



BREAKAWAY
Resources Limited



QUARTERLY REPORT

**For the period ending
31 December 2004**

HIGHLIGHTS

Breakaway Resources Limited (ASX Code: "BRW", a diversified Australian based exploration and development company, has completed an active quarter across its gold, nickel and copper assets. As a result of this work:

- The Kambalda West nickel project is poised to grow following new results from drilling at Spargoville.
- The Bannockburn Gold Project is gaining momentum after a scoping study recommended further drilling to increase the conversion rate of the existing 489,000 resource to reserve status.
- The Bannockburn Nickel and Base Metal Joint Venture has identified several priority targets, and
- Breakaway has appointed Argonaut Capital as advisers to assist in generating value from the Company's asset base.

OUTLOOK

In the current March 2005 quarter, Breakaway's activities on its WA projects will include:

- Further drilling and ground geophysics at Spargoville and Yilmia at Kambalda West.
- Commencement of resource drilling at the Bannockburn Gold Project
- Completion of a revised development plan for the Vivien Gold Mine.
- Continued drilling and mining studies by the Miranda Joint Venture operator, Agnew Gold Mining Company Pty Ltd.

NICKEL

KAMBALDA WEST (South West of Kambalda, WA)

Diamond drilling at the 5A, 5B and Andrew's deposits successfully located new nickel sulphide mineralised zones. Best results include:

5BDD010	1.50 metres grading 1.86% nickel including 0.30 metres grading 7.70% nickel,
5BDD011	1.25 metres grading 1.56% nickel including 0.65 metres grading 2.42% nickel
5ADD024	1.95 metres grading 0.83% nickel including 0.40 metres grading 2.23% nickel
5DDD001	1.70 metres grading 0.80% nickel and 8.10 metres grading 0.75% nickel including 2.60 metres grading 1.07% nickel

Down Hole EM surveys have identified significant new conductors at 5A and north of the Andrew's deposit.

BANNOCKBURN NICKEL JOINT VENTURE (South East of Leinster, WA)

Joint Venture manager Jubilee Mines NL (“Jubilee”) reported an active quarter at Bannockburn focussed at Babylon, Antioch, Mt Clifford, Cody Well and Schimitz Well prospects. Best RC drilling intersection was achieved at the Babylon prospect where hole NBC003 intersected 1.0 metre grading 1.23% nickel in NBC003.

Interim assays from regional air core drilling at Antioch returned a best intersection of 2.0 metres grading 0.54% nickel and 0.17% copper in a sulphide rich zone intersected in hole NAA029. Full assay results are pending.

Two new EM anomalies were located in the Cody Well area. Drilling is planned.

GOLD

BANNOCKBURN (South East of Leinster, WA)

Breakaway is now well positioned to accelerate the re-emergence of the Bannockburn region as a significant gold production centre. Total project resources increased to 489,000 ounces. The Bannockburn Gold Project scoping study examined the near term potential of the existing gold resources with encouraging results. The study has recommended further drilling to increase the resource to reserve conversion rate to sustain a minimum 3 year mine life.

A structural study has identified 8 priority gold targets which are currently being evaluated with geophysical techniques prior to drilling.

MIRANDA (North and South of Leinster, WA)

Joint Venture partner AGMC reported an active quarter with exploration centred on the Maria, Leinster Downs and Fortitude prospects. Extensional drilling at the Maria achieved a best result of 4.0 metres grading 6.09g/t gold. RC drilling at Fortitude, along strike from AGMC’s Songvang deposit intersected new gold mineralisation with 3.0 metres grading 3.09 g/t.

VALUE ENHANCING INITIATIVE

The lack of market recognition of Breakaway’s extensive asset portfolio consisting of:

- Approximately 700,000 ounces in gold resources with existing gold milling facilities;
- 700 square kilometres of exploration ground in a major gold and nickel province amidst producing mines of Gold Fields, Barrick, WMC, LionOre and Jubilee;
- Emerging nickel production in 65 square kilometres of tenure at Kambalda West;
- Strategic offtake alliance with LionOre Australia Pty Ltd; and
- 245 square kilometre footprint at Eloise in one of the major base metal provinces of the world

has initiated the appointment of investment banking and resource advisory group Argonaut Capital Ltd to pursue mechanisms to maximise value from the Company’s asset base. The Company expects to advise the market during the current quarter on significant progress made in this regard.

