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3 May 2007

BREAKAWAY COMMENCES SCOPING STUDIES AT KEY NICKEL AND BASE METAL PROJECTS AS PART OF FOCUSED EXPLORATION-EVALUATION STRATEGY

KEY POINTS

- **Implementation of a comprehensive A\$8-10M exploration programme for 2007/08 following a strategic review of Breakaway's project portfolio announced.**
- **Focused exploration-evaluation strategy now in place prioritising the Scotia and West Kambalda nickel projects and the Eloise base metal project which offer near-term production possibilities and potential for major new discoveries.**
- **Major drilling programmes underway on the Scotia Project targeting resource extensions at St Patricks (~5,000 Ni tonnes) and St Andrews. It is anticipated that drilling will take place on West Kambalda and Eloise during June – July.**
- **A resource estimate is in preparation for the Altia lead-zinc-silver deposit, Eloise Project, scheduled for completion by end of June 2007. This will also provide a framework for planning ongoing drilling for additional extensions.**
- **Scoping Studies will be carried out on all projects concurrently with the exploration programme, to determine the possible economics of the projects and for planning ongoing work.**

Breakaway Resources Limited (**ASX: BRW**) is pleased to confirm plans to conduct an intensive exploration and evaluation strategy primarily focused on three of its key nickel and base metal projects, located in Western Australia and Queensland, in order to progress them towards development decisions points. The strategy is underpinned by an **A\$8-10 million expenditure commitment for 2007 - 2008.**

The announcement of the commencement of the programme follows the completion of a major strategic review of Breakaway's overall project portfolio, as foreshadowed in the Company's March 2007 Quarterly Report. This review was predicated on the need to prioritise the large number of discovery opportunities located on Breakaway's nickel and base metal projects. As a result of this process, the 2007 -2008 exploration programme will primarily focus on three projects: the Scotia and West Kambalda nickel projects in Western Australia and the Eloise base metal project in Queensland. These projects have the distinct advantage of containing existing nickel or base metal resources and existing or historic production centres which enhance the opportunity to identify opportunities that could be progressed to development decisions in the shorter term, to take advantage of the current high metal prices.

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The remaining projects also offer excellent discovery opportunities, however are at earlier stages of exploration development. It is intended to continue the development of the pipeline of opportunities on these projects, by progressing the higher priority targets as available resources and broader priorities allow.

Under the revised strategy approximately two-thirds of the planned 2007/08 expenditure will be dedicated to nickel sulphide exploration, with the balance allocated to base metal exploration. Whilst the planned budget expenditure will allow the progression of the key prospects to advanced decision points, the budget will be flexible to allow for expansions in programme justified on results.

Eastern Goldfields Nickel Projects (100%)

Scotia Nickel Project

As announced on 4 April 2007, the Company recently commenced a programme of RC drilling at the Scotia Project, located 65km north of Kalgoorlie, with a primary focus of testing for shallow extensions of the nickel mineralisation at St Patricks (existing JORC compliant Inferred Resource of 135,000 tonnes at 3.7% nickel for ~5,000 tonnes of contained nickel) and St Andrews prospects.

In addition to the RC drill rig, Breakaway will shortly have two diamond drilling rigs operating at Scotia. One diamond rig will be used initially to undertake a Stage 1 drilling programme, to delineate additional depth extensions of mineralisation at St Patricks and St Andrews. In addition, localised infill drilling will be undertaken to collect core for metallurgical testwork. It is anticipated that this programme could be completed by June - July 2007. A scoping study will be carried out concurrently with this drilling programme, with completion scheduled by June 2007, to provide an initial review of possible development options and their associated potential economic outcomes. Subject to positive results from the RC and diamond drilling programmes and the Scoping Study, Breakaway intends to move immediately to a Stage 2 infill drilling programme to upgrade the resource estimates and to proceed to other work programmes required to make a development decision. The Stage 2 drilling would be planned for August – September 2007.

The second diamond rig at Scotia will drill six to eight holes as an initial test of the potential for resource extensions beneath the old Scotia nickel mine which produced some 14,500 tonnes of nickel down to a depth of about 350 vertical metres prior to its premature closure in 1977. This programme should be completed in July 2007.

West Kambalda Nickel Project

In addition, Breakaway will shortly commence activities at the West Kambalda nickel project, to further assess known resources and explore for additional resources associated within the four known nickel deposits (1A, 5A, 5B and Andrews). Like the St Patricks deposit, West Kambalda offers significant short-term strategic development opportunities for Breakaway at current record nickel prices.



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Mining was previously undertaken on the four West Kambalda deposits, during the 1970's and to a limited extent during the late 1990's, with Andrews being the most significant producer of an estimated 7,800 tonnes of nickel metal prior to closure of the mine in 1979 due to a low nickel prices. All deposits are open at depth and have only undergone limited drilling to delineate resource extensions below depths of 100 to 350 metres.

In 2003, Breakaway estimated an Inferred Resource of 195,000 tonnes at 1.8% Ni for ~3500 tonnes of contained nickel for the 5B deposit and an Indicated Resource of 29,100 tonnes @ 3.65% nickel for ~1065 tonnes of contained nickel in a block immediately beneath the shallow 5A open pit which was mined to a depth of approximately 30 metres in the late 1990's. At the current high prices the 5A resource block, which extends from beneath the pit floor to a depth of 75 metres, represents a short term production possibility. The opportunity warrants additional shallow drilling to extend the resource block at depth and collect core for further metallurgical testwork. While the overall programme for 5A is still being assessed it is anticipated that the viability of the project should be determined by August – September 2007.

