



BREAKAWAY
Resources Limited

29 March 2004

ELOISE COPPER MINE SALE AND ACTIVITIES UPDATE

Dear Shareholder

On behalf of the Board of Directors, it is my pleasure to provide you with the Notice of Meeting and Explanatory Memorandum setting out the resolutions for the approval of the sale of the Eloise Copper Mine and other matters.

Sale of Eloise Copper Mine

On 27 January 2004, Breakaway entered into a Heads of Agreement (“HOA”) for the sale of the wholly owned Eloise Copper Mine to Barmenco Pty Ltd (“Barmenco”), the underground mining contractor at the Eloise Copper Mine. Our Chairman, Mr Jon Young is a director of Barmenco and accordingly has removed himself from any involvement in the sale process or the making of any recommendations in relation to the passing of Resolution 1.

Under the terms of sale, Barmenco will 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. Total Consideration for the sale is \$14.8 million.

Breakaway’s Retained Interest in Eloise

Breakaway has retained a residual 30% Net Profit Interest in the Eloise Copper Mine commencing once the Net Profit from future mining operations and/or future resale of the Eloise Copper Mine equals the Total Consideration. The Company also retains 100% ownership of the 245 square kilometres of exploration tenements surrounding the Eloise Copper Mine subject to an Option to Purchase held by Barmenco. The Option can be exercised for the price determined by an independent valuation in the event the Eloise Copper Mine is sold to a third party.

Eloise Sale Advantages

Breakaway’s independent Directors believe that the sale of the Eloise Copper Mine is in the best interests of all shareholders. The sale will stop the capital outflow from the Company associated with the underperformance of the Eloise Mine. Considerable new capital investment is required to improve the Mine’s performance which would place further pressure on the Company’s resources.



None the less, shareholders will benefit from a future improvement in the performance of the Eloise Copper Mine through a contingent Net Profit Interest and full exposure to the significant base metal exploration potential in the Eloise area. The removal of all liabilities associated with the Eloise Copper Mine will leave the Company **debt free** with a **stronger balance sheet** maximising future funding opportunities.

The sale leaves Breakaway well placed to generate long term shareholder value through the exploration and development of its significant Western Australian gold and nickel projects.

Full details of the advantages and disadvantages resulting from the sale of the Eloise Copper Mine are set out in the enclosed Meeting Materials.

Update on Other Activities

The Company has accelerated activities at the Kambalda West Nickel Project to move the Project into a development phase. The 5A Nickel Deposit feasibility study is nearing completion and further development opportunities at the 5B and Andrews deposits are likely to expand the proposed operation's scale. Together with the continuing successful exploration in the Yilmia area and the long term nickel potential of the **Bannockburn** and **Miranda** areas, the Company is well placed to develop a significant nickel business.

The Company's gold activities are also poised to rapidly expand. The optimal development route for the **Vivien Gold Deposit** is currently under discussion with joint venture partner Gold Fields Australasia prior to a production decision. Exploration has continued within the Miranda Joint Venture with conceptual development studies underway at the Cams deposit and the recent detailed evaluation of the resource potential of the Bannockburn mine area has highlighted future development opportunities.

On behalf of the Board, I look forward to your continued support as a shareholder of Breakaway Resources Limited.

Yours sincerely

MICHAEL MULRONEY
Managing Director