



15 May 2006

**BREAKAWAY REPOSITIONS FOR GROWTH WITH
ACQUISITION OF LIONORE'S PREMIUM AUSTRALIAN
EXPLORATION ASSETS AND \$20 M CAPITAL RAISING**

KEY POINTS

- Breakaway acquires premium Western Australian nickel exploration portfolio from LionOre for A\$10.55M, payable in shares and converting notes
- Royal Bank of Canada to be appointed to manage a circa A\$20M capital raising to facilitate future exploration and acquisition opportunities
- Amalgamates complementary, advanced nickel exploration assets in WA and a major base metals project in Queensland into a single entity
- Combined portfolio includes commanding ground holdings in Australia's most Ni prospective regions in the Kambalda - Mt Keith-Leinster Ni belt and the East Kimberley
- Also includes the outstanding, 100% owned Eloise base metal exploration project and a 30% royalty stream from the producing Eloise Mine in the Mt Isa region
- Eloise royalty represents a substantial income which has contributed ~A\$8 million for the period September 2005 to the end of the March quarter
- LionOre's Director of Exploration & Geology, Peter Buck, appointed as Breakaway's Managing Director heading up an expanded management team which includes core members of LionOre Australia's successful exploration team
- Breakaway repositioned to become a substantial mid-tier Australian nickel & base metal company with the funding and management experience to rapidly progress projects to development and production

Breakaway Resources Limited (ASX: BRW) ("Breakaway") today announced a landmark agreement with international mining company LionOre Mining International ("LionOre") to acquire LionOre's premium portfolio of Australian nickel exploration assets, thereby complementing its existing nickel and base metal interests and – together with a proposed A\$20 million capital raising – elevating Breakaway into the ranks of one of Australia's leading nickel and base metal exploration companies.

Under the agreement, Breakaway will acquire the LionOre exploration portfolio for a total of A\$10.55 million, to be satisfied by the issue of Breakaway shares and converting notes.

In addition, highly respected Australian exploration executive Mr Peter Buck, previously LionOre Australia's Director of Exploration & Geology and a non-executive director of Breakaway, has been appointed as Breakaway's Managing Director and CEO, and is to be joined by core members of LionOre's highly successful Australian exploration group.

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

Breakaway is currently concluding arrangements with international investment bank, Royal Bank of Canada to manage a A\$20 million capital raising to underpin the Company's key business objectives which will be focused on developing the next generation of high value nickel and base metal discoveries in Australia. The amalgamation of Breakaway's and LionOre's exploration assets gives the Company commanding strategic ground holdings or nickel rights in some of Australia's most prospective nickel and base metal provinces.

Subject to relevant regulatory and shareholder approvals, Breakaway also intends to undertake a 1-for-5 capital consolidation to bring its share capital in line with the Company's expected market capitalization following completion of the transaction.

The transaction provides the opportunity for LionOre, as a significant shareholder in Breakaway with a holding that will not exceed 19.9% (together with A\$9m of convertible notes on terms detailed below), to retain exposure to the outstanding growth and development opportunities from the amalgamated assets of the two companies. The assets include the outstanding package of advanced and greenfields nickel exploration ground in Western Australia assembled by LionOre over the past 7-8 years, together with Breakaway's substantial ground packages immediately south of Jubilee's Cosmos-Prospero/Tapinos nickel operations and in the Widgiemooltha district, west of Kambalda.

Breakaway also holds a 30% net profit royalty interest in the Eloise Copper Mine in North Queensland, which generated cash flow to Breakaway of approximately \$8 million in the period from September 2005 to the end of the March 2006 Quarter. It also has 100% ownership of a substantial package of exploration ground surrounding the Eloise Mine with the potential for the discovery of copper-gold-iron oxide deposits and Broken Hill-Cannington lead-zinc style base metals mineralization.

BREAKAWAY ELEVATED AS LEADING MID-TIER RESOURCE COMPANY

Commenting on the announcement, Breakaway's Chairman, Mr Jon Young, said the transaction represented a unique opportunity to amalgamate LionOre's premium Australian exploration assets with Breakaway's existing asset base and emerging cash flow from the Eloise Copper Project, providing an excellent foundation to elevate Breakaway to the ranks of leading mid-tier Australian base metal companies.

