



breakaway

BREAKAWAY RESOURCES LIMITED

ABN 16 061595 051

FINANCIAL REPORT

For the Year Ended

30 June 2007

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The Directors present their report together with the financial report of Breakaway Resources Limited ("Breakaway or the Company") and the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2007 and the auditors' report thereon.

DIRECTORS

The names and details of the Directors of the Company at any time during or since the end of the financial year are:

JOHN KING ATKINS – CHAIRMAN

(Appointed 24th November 2006)

John is one of Perth's most experienced corporate lawyers, with a career spanning more than 25 years and encompassing experience within numerous sophisticated financing and corporate transactions.

He is currently a senior partner with national law firm Freehills and head of the firm's Perth office. His distinguished career with Freehills has seen him hold several senior roles within the firm. John holds a Bachelor of Law from the University of Western Australia and a Masters of Law from London University. He is currently a director of Pearlstreet Limited, Lions Eye Institute Ltd, Committee for Perth Ltd and the Chamber of Commerce and Industry of Western Australia.

PETER STANLEY BUCK – MANAGING DIRECTOR

(Non executive Director since June 2004, appointed Managing Director effective May 2006)

Peter is a geologist of some 35 years experience who gained his Bachelor of Science in Australia and his Masters of Science in Canada.

Peter worked for 23 years for WMC in a variety of senior exploration and production roles both in Australia and Brazil. His experience covers a range of commodities covering gold, nickel and base metals and has been associated with a number of new discoveries and their development.

In 1994 Peter joined Forrestania Gold which later became LionOre. Peter was the Exploration Director for LionOre and managed a highly successful team which discovered the Maggie Hays, Emily Ann, Waterloo/Amorac nickel deposits, and the two million ounce Thunderbox gold deposit in Western Australia, the majority of which have been successfully brought into production

JONATHAN ALISTER YOUNG - DIRECTOR

(Director since March 2003, resigned as Chairman November 2006)

Jon graduated from UWA with a Bachelor of Commerce Degree. He qualified as a Chartered Accountant with Price

Waterhouse spending 7 years in their Perth, Melbourne and Sydney offices.

The following 22 years have been spent in the Finance and Stockbroking industry and Jon is currently Director Private Clients with leading Perth based national stockbroking firm Patersons Securities Limited.

For the past 11 years and until the sale of the contracting business in August 2007 Jon served as Non Executive Chairman of the Barmenco Group of companies including Barmenco Limited, one of Australia's largest privately owned underground mining contractors. Jon continues as the Non Executive Chairman of FMR Investments Pty Ltd (formerly Barmenco Investments Pty Ltd) a major shareholder of Breakaway Resources Limited.

GARRY PATRICK CONNELL - DIRECTOR

(Director since 1999)

Garry has gained valuable experience in the mining industry through his successful involvement in substantial fuel supply and earthmoving businesses. From 1984 and 1998 he was Managing Director of the Kalgoorlie Fuel Company one of BP Australia Limited's largest independent fuel distributors in Australia and supplier to many of the leading mining and industrial companies in the Kalgoorlie/Goldfields region.

He also has extensive experience in the earthmoving business and has undertaken many large and complex projects. He has a 'hands on' approach to management and is well-known in both the Perth and Kalgoorlie business communities.

JEFFREY JOHN GRESHAM - DIRECTOR

(Appointed 14th September 2006)

Mr Gresham has over 39 years experience in exploration, mining and the corporate functions both in Australia and overseas. During a career spanning 19 years with WMC he held a number of senior corporate and technical positions, most notably Chief Geologist of the Kambalda Nickel Operations between 1981 and 1985 and Executive Vice President Exploration for WMC's Canadian subsidiary Westminster Canada Ltd between 1988 and 1993. From 1993 to 1997 he was Managing Director of Wiluna Mines Ltd and General Manager Exploration at Homestake Gold of Australia Ltd between 1998 and 2001.

He was most recently Managing Director of Titan Resources Ltd from June 2004 until September 2006 and is currently the Chairman of Rox Resources Ltd and a Non-executive Director of View Resources Ltd.

COMPANY SECRETARY

GRANT JONATHAN MOONEY

Grant is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies.

DIRECTORS' REPORT

Currently, Grant acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

Grant is a member of the Institute of Chartered Accountants in Australia.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name of Director	Company	Period of directorship
John Atkins	Pearlstreet Limited	Since November 2006
	Alinta Infrastructure Holdings Limited	August 2005 – February 2007
Peter Buck	Gallery Gold Limited	2005 - 2006
Garry Connell	Ausdrill Limited	Since 1999
Jeff Gresham	Giants Reef Mining Limited	July 2004 – January 2006
	Titan Resources limited	July 2004 – September 2006
	Rox Resources Limited	Since October 2006
	View Resources Limited	Since April 2007

DIRECTORS' INTERESTS AND MEETINGS OF DIRECTORS

The following tables sets out the relevant interests of each Director in the share capital of the Company at the date of this report and their participation in Board meetings during the year.

Name of Director	Directors' Interests in Ordinary Shares	Number of Options Granted
John Atkins	100,000 *	-
Peter Buck	402,000	2,000,000
Jon Young	1,498,003 *	-
Garry Connell	6,775,710 *	-
Jeff Gresham	75,000	-

* includes shares in which the director holds a relevant interest but is not the registered holder.

** Peter Buck was issued 2,000,000 options on the 23rd August 2006.

DIRECTORS' MEETINGS

Name of Director	Board Meetings		Audit Committee Meeting		Remuneration Committee Meeting	
	A	B	A	B	A	B
John Atkins	4	4	-	-	1	1
Peter Buck	8	8	-	-	-	-
Jon Young	8	8	2	2	-	-
Garry Connell	8	8	2	2	-	-
Jeff Gresham	5	6	-	-	1	1

A- Number of meetings attended

B- Number of meetings held during the time the director held office during the year.

