

Breakaway Resources Limited
(ASX Code BRW)

Note: Investment in shares of Breakaway Resources Limited should be considered Speculative. Investors should seek appropriate advice before making a decision to invest in Breakaway Resources Limited (see page 2).

TEMPORARY DOWNTURN IN CURRENT SHARE PRICE IS PROVIDING A GOOD OPPORTUNITY TO FURTHER ACCUMULATE OR UNDERTAKE INITIAL INVESTMENT

On 8 February 2007 Breakaway Resources Limited ('Breakaway' or 'The Company') announced that due to substantial capital development costs associated with the Eloise Copper Mine (previously flagged by the Company), the Company's 30% Net Profit Interest it has in the mine would not be paid by operator Barmenco Pty Ltd for the December quarter.

The uncertainty of when the next royalty payment will be paid, coupled with a commitment to a capital development program to improve the longer term productivity of the mine, despite recent Queensland base metal exploration success delivering high grade lead-silver-zinc intercepts to the market in late January 07, has culminated in considerable erosion in the price of the Company's shares which are now trading below the July 2006 placement price of 30 cents.

The downturn, which has approximated to a 13% loss in the share value since the announcement, has prompted us to compile this note recommending existing shareholders accumulate and prospective shareholders consider investing prior to the company's share price stabilising and again building.

Identified below are a number of reasons why we continue to strongly recommend investment in Breakaway Resources Limited.

Key Investment Points

- ◆ The Company has an outstanding portfolio of high quality Western Australian nickel and Queensland copper and base metal assets.
- ◆ All of the Company's projects were carefully selected from the large strategic and high quality LionOre exploration portfolio by Managing Director Peter Buck and his team.
- ◆ All of the projects were selected on their merit under strict selection criteria with all having previous significant intercepts of nickel mineralisation recorded on them (although not necessarily reported historically by LionOre). We consequently consider all of the projects in the Company's portfolio as being advanced in nature.
- ◆ The current board and management (including the Company's senior geological staff with exceptional nickel sulphide exploration expertise) were hand picked out of LionOre's successful exploration team by Peter Buck. It is important to remember that this exploration team was responsible for the discovery of three major nickel sulphide projects (Maggie Hayes, Emily Ann and Waterloo) and one significant gold project (Thunderbox - 2Moz). It was these discoveries which propelled LionOre Australia from a US\$50 million junior to a US\$1 billion miner within 7 years.
- ◆ We view the Breakaway team has having outstanding knowledge and experience in exploring for and discovering nickel sulphides in greenstone terrains in Australia .

- ◆ With \$20 million cash in the bank (approximately 12 cents cash backing per share), the Company is well funded to undertake effective exploration on its numerous projects for at least 3 years.
- ◆ Despite the suspension of the Eloise Copper Mine Royalty we believe the royalty stream will continue for a considerable time following completion of capital expenditure requirements. It is normal for a maturing mine such as Eloise to experience capital expenditure and development to ensure its longevity.
- ◆ Significant recent exploration success at the Company's Altia base metal deposit in Queensland, demonstrating a large mineralised system is present containing high grade lead-silver zinc occurrences, has largely gone unnoticed in the market.

Capital Structure

Price of Ordinary Shares (cents)	29.5
Shares Presently on issue (million)	169.0
12 Month share trading Range (cents)	20.0-54.0
Total Options on issue (unlisted) (million)*	6.4
Market Cap: (A\$ million)	49.0
Current Cash Position : (A\$ million) (approximately)	20.5
*All Options staff and directors options exercisable at various dates and prices	
Major Shareholders: LionOre Australia Pty Ltd 19.80%, Barmenco Pty Ltd 11.80%	
Directors:	Mr. John Atkins (Chairman) Mr. Peter Buck (Managing Director) Mr. Jon Young (Non Executive Director) Mr. Jeffrey Gresham (Non Executive Director) Mr. Garry P. Connell (Non Executive Director)

1) BASE METALS: QUEENSLAND (1 Major Project)

BRW 100%:

Eloise Copper-Gold Mine: income from 30% Net Profit Royalty. The royalty which has already far exceeded expectation has to date paid Breakaway \$12.5million in cash and \$3 million in receivables.

Eloise Project Regional: Significant base metal potential from 15 targets identified on surrounding 100% owned exploration tenement. Prospectivity demonstrated successfully at the **Altia** lead-zinc-silver prospect where recent exploration has reported high grade base metal results in a large mineralised system.