KAMBALDA WEST PROJECT

(BRW 100%)

DEVELOPMENT

Breakaway's nickel development strategy encompasses the 5A, 5D and Andrew's Nickel Projects at the Spargoville Nickel Mining Centre, 20 kilometres west of Kambalda townsite. All projects were advanced during the quarter with the focus on resource extension.

EXPLORATION

Spargoville

At Spargoville, a 7 hole diamond drilling program was completed on targets within the 5A, 5B and Andrew's deposit environs.

5B Deposit

Three diamond drill holes tested an area beneath the existing nickel - gold resource with considerable success. All three holes, 5BDD009–011, successfully intersected massive and/or disseminated nickel sulphide mineralisation slightly above the basal contact position at approximately 250 metres vertical depth, some 70 metres below the existing resource. Significant intersections are summarised below with full results appended in Table 1:

Hole 5BDD009 - 2.90 metres grading 0.47% nickel,

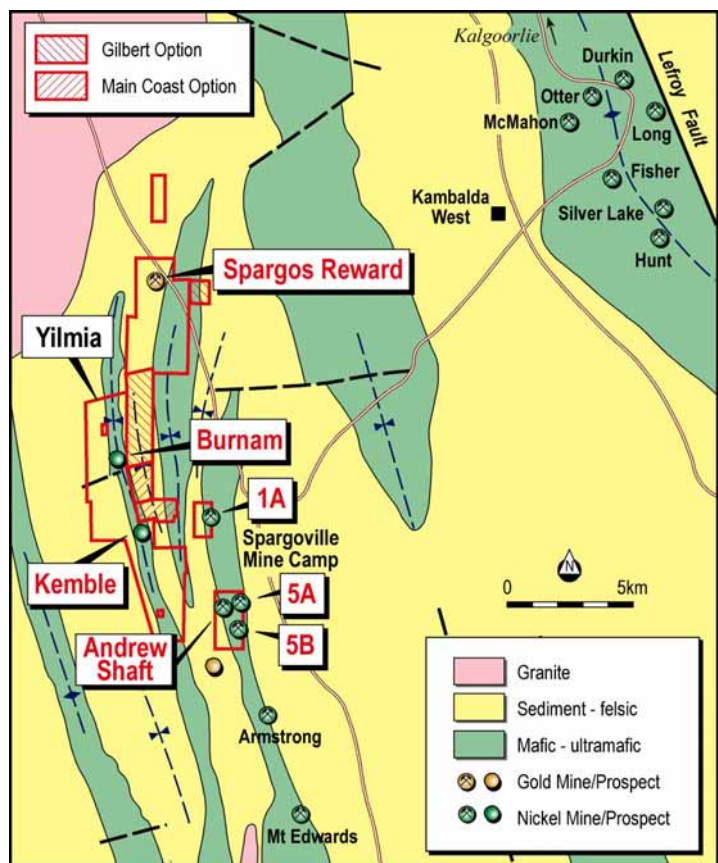
Hole 5BDD010 - 1.50 metres grading 1.86% nickel including 0.30 metres grading 7.70% nickel,

Hole 5BDD011 - 1.25 metres grading 1.56% nickel including 0.65 metres grading 2.42% nickel

The disseminated nickel mineralisation in hole 5BDD009 is sheared and accompanied by anomalous gold values (up to 0.78g/t) indicating that the mineralisation is remobilised in a sheared margin setting.

The central hole, 5BDD010, intersected an undisturbed sequence including a 0.3 metre zone of massive nickel sulphide with overlying disseminated sulphides above the contact position. The narrow massive sulphide zone also reported elevated PGM values of 1.13g/t Pt+Pd with low arsenic content.