The Remuneration Committee was formed 22 November 2006 Comprising Jeff Gresham (Chairman), John Atkins and Grant Mooney (Secretary).

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were exploration for gold, nickel and copper.

RESULT

The consolidated Profit after income tax for the financial year was \$0.816 million (2006: Profit of \$9.747 million).

DIVIDENDS

No dividend was paid during the year and no dividend will be paid in respect of the current financial year.

REVIEW OF OPERATIONS

The Consolidated entity predominately explored and evaluated base and precious metals projects through the year. A full review of the operations is set out in the 2007 Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- Following the shareholders meeting on the 12th July 2006, the shareholders approved the acquisition of the LionOre assets from Lion Ore Australia Pty Ltd ("LionOre") and the other conditions precedent under the sale agreement. Those conditions were as follows:
 - Consolidation of capital on a 5 for 1 basis;
 - Issue of \$9,000,000 in converting notes to LionOre Australia Pty Ltd ("LionOre") (up to a maximum of

- 72,000,000 shares), converting at 40 cents per share within 5 years after issue;
 - Approval to issue up to 70,000,000 ordinary shares to raise capital; and
 - Issue of 4,800,000 ordinary shares for part acquisition of the LionOre assets.
2. On the 17th July 2006, the Company announced the completion of the capital raising whereby gross proceeds of \$13.5 million were raised by the issue of 45,000,000 ordinary shares at 30 cents per share.
 3. On the 21st August 2006, the Company announced the completion of the acquisitions of the LionOre assets. Following the completion of this transaction, LionOre converted all its existing converting notes with a face value of \$3.5 million which resulted in a further 15,555,555 ordinary shares issued to LionOre.
 4. During the year, 4,000,000 employee options were issued to staff as per the Company's "Employee Option Scheme". Exercisable at 55 cents within 3 years from the date of issue but commencing not before the relevant vesting dates as follows:
 - 50% vesting 12 months from date of issue.
 - 50% vesting 24 months from date of issue.
 5. During the year, Breakaway received \$7.47 million payments from its 30% net profit royalty interest ("NPI Royalty") in the Eloise Copper Mine in Queensland. This represents the final payments from the balance owing on the June 2006 quarter and the royalty earned from the September 2006 quarter.
 6. On the 8th February 2007, the Company announced that it would not be receiving a NPI Royalty for the December 2006 quarter following a \$12.0 million loss reported from the Eloise Copper Mine and it would be unlikely that any further royalty would be earned until the 2007/08 year.

7. Fully paid ordinary share capital increased during the year as follows:	2007
	\$'000
17 July 2006 – Share issue of 45,000,000 ordinary shares following the capital raising at 30 cents per share.	12,745
21 August 2006 – Share issue of 4,800,000 ordinary shares at a deemed issue price of 32.35 cents per share as part of vendor consideration on LionOre transaction.	1,553
21 August 2006 – LionOre converted their existing converting notes into 15,555,555 ordinary shares.	3,740
Increase in share capital	18,038

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On the 30 July 2007 the Company issued 2,050,000 employee options via the company's Employee Share Plan. The issued options are exercisable at 85 cents within 3 years following the date of issue but commencing not before the relevant vesting dates as follows:

- 50% vesting 12 months from date of issue and
- the remaining 50% vesting 24 months from the date of issue.

LIKELY DEVELOPMENTS

Information as to likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the Company's interests.

ENVIRONMENTAL REGULATION

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining and exploration activities situated in Queensland and Western Australia. There are significant environmental regulations under the Queensland and Western Australian Mining and Environmental Protection Acts, including licence requirements relating to waste disposal, water and air pollution and the handling of dangerous goods in relation to these operations.

The Company is not aware of any matter that requires disclosure regarding any significant environmental regulation in respect to its operating activities.

SHARE OPTIONS

OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

During the or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Director and Officers of the Company as part of their Remuneration:

Director	Number of Options Granted	Exercise Price	Expiry Date
Peter Buck	2,000,000	34.5 cents	28 July 2009
Officers			
David Hutton	750,000	55 cents	18 October 2009
	250,000	85 cents	30 July 2010
David N Castleden	750,000	55 cents	18 October 2009
	250,000	85 cents	30 July 2010
Trevor Hart	400,000	55 cents	18 October 2009
	600,000	85 cents	30 July 2010

All options were granted during the financial year with the exception to the options expiring, 30 July 2010 with exercisable price of 85 cents which were issued on the 30 July 2007.

At the date of this report, unissued ordinary shares of the Company under options are as follows:

Number of Options	Exercise Price	Expiry Date
2,000,000	34.5 cents	28 July 2009
2,775,000	55 cents	18 October 2009
2,050,000	85 cents	30 July 2010*

* Options issued after the end of the financial year, on the 30 July 2007 pursuant to the Company's Employee Option Scheme

All options, except the 2,000,000 options expiring on 28 July 2009 with an exercise price of 34.5 cents each, are employee options issued under the terms of the Company's Employee Option Scheme and expire 30 days after termination of the

employee's employment. The 2,000,000 options expiring on 28 July 2009 with an exercise price of 34.5 cents each were issued to Managing Director, Mr Peter Buck as part of his remuneration package and were approved at the shareholders meeting held on the 12th July 2006.

REMUNERATION REPORT

This report details the amount and nature of remuneration of each director of the Company and executive officers of the Company during the year.

Remuneration policy

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in achieving the alignment with shareholder and business objectives.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriate qualified and experience directors and executives. The Remuneration Committee obtains independent advice on the appropriateness of compensation packages given trends in comparative companies locally and the objectives of the company compensation strategy.