"This is a real example of one plus one making three," Mr Young said. "With an outstanding asset base drawing together LionOre's high-quality nickel portfolio in Western Australia and Breakaway's nickel and base metal assets in WA and Queensland, Breakaway will be uniquely positioned in the Australian market as a leading exploration and development company headed up by a talented and accomplished exploration team whose track record speaks for itself."

"In addition, the Company will have the depth of financial resources and capability to implement one of the most wide-ranging and intensive exploration efforts seen to date in the Australian market, joining a select few mid-tier resource companies with a strong and ongoing commitment to exploration," he added.

“The absence of substantial new minerals discoveries in Australia and the lack of commitment to exploration in recent years has been well documented. Breakaway will be uniquely positioned to fill this void by taking a technically thorough and well planned approach to exploration and project development.”

Breakaway’s Managing Director, Mr Peter Buck, said that following completion of the transaction, the Company would hold commanding positions in the heart of one of the premier nickel sulphide provinces in the world, along with an outstanding portfolio of regional exploration opportunities in the Kimberley of Western Australia and Mt Isa block in Queensland.

“Breakaway’s projects have outstanding synergies with the LionOre projects, which have been assembled over a period of 7 or 8 years and contain numerous nickel sulphide occurrences in the Mt Keith-Kambalda region either discovered or delineated by the LionOre geological team” Mr Buck commented.

“The amalgamation of these assets with Breakaway’s represents a genuine ‘win-win’ outcome, and builds on the strong foundations of the technical and corporate alliance established between our companies over the past two years.”

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<u>For further information contact:</u> Mr Peter Buck Managing Director Breakaway Resources Limited Mob: 041 155 4099	Mr Jon Young Chairman Breakaway Resources Limited Mob: 0418 876 363
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KEY TERMS OF AGREEMENT

Breakaway and LionOre have signed a Heads of Agreement setting out the key terms of the proposed sale of LionOre’s exploration portfolio to Breakaway for A\$10.55 million, to be satisfied by:

- the issue of 24 million ordinary fully paid Breakaway shares to LionOre;
- the issue to LionOre, upon completion of the transaction, of unsecured redeemable converting notes in Breakaway to an aggregate value of A\$9 million. Each note will be interest-free with a maturity period of 5 years, and will be convertible in whole or part by LionOre at any time up to maturity at a conversion price of 8 cents per share and repayable by Breakaway in whole or part at any time prior to maturity. If not repaid or converted prior to maturity, the remaining notes will convert at maturity at a conversion price of 2 cents per share.

In addition, as part of the agreement:

- Breakaway will undertake a consolidation of its share capital on a 1-for-5 basis to bring its share capital in line with the expected market capitalization of the new Company and ensure the preservation of value for long term Breakaway shareholders following the consolidation;
- Breakaway will undertake a capital raising in excess of A\$15M to fund its increased exploration commitments. As noted earlier, a A\$20 million capital raising is planned. LionOre has agreed to support this capital raising, if required, for an amount not exceeding A\$3.5 million. If LionOre is not required to participate in this equity raising, it will convert a series of its existing converting notes into up to 77.7 million Breakaway shares (at the conversion price of 4.5 cents per share) at completion of the transaction;
- LionOre will be granted a pre-emptive right on commercial terms to toll treat, process and purchase any nickel produced in future from within the exploration portfolio;
- LionOre will be granted a buy-back right of up to 51% in any major nickel discovery made within the exploration portfolio being acquired by Breakaway (that is a project, or series of projects, with a total JORC compliant reserve in excess of 125,000 tonnes of contained nickel) under agreed commercial terms and conditions.

The transaction, capital consolidation and capital raising are all subject to approval by Breakaway shareholders and other relevant regulatory and statutory approvals. Breakaway will convene a shareholder meeting to consider various resolutions relating to the transaction to be held in late June 2006.