The southern hole, 5BDD011, intersected an undisturbed sequence including 0.6 metres of massive and matrix nickel sulphides some 50 metres further to the south demonstrating a continuation of the target "channel".



All holes were subsequently logged in a DTHEM survey. Modelling indicates a large, highly conductive unit is located up dip from all of these holes and centred to the east of 5BDD010. Future drilling will focus on testing the 70 metre zone above these latest holes to extend the nickel resource.

5A Deposit

At 5A, a single drill hole tested a moderate DTHEM conductor located down plunge from the intersections in 5ADDH012 (0.93 metres of 2.2% nickel and 1.42 metres at 1.3% nickel). The hole successfully intersected the target position which was structurally disrupted and brecciated. A narrow zone of remobilised disseminated sulphide mineralization was intersected below the contact in the footwall ultramafic between 321.0m and 324.6m. Significant nickel assays include (see Table1 for details):

Hole 5ADD024 - 1.95 metres grading 0.83% nickel including 0.40 metres grading 2.23% nickel

The DTHEM survey of the hole indicates that the target conductor was not intersected but multiple off-hole conductors were detected south of 5ADD024. Initial modelling indicates that these are targets linked to the intersections in 5ADD012 leaving open the potential for additional mineralisation on the 5A surface to the south and down dip of 5ADD024. Further follow up drilling is required.

Andrew's

The 3 hole program to access the area beneath the Andrew's deposit was hampered by drilling difficulties.

The first hole, 5DDD001, located at the southern end of the deposit, intersected the ultramafic-mafic contact at 435.5 metres depth and below the existing 11 Level. The contact was marked by a thin band of sediment overlain by a broad zone of disseminated nickel sulphide mineralisation with the following significant assays:

Hole 5DDD001 - 1.70 metres grading 0.80% nickel and 8.10 metres grading 0.75% nickel including 2.60 metres grading 1.07% nickel

The northernmost hole, 5DDD003, targeted the Andrew's horizon some 150 metres north of the existing workings. The hole was abandoned at 422.7 metres after encountering an extremely friable sediment horizon approximately 20 metres above the contact target position. No significant assay results were recorded.

Hole 5DDD002 was resited and 5DDD004 was completed at 581 metres depth beneath the northern end of the Andrew's workings. The hole intersected the same extremely friable sediment horizon seen in 5DDD003 which, although successfully penetrated, deflected the hole away from the target ultramafic/mafic contact. Minor disseminated sulphide mineralisation was noted near the end of the hole. No significant assays were noted.



The DTHEM survey of the Andrew's drill holes was in progress at the end of the quarter. Preliminary results from the abandoned 5DDD003 indicate the presence of a significant large conductor below the end of the hole. Further modelling of all the DTHEM results is in progress. However, this opens up the potential for a new mineralised surface to the north of the Andrew's deposit. It is planned to re-enter and extend hole 5DDD003 to test this conductor as soon as a suitable diamond drill rig is available.

Future Work

A ground MLTEM survey has commenced focused on the 2.5 kilometres of anomalous ultramafic unit between the Kemble and Burnam prospects at Yilmia. The survey will also extend to the southern Spargos Reward area where previous work has identified significant geochemical anomalies.

A 1,400 metre RC drilling is anticipated to commence early February at the Kemble prospect at Yilmia to test the previously defined 1,300 metre long EM and geochemical targets. RC drilling of selected targets at the Burnam prospect at Yilmia and the Gardner prospect (located north of the 5A deposit) at Spargoville will also be included in the program.

Further drilling to the north of the Andrew's deposit will be undertaken as a suitable diamond drill rig is available.