Options are issued under the Employee Share Option Scheme (made in accordance with the criteria as set out in the plan approved by shareholders at the 2003 Annual General Meeting), at the discretion of the Directors or are issued under specific shareholder approval. All options are issued for no consideration.

The remuneration policy in regards to settling terms and conditions for the executive directors has been developed by the Board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

Non-executive directors

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the non-executive directors and reviews their remuneration annually, based on market practices, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is \$250,000, last voted upon by shareholders at the 2006 Annual General Meeting. Directors' base fees are presently up to \$40,000 per annum.

The Chairman receives 50% more than the base directors' fee. Non-executive directors' fees are not linked to the performance of the consolidated entity. Director fees cover all main board activities and committee memberships.

Directors and executive officers' remuneration

Details of the nature and amount of remuneration provided whilst in office to Directors of the Company during the financial year are as follows:

Name	Short-term		Post Employment	Share-based payments	Total
	Salaries & Fees	Non-monetary Benefits	Superannuation benefits	Options and rights	
	\$	\$	\$	\$	\$
Executive Directors					
Peter S Buck	229,358	-	132,766	254,234	616,358
Non Executive Directors					
John K Atkins* (appointed 24/11/2006)	-	-	39,240	-	39,240
Jon A Young*	-	-	64,587	-	64,587
Garry P Connell*	-	-	52,527	-	52,527
Jeffery J Gresham*(appointed 1/10/2006)	-	-	29,067	-	29,067
Grant J Mooney (Company Secretary)	117,508	-	-	-	117,508
Key Management Personnel					
Trevor G Hart (Financial Controller)	128,038	16,615	11,523	42,116	198,292
David J Hutton (Exploration Manager) appointed 1/9/2006	123,495	-	11,115	78,967	213,577
David N Castleden (Manager Nickel Geology and Exploration) appointed 1/9/2006	116,283	-	10,670	78,967	205,920

* Paid into superannuation fund.

INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts, for the current Directors and current and former officers, including executive officers and secretaries of the Company.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

During the year the Company's auditors has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The nature and scope of non-audit services has been

assessed by the Board to ensure that auditor independence was not compromised.

Details of the amounts paid to the auditor of the Company and its related parties for non-audit services provided during the year are set out below.

	Consolidated	
	2007	2006
REMUNERATION OF AUDITORS	\$	\$
Amounts received, or due and receivable, for taxation and other services by:		
<i>Auditors of the Company - PKF</i>	91,253	77,600

AUDITORS INDEPENDENCE DECLARATION

The copy of the Auditors Independence Declaration as required under sections 307c of the Corporation Act 2001 is set out on page 16.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts stated in the financial report and Directors' reports have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been signed in accordance with a resolution of the Directors made at Perth on 28th September 2007.



John Atkins
Chairman



Peter Buck
Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"). The Board has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. Other information about the Company's corporate governance practices were adopted by the board on 16 August 2004 and reviewed on the 21 September 2007 and are set out on the Company's website at www.breakawayresources.com.au.

- Risk Management Policy
- Securities Trading Policy;
- Audit Committee Charter;
- Non-executive Remuneration Policy;
- Remuneration Committee Charter ;
- Board & Senior Executive Evaluation Policy
- Continuous Disclosure Policy;
- Code of Conduct Policy;
- Shareholder Communication Policy; and
- Matter Requiring Board Approval.

BOARD OF DIRECTORS

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

The Board operates in accordance with Breakaway Resources Limited's Constitution, ASX Listing Rules, the Corporations Act, various Mining Acts and other applicable laws while achieving these goals.

At commencement of the financial year, the Board of Directors comprised two non-executive Directors including the Chairman, and one executive Director, who had the role of Managing Director.

The Board is now comprised of a Non Executive Chairman, Managing Director and three Non Executive Directors. Full details of the Company's directors and their relevant experience and skills are detailed in the Directors' Report.

The Board of Directors now has a majority of independent directors for the purposes of the Australian Securities Exchange Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations".

With the exception of an Audit Committee and Remuneration Committee, the consolidated entity is not considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate committees. Accordingly all matters, which may be capable of delegation to a committee, are dealt with by the full Board.

In addition to formal Board meetings, the Board regularly meets informally to retain full and effective control over the consolidated entity and monitor the executive management. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company's Constitution and the Listing Rules of the Australian Securities Exchange Limited govern the procedures for election and retirement of Directors.

All Directors have the right to seek independent legal and accounting advice concerning any aspect of the Company's operations and undertakings.

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than 5 percent of the voting shares of the Company and is not an officer of, otherwise associated, director or indirectly, with a shareholder of more than five percent of the voting shares in the Company
- has not with the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment
- Within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer and has no material contractual relationship with the Company or another group member other than as a director of the Company
- Is free from any interest and business or other relationship which could or could reasonably be perceived to, material interfere with the directors ability to act in the best interest of the Company.

AUDIT AND AUDIT COMMITTEE

The Company has an Audit Committee with an established Charter.

The members of the Audit Committee during the year were:

Mr JA Young (Chairman)	Non-Executive Director
Mr GP Connell	Independent Non-executive Director

The Audit Committee has met twice this year and the Committee members attendance record is disclosed in the table of Directors meeting in the Directors Report. The Company's auditors, managing director and financial controller are invited to audit committee meetings at the discretion of the committee.

The Company in a general meeting is responsible for the appointment of the external auditors of the Company, and the

Board from time to time will review the scope, performance and fees of those external auditors.

The Company has appointed, with their consent, PKF as its auditors.

The external auditors were appointed in 2004.

REMUNERATION COMMITTEE

During November 2006 the Company formed a Remuneration Committee with an established Charter.

The remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. It is also responsible for share options schemes.