Breakaway's objective is to advance both of these nickel projects towards a development decision, to establish small-scale, profitable operations as rapidly as possible. Both projects have the potential to generate significant free cash flows at current nickel prices. This would further augment the Company's cash reserves, enabling the Company to establish itself as a producer and provide a firm foundation to locate and develop longer-life deposits on all of the Company's projects.

Other Western Australian Nickel Projects

In addition to the intensive exploration at the Scotia and West Kambalda nickel projects, work will continue progressing the evaluation of the Company's extensive portfolio of nickel projects in the Eastern Goldfields (Wildara, Mt Clifford and Miranda Projects) and East Kimberley.

Eloise Base Metal Exploration Project, Queensland (100%)

Breakaway announced recently that it was in the process of compiling and interpreting the December Quarter drilling results from the **Altia lead-zinc-silver project**, which is located 4km south-west of the Eloise Copper Mine, on the Company's 100%-owned Eloise Base Metal Exploration Project. Following a detailed strategic review of this Project, Breakaway has now commenced 3D modelling of the known mineralisation at Altia with a view to producing a deposit model to guide future exploration and allow estimation of an initial Inferred Resource by the end of June 2007.



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The December 2006 Quarter drilling successfully delineated a broader system of lead-silver mineralisation at Altia, occurring within several parallel zones, extending over a strike extent of about 500 metres and to a depth of about 250 metres. The mineralisation has variable grades of up to 8.0% lead and 1.5 ounces of silver per tonne over widths of up to 39 metres in the most prominent zone. There is evidence for metal zonation with enriched silver grades occurring in concentrations of up to 8 ounces per tonne, with accompanying lead grades of up to 5%, in a parallel zone. The deposit remains sparsely drilled on an 100 metres x 100 metres hole spacing and is open along strike and at depth.

Following the completion of the resource estimate, the Company will undertake a Scoping Study to better understand the viability profile of this deposit type. The deposit represents an important strategic asset for Breakaway because of its proximity to the existing treatment plant and infrastructure of the Eloise Copper Mine (where the Company holds a 30% net profit interest).

In parallel with the Scoping Study at Altia, Breakaway will recommence exploration activities on the prospect, as announced to the market on 19 April. This will include an Induced Polarisation (IP) geophysical survey to try and identify responses related to base metal mineralisation over the broader target which extends over a strike distance of 1.8 kilometres. Based on the geophysical results and geological modelling of Altia, diamond drilling will recommence once a drill rig becomes available which appears at this stage to be in July 2007 or earlier if it can be arranged.

The owner and operator of the Eloise Mine, Barmenco Investments Pty Ltd, has advised that an updated resource and reserve estimates for the mine will be finalised by the beginning of July, providing a clearer indication of the future production profile and mine plan.

Summary

The announcement of Breakaway's broader exploration and development strategy for 2007/08 lays the foundations for the Company's continued development as one of Australia's leading nickel and base metal exploration companies.

Commenting on the announcement, Breakaway's Managing Director, Mr Peter Buck, said: "The recent strategic review has clearly defined our objectives and growth path moving forward. While we have a very large and high-quality portfolio, our priority will be to rapidly progress near-term production opportunities in nickel in Western Australia and base metals at Eloise in Queensland. This strategy is designed to take advantage of current record commodity prices."



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“Exploration will continue elsewhere on our excellent portfolio of projects in the Goldfields and East Kimberley, where we have a number of exciting targets, according to the availability of resources and priorities,” Mr Buck added. “We have to ensure however, that our immediate focus as a Company will be to unlock the value of our more advanced projects designed to assess, expand and develop currently known resources within the next 12-18 months.”

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Background Information:

Breakaway Resources Limited (ASX: BRW) is one of Australia's leading nickel and base metal exploration companies, with commanding strategic ground holdings covering some of Australia's most prospective nickel and base metal provinces.

In August 2006, Breakaway finalised the acquisition of a premium portfolio of Australian nickel exploration assets from LionOre Mining International Ltd for A\$10.55 million, augmenting its existing exploration portfolio and repositioning the Company as a substantial base metal company.

Breakaway has committed to a minimum \$6 million per annum exploration budget to pursue intensive exploration programmes within this portfolio, which covers a combined area of approximately 3,700km² in the Eastern Goldfields and East Kimberley regions of Western Australia, as well as extensive exploration interests surrounding the Eloise Copper Mine in North Queensland.

Breakaway also holds a 30% net profit royalty interest in Eloise Copper Mine, with royalty earnings for the 2005/06 totalling approximately \$15.5 million. With a strong cash position in excess of \$20 million and a continuing cash flow from the Eloise royalty, Breakaway is well placed to realise its vision of targeting the next generation of major base metal discoveries in Australia.

Competent Persons Statement:

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Peter Buck (Managing Director) and Mr David Hutton (Exploration Manager), both full time employees of the Company. Mr Buck and Mr Hutton are members of the Australasian Institute of Mining and Metallurgy (AusIMM) and have sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

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