2) NICKEL: EASTERN GOLDFIELDS, KAMBALDA TO MT. KEITH CORRIDOR, WA (7 Major Projects) (BRW 100%)

Company has one of the strongest nickel portfolios in this world class nickel belt with an added competitive advantage of the Breakaway team having a discovery record in the belt.

All of the projects are located along strike of large producers and have significant nickel sulphide occurrences offering potential for commercial discoveries.

NICKEL: EASTERN GOLDFIELDS, KALGOORLIE DISTRICT, WA (2 Major Projects) (BRW 60-100%)

Dominant nickel position in the Kalgoorlie region in two major projects **Scotia** (BRW 100%) and **Kalgoorlie Regional Nickel Project**, (BRW Earning up to 60%) both poorly explored for nickel mineralisation despite offering potential for discovery success.

Scotia Nickel Project : *Scotia Nickel Mine* remnant resources in known workings >5000 tonnes contained nickel (historical 1970's pre mining reserve 1.13Mt grading 3.07%Ni. Mine produced 0.58Mt grading 2.34%Ni). Down dip prospectivity of known lodes is considered excellent with mineralisation open.

Scotia Nickel Project : St Patrick's Prospect: several nickel sulphide intercepts open along strike and at depth. Current resource contains >5,000 tonnes of contained Nickel. Selected significant intercepts include: 2.8m grading 4.78% Ni, 2.53m

grading 4.44% Ni, 2m grading 6.64%Ni.

Kalgoorlie Regional Nickel Project: Golden Valley: Disseminated mineralised prospects at or near surface requiring deeper drilling for massive sulphide potential.

NICKEL: EASTERN GOLDFIELDS, LEINSTER DISTRICT, WILDARA NICKEL PROJECT, WA (BRW 100%)

Multiple parallel nickel trends over a strike of 120km south of Cosmos and Perseverance nickel deposits (2.5Mt contained metal) Located immediately adjacent to LoinOre's Waterloo Nickel Deposit (10,000 tonnes contained metal). Prospects include:

Revolution 12m grading 0.97% Ni, 0.51m grading 5.1% Ni, **The Horn:** 12m grading 0.8% Ni, 1.55m grading 2.34% Ni, **Firefly** untested Ni-Cu-PGE gossans, **Mt Newman** 30m grading 1.5% Ni, 8m grading 1.75% Ni.

NICKEL: EASTERN GOLDFIELDS, LEINSTER DISTRICT, MIRANDA & PINNACLES NICKEL PROJECTS, WA (BRW 100%)

Located only 6km south of Jubilee Mines Cosmos Nickel Project (>400.000 tonnes of Nickel resources). Known high tenor nickel sulphide part of belt (up to 20% nickel) Two prospects identified (Miranda and Pinnacles) which have not had work undertaken on them since mid 1970's.

NICKEL: EASTERN GOLDFIELDS, LEINSTER DISTRICT, KAMBALDA WEST PROJECT, WA (BRW 100%)

Located in the producing Widgiemooltha region. Company owns four nickel deposits with two (5A and 5B) containing 6,000 tonnes contained nickel awaiting further drilling for resource extensions. Several new targets also identified.

3) NICKEL: EAST KIMBERLEY, WA (1 Major Project) (BRW Earning up to 60%)

Strategic JV land holding prospective for Voiseys Bay Ni-Cu-PGE deposits. Landholding includes the massive nickel sulphide discovery (2% Ni) at Keller Creek immediately adjacent to the Sally Malay nickel mine (3.74Mt grading 1.74%Ni and 0.72%Cu).

Risks Associated with Investment In Breakaway Resources Limited

Potential investors need to be aware that investment in Breakaway Resources Limited, like all investments in junior resource companies, is of a highly speculative nature. Normal share market risk conditions apply including commodity prices, currency fluctuations, sentiment, supply and demand and general economic outlook. Normal exploration, development and production risks also apply as well as operating, environmental, and Native Title risks.

Disclosure Disclaimer & Warning

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Fee disclosure: Montagu has not provided corporate advice to Breakaway Resources Limited. Montagu participated in the Company's July 06 share placement. No fee has been received for preparation of this report. The author of this report holds a small amount of securities in Breakaway Resources Limited which he has held since the July share placement.

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Report compiled by
Ian Spence

BSc. (Joint Hons) Geology & Petroleum Geology, MSc. Mineral Exploration & Mining Geology, MBA
Resource Consultant