The members of the remuneration Committee during the year were:

Mr JJ Gresham (Chairman)	Independent Non-executive Directors
Mr JK Atkins	Independent Non-executive Directors

The managing director is invited to Remuneration Committee meetings, as required, to discuss senior executive's performance and remuneration packages.

The Remuneration Committee meets as required. The committee has met once this year and the Committee member's attendance record is disclosed in the table of Directors meeting in the Directors Report.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board relies on several internal controls:

- There is a comprehensive monthly management reporting system. Management reports detailing consolidated entity expenditure are prepared and presented to Board members monthly. Results are reported against budget and variations from budget have been discussed with site personnel to ascertain the reasons for the variances each month for each of the consolidated entity's operations. Budgets are revised when management has sufficient historical information to make informed forecasts.
- Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure Requirements.
- The consolidated entity conducts a review of the ability and experience of potential senior employees prior to appointment. Informal appraisals are conducted regularly together with on the job monitoring and training for all employees.

ETHICAL STANDARDS

- Breakaway is committed to the highest standards of ethical business conduct. As part of that commitment, Breakaway established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Breakaway's standards of behaviour and corporate culture reflect best practice in corporate governance.

Breakaway also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Breakaway, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

BUSINESS RISKS

The Board adopts practices to identify significant areas of risk and to effectively manage those risks in accordance with the consolidated entity's risk profile.

Where appropriate the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Company's main areas of risk include:

- Mineral exploration, development and production;
- Fluctuating metal prices and exchange rates;
- Financing; and
- Title to assets.

The Board gives regular consideration to all these matters.

SHARE TRADING

A formal policy has been adopted which is to ensure compliance with the "insider trading" provisions of the Corporations Act by executive staff who may be in possession of sensitive information concerning the Company's affairs, prior to release to the market.

**EXPLANATION FOR DEPARTURE FROM BEST PRACTICE
RECOMMENDATIONS**

During the reporting period from 1 July 2006 to 30 June 2007 the Company has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
2.4	The board should establish a nomination committee	The Board does not have a nomination committee	The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any nomination committee are normally undertaken by the full board.
4.2, 4.3	The board should establish an audit committee	The Company has a formally constituted audit committee that meets on a regular basis to discuss various aspects of the accounting and audit function. However, this function does not entirely comply with Best Practice Recommendations in that a majority of members were not independent directors.	Although there was not strict compliance with the Best Practice Recommendations at year end, the Board considers that given the composition, qualifications and availability of the Board and its members, the audit committee had the best and most suitable composition to efficiently carry out the functions of an audit committee in view of their respective experience in the financial matters of mineral exploration and mining companies.
8.1	Disclose the process for performance evaluation of the board and individual directors	The Board and individual directors are constantly aware of the Company's share price, market capitalisation and its financial performance. There is no formal policy for evaluating performance. However, the Company maintains regular contact with financial advisors and stockbrokers seeking third party feedback on the Company's performance in order to continue to seek improvement in this area. A review was conducted of the Board by directors participating and completing an evaluation form during the year.	In a competitive environment such as the sector in which Breakaway operates, market forces will ensure that the board and individual directors are judged based upon the performance of the company both relative to the market and relative to its particular circumstances.

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the audit of Breakaway Resources Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 28th day of September 2007

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current Assets					
Cash and cash equivalents	7	18,483	8,814	18,422	8,776
Trade and other receivables	8	528	5,779	528	5,755
Prepayments	9	-	21	-	21
Total Current Assets		19,011	14,614	18,950	14,552
Non Current Assets					
Trade and other receivable	8	745	556	704	556
Other financial assets	10	-	-	27,952	8,767
Property, plant and equipment	11	788	88	756	54
Exploration, evaluation and development expenditure	12	25,033	7,031	1,744	1,610
Available for sale financial assets	13	67	48	67	48
Deferred tax assets	6	7,236	-	628	-
Total Non Current Assets		33,869	7,723	31,851	11,035
Total Assets		52,880	22,337	50,801	25,587
Current Liabilities					
Trade and other payables	14	955	490	955	292
Loans and borrowings	15	37	3,053	37	3,053
Provisions	16	87	59	87	59
Total Current Liabilities		1,079	3,602	1,079	3,404
Non Current Liabilities					
Loans and borrowings	15	7,881	-	7,881	-
Deferred tax liability	6	7,236	3,723	628	1,962
Provisions	16	623	386	253	386
Total Non Current Liabilities		15,740	4,109	8,762	2,348
Total Liabilities		16,819	7,711	9,841	5,752
NET ASSETS		36,061	14,626	40,960	19,835
Equity					
Issued capital	17	77,184	59,146	77,184	59,146
Convertible note	18	2,731	683	2,731	683
Reserves	19	542	9	542	9
Accumulated losses	20	(44,396)	(45,212)	(39,497)	(40,003)
TOTAL EQUITY		36,061	14,626	40,960	19,835

The balance sheet should be read in conjunction with the accompany notes

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from royalty		1,761	13,789	1,761	13,789
Finance revenue		1,240	157	2,283	162
Total revenue from continuing operations	3	3,001	13,946	4,044	13,951
Other revenue		45	31	44	151
Employee benefit expenses	4b	(1,755)	(640)	(1,755)	(640)
Exploration expenses written off		(400)	(82)	(3)	(82)
Depreciation and amortisation costs	4b	(75)	(25)	(70)	(23)
Administration expense		(890)	(377)	(883)	(377)
Occupancy expense	4b	(262)	(64)	(262)	(64)
Consultants expense		(246)	(632)	(246)	(632)
Reversal of GST accrual		-	487	-	487
Other expenses from ordinary activities	4a	(668)	(261)	(669)	(269)
(Loss) / Profit from continuing operations before tax and finance costs		(1,250)	12,383	200	12,502
Finance costs	4b	(1,657)	(341)	(1,656)	(318)
(Loss) / Profit before income tax relating to continuing operations		(2,907)	12,042	(1,456)	12,184
Income tax benefit/(expense)	6	3,723	(2,295)	1,962	(2,338)
Profit after tax from continuing operations		816	9,747	506	9,846
Basic profit per share (cents per share)	28	0.50	9.48		
Diluted profit per share (cents per share)	28	0.49	9.45		