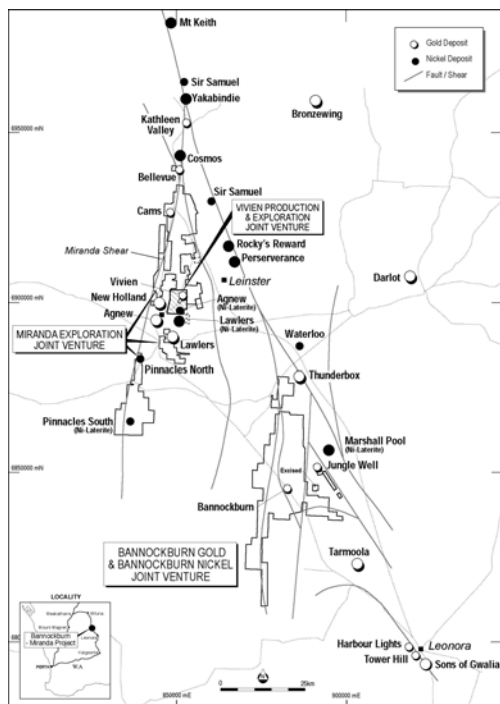
BANNOCKBURN

DEVELOPMENT

Gold

(BRW 100%)

The Bannockburn Gold Project is located approximately 70 kilometres north west of Leonora and comprises a contiguous tenement package totalling 350 square kilometres complete with a 1.0Mtpa CIL mill and associated infrastructure. The main Bannockburn deposits lie within the significant regional structural corridor, the Bannockburn Shear Zone with Breakaway controlling over 27 strike kilometres of this mineralised corridor.



Scoping Study

Breakaway and its consultants completed a scoping study at the Bannockburn Gold Project during the quarter to examine both the near-term production potential of the existing gold resources and identify new brown fields' targets for further exploration.

As previously announced, a revised resource calculation was completed for the North Well area as part of the study. The revised global gold resource at the North Well area has been calculated as:

1.97 million tonnes grading 1.73 g/t gold containing 109,900 ounces

representing a 96% increase on the previous resource inventory for the North Well area. Approximately 36 % of the new resource (40,000 ounces) is soft oxide material

suitable for blending with the harder primary material to allow optimised mill throughput. The total global gold resource for the Bannockburn Gold Project (Table 1) increased to:

7.93 million tonnes grading 1.92g/t gold containing 489,000 ounces.

A series of pit optimisation studies based on current capital and operating costs and gold price were undertaken on the expanded global resource. The study indicates that at a production rate of 80,000 ounce per annum, approximately 100,000 ounces of the existing resource base could convert to ore reserve status, equivalent to 15 months production life. Total capital cost to re-establish stand-alone operations at Bannockburn is estimated to be up to \$5 million.

At both Bannockburn Mine and the North Well area, the resource to reserve conversion rate is constrained by the significant lack of drilling below and along strike from the existing open pit and underground developments. Significant potential exists to increase the conversion rate with further drilling to the north and east of the existing Bannockburn open pits and to the south of the North Well pits.

The study recommended a substantial drilling program be commenced to increase the conversion of the resources to reserves in line with Breakaway's objective of defining a minimum 3 year mine life. A program of RC resource definition drilling is expected to commence late in the quarter at Bannockburn. The program will commence infill and extensional drilling within the existing resource areas to increase the conversion rate of resources to reserve status.

EXPLORATION

Gold

In conjunction with the scoping study work, RSG Global completed a structural and gold targeting study for the Bannockburn Project area. The study identified and ranked 8 priority green and/or brown fields targets in areas under transported cover that have not been adequately tested. Priority targets were identified in the area between Bannockburn and North Well, in the Ponds Well and the Slaughter Yard area.

A Sub Audio Magnetic ("SAM") survey was subsequently completed over the area of deep cover between Bannockburn and North Well to assist in defining the structural framework of the area and verify the targets identified in the RSG Global study. The survey successfully penetrated the cover sequence and has provided significant new information on the structural setting of the mineralisation in this area.

A further program of SAM geophysical surveys over the other identified target areas will be undertaken in the current quarter. Aircore drilling of selected structural targets identified in the Bannockburn – North Well area is expected to commence during the quarter following the completion of BNJV drilling programs.

