaid insurance premiums.

28 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.

28 IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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, as no specific IFRS standard has been issued to date the impact of changes is not yet determinable. The company at present treats EED in accordance with AASB 1012 "Accounting for Extractive Industries"

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. The company's implementation project consists of three phases as described below.

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- evaluation of the implications for staff, for example training requirements
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The company considers the assessment and planning phase to be complete in most respects as at 31 December 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS requirements
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS
- developing revised IFRS disclosures
- designing accounting and business processes to support IFRS reporting obligations
- identifying and planning required changes to financial reporting and business source systems
- developing training programs for staff.

The company has commenced its design phase, with work progressing in each of the areas described above. The design phase is expected to be completed during the current financial year.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the company to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

28 IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Except for certain training that has been given to operational staff, the company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete by 30 June 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 14 to 49, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia 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.

Signed in accordance with a resolution of the directors:



MICHAEL MULRONEY
Managing Director

Dated: 30 September 2004

Independent audit report to members of Breakaway Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Breakaway Resources Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Breakaway Resources Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



KPMG



T R HART
Partner

Perth
30 September 2004

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 9 September 2004

CAPITAL STRUCTURE

Listed on the Australian Stock Exchange are 467,179,388 fully paid shares. The Company has 13,000,000 unquoted options on issue.

DISTRIBUTION OF SHAREHOLDINGS

The distribution of shareholdings as at 9 September 2004 were:

Range	No. of Holders	No. of Securities	% of Total Quoted Securities
1 - 1,000	38	25,236	0.01%
1,001 - 5,000	130	429,562	0.09%
5,001 - 10,000	227	1,987,292	0.43%
10,001 - 100,000	1,085	53,037,868	11.35%
100,001 - over	405	411,699,430	88.12%
Rounding discrepancy			
Total	1,885	467,179,388	100.00
Less than a marketable parcel	449	3,090,914	

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Barmenco Pty Ltd (Barmenco Unit A/c)	92,511,292
LionOre Australia Pty Ltd	65,217,391
Sherrifmuir Holdings Pty Ltd	24,078,552

VOTING RIGHTS

Under the Company's constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for every ordinary share held.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Currently, Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

He is a member of the Institute of Chartered Accountants in Australia.

REGISTERED OFFICE

The registered office is at:

Level 1
16 Ogilvie Road
Mount Pleasant WA 6153

Telephone: 9315 6455
Facsimile: 9315 9469

Twenty Largest Quoted Equity Security Holders

Name	Number of Shares	% of Total Issued Shares
Barmenco Pty Ltd (Barmenco Unit A/C)	92,511,292	19.80
LionOre Australia Pty Ltd	65,217,391	13.96
Sherrifmuir Holdings Pty Ltd	24,078,552	5.15
ANZ Nominees Limited	10,667,729	2.28
Zero Nominees Pty Ltd	9,000,000	1.93
Mr Allan Stanley Hahn & Mrs Daphne Hazel Hahn	6,500,000	1.39
Westpac Custodian Nominees Limited	6,064,656	1.30
Stephen John Alman	5,566,937	1.19
Mr John Albert Alman	5,466,936	1.17
Quintal Pty Ltd <Marken Family A/c>	5,000,000	1.07
Sherrifmuir Holdings Pty Ltd <GPC A/c>	5,000,000	1.07
Hocking (Holdings) Pty Ltd	4,900,000	1.05
Redmont Resources Pty Ltd <Cuthbert Investment A/c>	4,700,000	1.01
Mrs Thelma Valerie Alman	3,800,000	0.81
BB Nominees Pty Ltd	3,324,668	0.71
Green Drilling Pty Ltd	3,015,848	0.65
Great Missenden Holdings Pty Ltd	3,000,000	0.64
Leet Investments Pty Limited	3,000,000	0.64
Colbern Fiduciary Nominees Pty Ltd	2,700,000	0.58
Mr Timothy James Gunning	2,700,000	0.58
TOTAL	266,214,009	56.98

Unquoted Securities (Options)

Holder	Number	Exercise Price	Vesting Date	Expiry Date
Greenleigh Holdings Pty Ltd	3,000,000	\$0.10	1 December 2003	1 December 2006
	3,000,000	\$0.125	1 July 2004	1 July 2007
	3,000,000	\$0.15	1 November 2004	1 November 2007
Danielle Louise Young	1,500,000	\$0.10	1 December 2003	1 December 2006
	1,500,000	\$0.125	1 July 2004	1 July 2007
Sherrifmuir Holdings Pty Ltd	500,000	\$0.10	1 December 2003	1 December 2006
	500,000	\$0.125	1 July 2004	1 July 2007
TOTAL	13,000,000			