The income statement should be read in conjunction with the accompanying notes

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	Ordinary Shares	Converting Notes	Reserves	Accumulated losses	Total attributed to equity holders
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance 01/07/2005	58,796	-	-	(54,959)	3,837
Issue of 5,000,000 shares at 6 cents each in May 06	300	-	-	-	300
Issue of Converting Notes	-	683	-	-	683
Tax expense from capital cost	50	-	-	-	50
	59,146	683	-	(54,959)	4,870
Profit/(Loss) for year				9,747	9,747
Total recognised income and expense for the year	59,146	683		(45,212)	14,617
Recognition of share based payments	-	-	9	-	9
Balance 01/07/2006	59,146	683	9	(45,212)	14,626
Issue of 45,000,000 shares at 30 cent each	13,500		-	-	13,500
Converting Notes issued to LionOre Australia Pty Ltd		2,731	-	-	2,731
Conversion of Converting Notes into shares	683	(683)	-	-	-
Issue of 15,555,555 shares to LionOre on the conversion of Notes	3,057	-	-	-	3,057
Issue of 4,800,000 shares to LionOre as per transaction	1,553	-	-	-	1,553
Less Cost of raising capital	(755)	-	-	-	(755)
	77,184	2,731	9	(45,212)	34,712
Profit/(Loss) for year				816	816
	77,184	2,731	9	(44,396)	35,528
Financial Asset Revaluation	-	-	20	-	20
Employee Equity-Settle Benefits Reserve	-	-	513	-	513
Balance 30/06/2007	77,184	2,731	542	(44,396)	36,061

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

The Company	Ordinary Share \$'000	Converting Notes \$'000	Reserves \$'000	Accumulated losses \$'000	Total attributed to equity holders \$'000
Balance 01/07/2006	58,796	-	-	(49,849)	8,947
Issue of 5,000,000 shares at 6 cents each in May 06	300	-	-	-	300
Issue of Converting Notes	-	683	-	-	683
Tax expense from capital cost	50	-	-	-	50
	<u>59,146</u>	<u>683</u>	<u>-</u>	<u>(49,849)</u>	<u>9,980</u>
Profit/Loss for year		-		9,846	9,846
Total recognised income and expense for the year	59,146	683	-	(40,003)	19,826
Recognition of share based payments	-	-	9	-	9
Balance 01/07/2006	59,146	683	9	(40,003)	19,835
Issue of 45,000,000 shares at 30 cents each	13,500	-	-	-	13,500
Converting Notes issued to LionOre Australia Pty Ltd		2,731	-	-	2,731
Conversion of Converting Notes into shares	683	(683)	-	-	-
Issue of 15,555,555 shares to LionOre on the conversion of notes	3,057	-	-	-	3,057
Issue of 4,800,000 shares to LionOre as per transaction	1,553	-	-	-	1,553
Less Cost of raising capital	(755)	-	-	-	(755)
	<u>77,184</u>	<u>2,731</u>	<u>9</u>	<u>(40,003)</u>	<u>39,921</u>
Profit/Loss for year	-	-	-	506	506
	<u>77,184</u>	<u>2,731</u>	<u>9</u>	<u>(39,497)</u>	<u>40,427</u>
Financial Asset Revaluation	-	-	20	-	20
Employee Equity-Settle Benefits	-	-	513	-	513
Balance 30/06/2007	<u>77,184</u>	<u>2,731</u>	<u>542</u>	<u>(39,497)</u>	<u>40,960</u>

The statement in the change in equity should be read in conjunction with the notes to the accompanying notes

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		7,468	8,068	7,468	8,083
Cash payments in the course of operations		(2,993)	(2,783)	(2,745)	(2,795)
Interest received		889	151	880	151
Borrowing costs paid		(15)	(129)	(15)	(106)
Net cash provided by/(used in) operating activities	25(b)	5,349	5,307	5,588	5,333
Cash flows from investing activities					
Payments for exploration and development		(7,642)	(1,449)	(326)	(710)
Payments for property, plant and equipment		(780)	(42)	(778)	(8)
Proceeds from sale of property, plant and equipment		12		12	-
Payments for tenements		(15)	(10)	(15)	(10)
Loans to controlled entity		-	-	(7,580)	(400)
Payments for investments		-	(457)	-	(457)
Net cash used in investing activities		(8,425)	(1,958)	(8,687)	(1,585)
Cash flow from financing activities					
Proceeds from Converting Notes		-	3,500	-	3,500
Repayment of lease liability		-	(6)	-	-
Proceeds from share issue (net of transaction costs)		12,745	300	12,745	300
Net cash provided by/(used in) financing activities		12,745	3,794	12,745	3,800
Net increase/(decrease) in cash held		9,669	7,143	9,646	7,548
Cash at the beginning of the financial year		8,814	1,671	8,776	1,228
Cash at the end of the financial year	25(a)	18,483	8,814	18,422	8,776

The statement of cash flows should be read in conjunction with the accompanying notes

1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28th September 2007.

Breakaway Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operation and principal activities of the group are described in note 24.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

(a) Statement of compliance

The financial report complies with Australian Accounting Standards and Corporation Act 2001.