Nickel and Base Metal Joint Venture

(Jubilee Mines NL 70% BRW 30%)

Joint Venture manager Jubilee Mines NL reported an active quarter at Bannockburn focussed at Babylon, Antioch, Mt Clifford, Cody Well and Schimitz Well prospects. A total of 24 RC drill holes (3,949 metres) and 196 aircore drill holes (12,585 metres) were completed together with over 15 line kilo metres of moving and fixed loop TEM surveys (MLEM and FLEM) and a geochemical sampling program (912 samples).

The RC drilling program encompassed the Babylon, Mt Clifford, Marshall Well, Antioch, Antioch East and Lockyer Well prospects testing a range of FLTEM and MLTEM targets. Best intersection was achieved at Babylon where hole NBC003 intersected **1.0 metre grading 1.23% nickel** in NBC003 (located up dip of historical intersection in NBD019 of 0.04metres grading 3.84% nickel). No significant intersections were recorded at the other prospects with drilling difficulties forcing the abandonment of the Lockyer Well program.

Aircore drilling was concentrated in the Antioch South and Antioch East areas to define anomalous ultramafic sequences. At Antioch South, assay results have been received for 76 of the 103 holes completed with a best result of **2.0 metres grading 0.54% nickel and 0.17% copper** in a sulphide rich zone intersected in hole NAA029. At Antioch East, assays have been returned for 53 of the 93 holes completed with best intersections including 4 metres grading 0.46% nickel (NAA126) and 4 metres grading 0.40% nickel in (NAA127) in lateritic regolith. The remaining assays are pending.

A FLEM survey at Cody Well has outlined two discrete EM anomalies that are coincident with a magnetic high feature. Two RC holes are planned to test the anomalies. Ground EM surveys at were completed at Schmitz Well South and Babylon with no significant anomalies were generated from the survey.

A soil sampling program was undertaken in the Marshal Well area. The program was designed to test a NNW trending ultramafic unit to the east of North Well. The assay results were returned late December and the data is currently being interpreted.

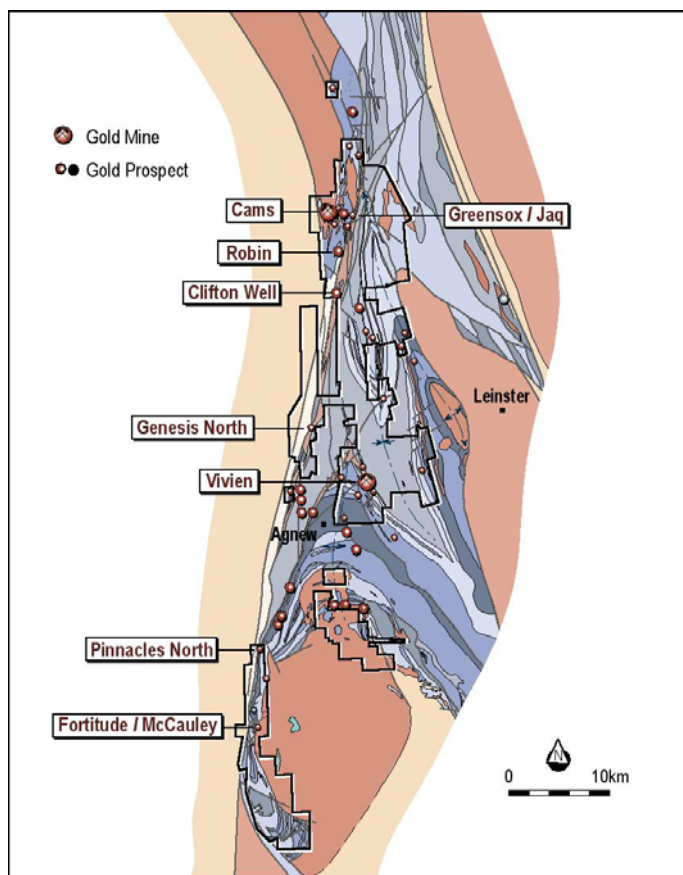
VIVIEN

EXPLORATION AND MINING JOINT VENTURE

(BRW 100%, Agnew Gold Mining Company Pty Ltd can earn 60%)

The Vivien gold deposit is located approximately 7 kilometres east of the Agnew Gold Project owned by Agnew Gold Mining Company Pty Ltd ("AGMC"), a subsidiary of Gold Fields Limited.