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Breakaway Resources Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Breakaway Resources Limited has control.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
 - ii. for receivables and payables which are recognised inclusive of GST.
- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(h) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow

NOTES TO THE FINANCIAL STATEMENTS

from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Breakaway Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(i) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalue amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements 3 years
- Plant and equipment 3 - 10 years
- Equipment under finance lease 3 - 10 years

(l) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Restoration and Rehabilitation provision

Provisions for the restoration and rehabilitation of mine and industrial sites are determined based on the best estimate of the consideration required to settle the present obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Provisions are reviewed each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, or the best estimate is lower than previously estimated, the provision is reversed to profit.

(m) Revenue recognition

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(n) Share-based payments

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(o) Exploration and Evaluation

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

NOTES TO THE FINANCIAL STATEMENTS

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured as fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(r) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(s) Converting Note

The component of the converting note that exhibits characteristics of a liability is recognised as a liability in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

On the issue of the converting note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders equity. The value of the conversion option is not changed in subsequent years. These notes were converted subsequent to year end.

The component of the converting note that exhibits characteristics of a embedded derivate is recognised as a liability in the balance sheet. On issue the embedded derivate component is measured at fair value and revalued at fair value at the balance date and the movement is recorded through the profit and loss as a finance cost.

3. PROFIT FROM OPERATIONS

Individually significant items of revenue

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Eloise Copper Royalty Revenue	1,761	13,789	1,761	13,789
Sales revenue	1,761	13,789	1,761	13,789
Other revenues:				
<i>From operating activities</i>				
Interest: Other parties	1,240	157	1,231	151
Interest: Related parties	-	-	1,052	162
<i>From outside operating activities</i>				
Profit from the sale of non-current assets	-	20	-	-
Sundry - Other	45	11	44	-
Total other revenues	1,285	188	2,327	313
Total revenue from ordinary activities	3,046	13,977	4,088	14,102

4. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

(a) Individually significant items of expense/(revenue) included in profit / loss from ordinary activities before income tax expense

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Stamp Duty on Purchase of LionOre Tenements	615	-	615	-
Total individually significant items of expense	615	-	615	-

(b) Profit /(Loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:

Finance costs:

Interest on Performance Bonds	2	26	2	3
ATO General Interest Charge	1	99	1	99
Converting Note Interest	435	212	435	212
Fair Value Movement on Embedded Derivate	1,205	-	1,205	-
Other	14	4	13	4
Total finance costs	1,657	341	1,656	318

4. PROFIT /(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

(Continue)

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Depreciation and Amortisation				
Plant and equipment	75	25	70	23
Total depreciation and amortisation	75	25	70	23
Amounts set aside/(credited) to provision for:				
Employee entitlements	128	34	128	34
Total amounts set aside/(credited) to provisions	128	34	128	34
Lease rental expense - operating lease	262	64	262	64

5. REMUNERATION OF AUDITORS

	Consolidated		The Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Audit Services				
Auditors of the Company - PKF	35,879	16,684	35,879	16,684
Amounts received, or due and receivable, for taxation and other services by:				
Auditors of the Company - PKF	91,253	77,600	91,253	77,600

6. INCOME TAX

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Major components of income tax expense for the years ended 30 June 2007 are:				
Income statement				
Current income				
Current income tax charge	-	-	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	(3,723)	3,594	(1,962)	3,636
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	-	(1,298)	-	(1,298)
Income tax expense (benefit) reported in income statement	(3,723)	2,296	(1,962)	2,338
Statement of changes in equity				
Current income tax				
Capital Raising Costs	-	50	-	50
Income tax expense reported in equity	-	50	-	50
A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2007 and 2006 is as follows:				
Accounting profit (loss) before tax from continuing operations	(2,907)	12,042	(1,456)	12,547
Loss before tax from discontinued operations	-	-	-	-
Accounting profit (loss) before income tax	(2,907)	12,042	(1,456)	12,547
At the statutory income tax rate of 30% (2005: 30%)	(872)	3,614	(437)	3,764
Non-deductible expenses	649	-	650	-
Utilisation of prior year tax losses not previously brought to account as a DTA	-	(1,298)	-	(1,298)
Tax Losses not brought to account as a DTA	(25)	-	(119)	-
Adjustments in respect of deferred income tax of previous years	(3,475)	(20)	(2,056)	(128)
Income tax (benefit)/expense	(3,723)	2,296	(1,962)	2,338
Effective tax rate	-	19%	-	18.6%

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX (continued)

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly owned controlled entities on a pro-rate basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Breakaway Resources Limited.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the member entities' inter-company accounts with the tax consolidated group head company, Breakaway Resources Limited. In this regard the Company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

CONSOLIDATED	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Royalty Receivable	-	-	-	1,712	-	1,712
Interest receivable	-	-	105	-	105	-
Exploration costs	-	-	7,131	2,294	7,131	2,294
Share writedown	-	-	-	4	-	4
Accrued expenditure	-	(153)	-	-	-	(153)
Employee entitlements	-	(6)	-	-	-	(6)
Provision for rehabilitation	-	(128)	-	-	-	(128)
Tax losses	(7,236)	-	-	-	(7,236)	-
Tax (assets) liabilities	(7,236)	(287)	7,236	4,010	-	(3,723)
Set off of tax	-	-	-	-	-	-
Net tax (assets) liabilities	(7,236)	(287)	7,236	4,010	-	3,723

Deferred income tax

Deferred income tax at 30 June 2007 relates to the following:

CONSOLIDATED

Movement in temporary differences during the year

	Balance	Recognised in	Recognised in	Balance
	1 July 2005	Income	Equity	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Exploration	1,881	413	-	2,294
Royalty receivable	-	1,712	-	1,712
Income not yet assessable for taxation purposes	-	71	-	71
Expenses not yet deductible for taxation purposes	(403)	-	50	(354)
	1,478	2,196	50	3,723