During the quarter, Breakaway completed a detailed independent review of the report received from AGMC into the proposed redevelopment of the Vivien Gold Project. The review has identified a number of alternative scenarios to the proposed Vivien development plan that could provide significant operating and capital cost benefits for the project. Breakaway is incorporating the new information into a revised development plan which it is anticipated will be completed in February. It is anticipated that this plan will form the basis of further discussions with AGMC on the development of the Vivien Gold Project.



MIRANDA

EXPLORATION JOINT VENTURE

(Agnew Gold Mining Company Pty Ltd 60% BRW 40% Contributing)

Joint Venture partner AGMC reported an active quarter with exploration centred on the Maria, Leinster Downs and Fortitude prospects.

Maria

A total of 5 RC drill holes (MZRC117 – MZRC122) for 625 metres was completed to finalise the program commenced the previous quarter to extend the existing resource further down plunge and to evaluate the mining potential. The best result came from drill hole MZRC118 which intersected 4.0 metres grading 6.09g/t gold. A complete list of the drilling results is listed in Table 2.

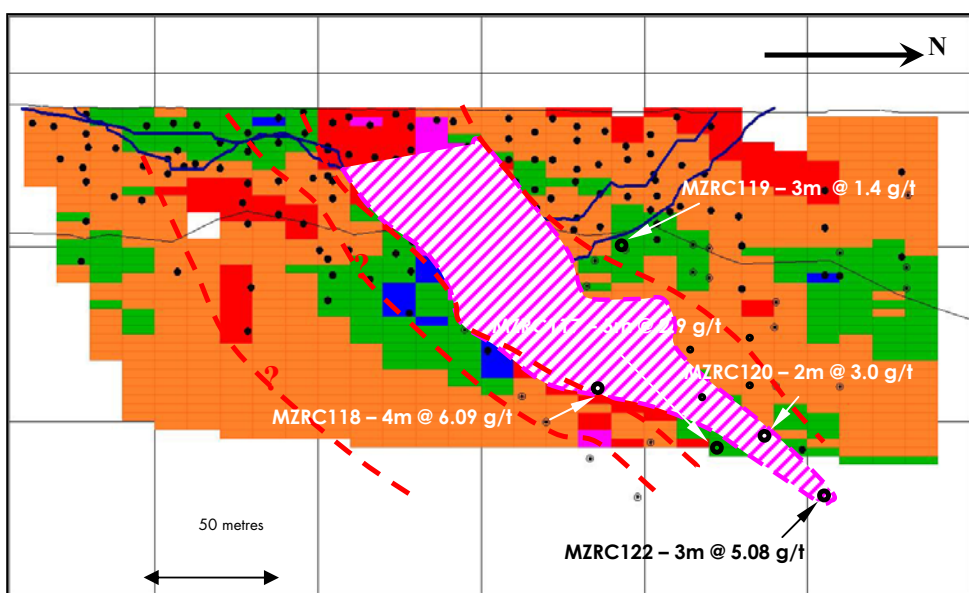


Figure 1 Long Section Maria Deposit

The resource has now been drilled to an approximate 20 metre x 20 metre spacing to a depth of 150 metres. A revised resource model and pit optimisation will be completed in the current quarter.

Miranda North

The SAM survey completed in the Greensox area last quarter was processed and an initial interpretation completed. The aim of the survey was to use the SAM survey technique to assist in defining the structural architecture of the area in conjunction with other geophysical techniques and drill hole data.

The survey has defined several interesting structural responses; the most obvious of these is a NE extension of the Cams package for at least a distance of almost 2 kilometres. This corridor has several shallow gold intersections between 0.25 and 2 g/t with little deeper drilling and will be a target for further exploration. More work will be required to fully interrogate the SAM data and to evaluate what is a complex, yet highly endowed area.