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX (continued)

Movement in temporary differences during the year	Balance	Recognised in	Recognised in	Balance
	1 July 2006	Income	Equity	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Exploration	2,294	4,837	-	7,131
Royalty receivable	1,712	(1,712)	-	-
Income not yet assessable for taxation purposes	71	34	-	105
Tax losses	(354)	(6,883)	-	(7236)
	3,723	(3,723)	-	-

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following

THE COMPANY

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Royalty Receivable	-	-	-	1,712	-	1,712
Interest receivable	-	-	105	-	105	-
Exploration costs	-	-	523	483	523	483
Share writedown	-	-	-	5	-	5
Accrued expenditure	-	(104)	-	-	-	(104)
Employee entitlements	-	(6)	-	-	-	(6)
Provision for rehabilitation	-	(128)	-	-	-	(128)
Tax losses	(628)	-	-	-	(628)	-
Tax (assets) liabilities	(628)	(238)	628	2,200	-	1,962
Set off of tax	-	-	-	-	-	-
Net tax (assets) liabilities	(628)	(238)	628	2,200	-	1,962

Movement in temporary differences during the year	Balance	Recognised in	Recognised in	Balance
	1 July 2005	Income	Equity	30 June 2006
	\$'000	\$'000	\$'000	\$'000
Exploration	291	191	-	482
Royalty receivable	-	1,712	-	1,712
Income not yet assessable for taxation purposes	-	584	-	584
Expenses not yet deductible for taxation purposes	(733)	(33)	(50)	(816)
	(442)	2,454	(50)	1,962

Movement in temporary differences during the year	Balance	Recognised in	Recognised in	Balance
	1 July 2006	Income	Equity	30 June 2007
	\$'000	\$'000	\$'000	\$'000
Exploration	482	40	-	522
Royalty receivable	1,712	(1,712)	-	-
Interest receivable	-	106	-	106
Income not yet assessable for taxation purposes	584	(584)	-	-
Expenses not yet deductible for taxation purposes	(816)	188	-	(628)
	1,962	(1,962)	-	-

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX (continued)

Unrecognised temporary difference

	2007	2007	2006	2006
	Consolidated	The Company	Consolidated	The Company
Super accrual	52	52	-	-
Provision annual leave	26,223	26,223	-	-
Provision for long services leave	765	765	-	-
Provision for rehabilitation	186,000	75,000	-	-
Tax losses	5,308,811	4,289,905	8,965,990	8,965,990
Capital losses	862,946	486,968	1,181,546	1,181,546
	6,384,797	4,878,913	10,147,536	10,147,536

The tax losses do not expire under tax legislation. Deferred tax assets have not been recognised in respect of these items because it's not probable that future taxable profit will be available against which the Company can utilised these benefits.

7. CASH AND CASH EQUIVALENTS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	183	114	122	76
Short-term deposits	18,300	8,700	18,300	8,700
	18,483	8,814	18,422	8,776

8. TRADE AND OTHER RECEIVABLES

Current

Royalty receivable	-	5,707	-	5,707
Other	178	72	178	48
Interest Receivable	350	-	350	-
	528	5,779	528	5,755

Non-Current

Other – mining tenement bonds	745	556	704	556
	745	556	704	556

9. PREPAYMENTS

Current

Insurance	-	21	-	21
Total prepayments	-	21	-	21

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
10. OTHER FINANCIAL ASSETS				
Non-Current				
Investment in controlled entity – unlisted shares at cost	-	-	6,713	6,713
Loans to controlled entity at amortised cost (a)	-	-	21,239	2,054
	-	-	27,952	8,767

(a) The receivables from the Company's wholly-owned group include amounts arising under the Groups tax funding arrangement loans to controlled entities have no formal repayment arrangements, are payable on demand and interest is charged on the outstanding balance at market rates. However the Company will not call for payment prior to 1 July 2008 except to the extent that the controlled entity has surplus funds available.

11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment - at cost	951	229	914	188
Less: Accumulated depreciation	(163)	(141)	(158)	(134)
Total property, plant and equipment At net book value	788	88	756	54

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and Equipment

Carrying amount at beginning of year	88	76	54	71
Additions	780	42	777	7
Disposals	(5)	(5)	(5)	(2)
Depreciation	(75)	(25)	(70)	(22)
Carrying amount at end of year	788	88	756	54

12. EXPLORATION, EVALUATION AND DEVELOPMENT

Costs carried forward in respect of areas of interest in:

Exploration and/or evaluation phase

Balance at beginning of year	7,031	5,654	1,610	973
Acquisitions of tenements	10,568	-	15	-
Exploration, evaluation and development expenditure	7,547	1,377	193	637
Exploration, evaluation and development expenditure written off	(113)	-	(74)	-
Disposal of tenements	-	-	-	-
Total exploration, evaluation and development expenditure	25,033	7,031	1,744	1,610

The ultimate recovery of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
13. AVAILABLE FOR SALE FINANCIAL ASSETS				
Non-Current				
Shares listed on a prescribed stock exchange - at market value	67	48	67	48
14. TRADE AND OTHER PAYABLES				
Current				
Trade creditors	585	375	585	177
Other accrued expenses	370	115	370	115
	955	490	955	292
15. LOANS AND BORROWINGS				
Current				
Insurance Premium Funding	-	24	-	24
Converting Notes	-	3,029	-	3,029
Lease/hire purchase liability	37	-	37	-
	37	3,053	37	3,053
Non Current				
Converting Notes	6,676	-	6,676	-
Call Option – Embedded Derivative	1,205	-	1,205	-
	7,881	-	7,881	-
Proceeds from issue of Converting Notes	9,000	3,500	9,000	3,500
Less transaction costs	-	-	-	-
Amount classified as equity	18	(683)	(2,731)	(683)
Accredited interest capitalised	4b	212	435	212
Accredited interest transferred to equity		-	(28)	-
Carrying amount of liability at 30 June 2007	6,676	3,029	6,676	3,029

The terms of the \$9,000,000 Converting Notes issued are as follows:

- 18 Converting Notes with a face value of \$500,000 each and interest free,
- Converting at 40 cents per shares within 5 years after issue,
- Redeemable by Breakaway at any time, and
- Notes automatically converted on the maturity date by Breakaway either electing to the payment of cash or the conversion into shares at 12.5 cents per share.