Leinster Downs

The SAM survey completed last quarter over the Leinster Downs Fault prospect aimed to help better understand the structural architecture of the prospect area and be used in the design of follow up drilling to test historic drill hole intersections of significance including;

- 32 metres @ 11.86g/t gold from 24 to 56 metres in MIMRC255
- 14 metres @ 3.85g/t gold from 54 to 68 metres in MIMRC281
- 10 metres @ 5.74g/t gold from 30 to 40 metres in MIMRC 341
- 20 metres @ 4.10g/t gold from 35 to 55 metres in MIMRC 342

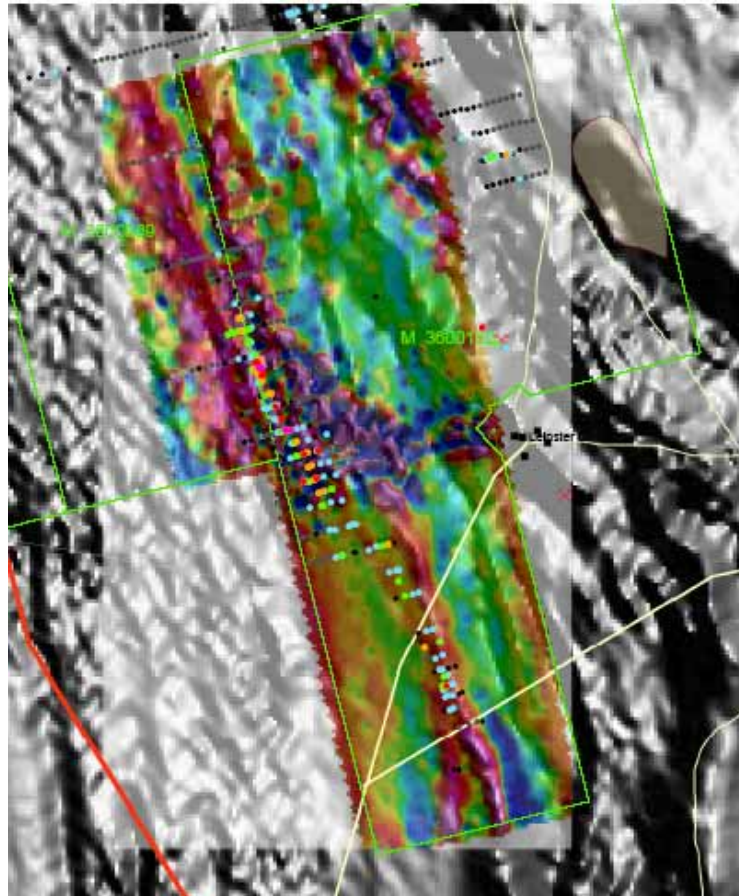


Figure 2 Plan view of Leinster Downs prospect area with the regional 1vd aeromagnetic image overlain by the completed SAM survey.

The survey clearly defined the lithological contact between sediments to the west and ultramafic rock to the east confirming drill hole data along the anomaly. Other anomalous responses occur in the southern portion of the lease and adjacent to the Leinster Downs Fault prospect in the centre of the image.

A total of 63 air core drill holes (2,265 metres) were completed across the central and southern SAM anomalies. The first drill program tested the central area indicating the presence of strong to moderately sheared ultramafic rock throughout the target zone with the last few holes to the west intersecting the sediment – ultramafic contact. The best result received from the drilling was from drill hole MZAC1104 with 2 metres @ 0.68 g/t gold.

The second drilling program targeted the southern area with only one of the planned air core lines was completed during the quarter. The drilling confirmed the sediment – ultramafic contact and the presence of significant shearing with the remainder of the program will be completed next quarter.

Fortitude

During the quarter 8 RC drill holes were completed for 960 metres. Drilling targeted the lithological contact of the Lawlers granite south of the Songvang deposit (AGMC 100%). Best result was in hole MSC3478 which intersected **3.0 metres grading 3.09 g/t** from 51 metres. A summary of significant results is listed in Table 3. The contact zone continues to be mineralised and best developed where the granite-basalt contact changes dip. The remaining portion of the program will target interpreted extensions south from Songvang and/or are repetitions of the Songvang mineralised structures.

CORPORATE

Breakaway has retained boutique investment bank Argonaut Capital Limited to assist the Board in maximising the value of the Company's asset base. Breakaway is an asset rich company with significant opportunities across a range of metals including gold, nickel and copper. Directors believe these assets and their associated opportunities remain yet to be fully reflected in the Company's market capitalisation.

At the end of the quarter, Breakaway completed the placement of 46,443,050 new shares at an issue price of \$0.038 each to raise \$1.76 million.



MICHAEL MULRONEY
Managing Director

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

**Table 1
SPARGOVILLE DIAMOND DRILL HOLE RESULTS**

Hole ID	AMG North	AMG East	AMG RL	Azi	Dip	Depth (m)	From (m)	To (m)	Interval (m)	Nickel (%)
5BDD009	6528633	357410	340	090	-60	332.8	292.60	295.50	2.90	0.47
5BDD010	6528604	357383	340	090	-60	361.0	320.05	321.55	1.50	1.86
					Incl.		321.25	321.55	0.30	7.70
5BDD011	6528554	357407	340	090	-60	365.6	294.50	295.75	1.25	1.56
					Incl.		295.10	295.50	0.40	1.41
					and		295.50	295.75	0.25	4.05
5ADD024	6530098	357651	349	090	-70	346.0	286.75	288.70	1.95	0.83
					Incl.		287.60	288.00	0.40	2.23
5DDD001	6529616	356911	347	090	-60	474.6	398.75	400.45	1.70	0.80
					Incl.		399.65	400.45	0.80	1.05
					and		425.50	433.60	8.10	0.75
					Incl.		431.00	433.60	2.60	1.07
5DDD002	6529758	356886	348	090	-60	250.0	Diamond tail not drilled			
5DDD003	6529847	356939	352	090	-70	422.7	Hole not completed			
5DDD004	6529758	356850	348	090	-65	581.0	569.00	570.00	1.00	0.21

Note: No SG weighting of nickel grades
Nickel assays were by multi acid digest with Inductively Coupled Plasma Optical Emission Spectrometry finish.

**Table 2
SIGNIFICANT DRILL RESULTS FROM THE MARIA DEPOSIT**

Hole ID	AMG North	AMG East	AMG RL	Azi	Dip	Depth (m)	From (m)	To (m)	Interval (m)	Gold (g/t)
MZRC117	6920220	259898	490	270	-60	144	116.0	121.0	5.0	2.90
MZRC118	6920185	259877	490	270	-64	120	92.0	96.0	4.0	6.09
MZRC119	6920200	259854	490	270	-45	81	67.0	70.0	3.0	1.40
MZRC120	6920240	259855	490	270	-60	130	111.0	113.0	2.0	3.55
MZRC122	6920260	259900	490	270	-63	150	135.0	138.0	3.0	5.08

**Table 3
SIGNIFICANT DRILL RESULTS FROM FORTITUDE PROSPECT**

Hole ID	AMG North	AMG East	AMG RL	Azi	Dip	Depth (m)	From (m)	To (m)	Interval (m)	Gold (g/t)
EMSC3416	6883906	250450	480	90	-50	153	116.0	118.0	2.0	2.85
EMSC3417	6883850	250435	480	90	-47	141	115.0	116.0	1.0	2.97
					and		123.0	124.0	1.0	2.10
					and		126.0	127.0	1.0	1.20
EMSC3478	6883657	250517	444	281.3	-60	105	51.0	54.0	3.0	3.06
					and		60.0	61.0	1.0	1.13
EMSC3554	6899149	254687	506	270	-45	142	121.0	122.0	1.0	2.85



BREAKAWAY
Resources Limited

ABN: 16 061 595 051

Registered Address: Level 1, Redgum House, 18 Richardson Street, West Perth WA 6005

Postal Address: Locked Bag 109, West Perth WA 6872

Phone: (08) 9278 6444 Facsimile: (08) 9278 6449

Email: admin@breakawayresources.com.au Web: www.breakawayresources.com.au