The Note has been classified into two components: A debt component (a contractual arrangement to deliver cash) and an embedded derivative call option component (a call option granting the holder the right, for a specific period of time, to convert it into a fixed number of ordinary shares of Breakaway).

The value of the call option component has been determined using the Volume Weighted Average Price of Breakaways securities from the date of issue less the conversion price of the notes.

Over the term of the Note, the call option is fair valued at each balance date and the movement of the fair value recorded through the income statement.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
16. PROVISIONS				
Current				
Employee benefits	23	87	14	87
Rehabilitation		-	45	-
		87	59	87
Non-Current				
Employee benefits	23	2	6	2
Rehabilitation		621	380	251
		623	386	253
17. CONTRIBUTED EQUITY				
Issued and Paid-up Capital				
169,079,988 ordinary shares, fully paid (2006:518,622,438 pre consolidation)		77,184	59,146	77,184
Movements in ordinary share capital				
Balance at the beginning of the financial year		59,146	58,796	59,146
5,000,000 ordinary shares issue at 6 cents May 2006 on the conversion of options		-	300	-
Issue of 45,000,000 shares at 30 cents each to raise capital (July 2006)		13,500	-	13,500
Issue of 15,555,555 Shares to Lion Ore on conversion of Note (August 2006)		3,057	-	3,057
Transfer converted notes into share capital		683	-	683
Issue of 4,800,000 Shares to Lion Ore (August 2006)		1,553	-	1,553
Tax expense from capital costs		-	50	-
Less Capital raising costs		(755)	-	(755)
Issued capital at end of period 169,080,042 Shares		77,184	59,146	77,184

On the 13th July 2006 the Company had a consolidation of capital on a 5 for 1 basis. Prior year numbers of shares have been restated for comparative purposes.

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

18. CONVERTING NOTES

Movements in equity portion of converting notes

Balance at the beginning of the financial year	683	-	683	-
Transfer of converted notes in to sharer capital	(683)	-	(683)	-
Issue of Converting Notes (equity portion)	2,731	683	2,731	683
	2,731	683	2,731	683

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
19. RESERVES				
Opening Balance 01/07/2006	9	-	9	-
Net gains on available-for-sale financial assets	20	9	20	9
Employee share based payments	513	-	513	-
	542	9	542	9
20. ACCUMULATED LOSSES				
Opening accumulated losses	(45,212)	(54,959)	(40,003)	(49,849)
Profit/(loss) from ordinary activities after related income tax	816	9,747	506	9,846
Accumulated losses at end of the year	(44,396)	(45,212)	(39,497)	(40,003)

21. RELATED PARTY DISCLOSURES

Directors

The names of each person holding the position of director of Breakaway Resources Limited during the financial year were:

John Atkins – appointed 24 November 2006

Jon A Young – appointed since 2003

Garry P Connell – appointed since 1999

Peter Buck – appointed 24 June 2004 (appointed Managing Director 15th May 2006)

Jeffery J Gresham – appointed 1 October 2006

Directors' Remuneration - Information on Directors' remuneration is disclosed in Note 21.

Directors' Holdings of Shares and Share Options

The interests of Directors of the Company and their director-related entities in shares and share options of the Company are set out as follows:

	Consolidated	
	2007	2006
Ordinary shares in Breakaway Resources Limited	27,380,971	26,275,971
Options over ordinary shares	2,400,000	800,000

Jonathan Alister Young is also the Chairman of FMR Investments Pty Ltd (FMR) and therefore has an indirect interest in 18,502,258 shares held by FMR.

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTY DISCLOSURES (continued)

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Transactions with directors' related entities				
Transactions between parties are on normal commercial terms and conditions unless otherwise stated.				
(i) Amounts Received from FMR Investments Pty Ltd, a company in which Mr J A Young is a director				
Gross Proceeds from Royalty Revenue	1,761,363	13,789,042	1,761,363	13,789,042
Total amounts paid or payable	1,761,363	13,789,042	1,761,363	13,789,042

Wholly owned group

TRANSACTIONS

The Company performs certain office services and pays for certain items on behalf of controlled entities. These transactions are in the normal course of business and on normal terms and conditions. An interest charge of 8.4% is charged on all loans to controlled entities.

TRANSACTIONS WITH CONTROLLED ENTITIES

During the financial year the controlled entities were charged an interest rate of 8.4% on the balance of loans outstanding as at 30 June 2007. The amounts charged from parent entity are as follows

Interest charged on loans to controlled entity – BMV Properties Pty Limited	172,517	140,367
Interested charged on loans to controlled entity – Levuka Resources Pty Limited	94,997	21,331
Interested charged on loans to controlled entity – Altia Resources Pty Limited	703,854	-
Interested charged on loans to controlled entity – Scotia Nickel Pty Limited	80,774	-
	1,052,142	161,698

BALANCES WITH CONTROLLED ENTITIES

The aggregate amounts receivable from other controlled entities by the Company at balance date are:

Receivables - non current

Loan to controlled entity – BMV Properties Pty Limited	3,168,446	1,797,160
Loan to Controlled entity – Levuka Resources Pty Limited	1,887,327	256,413
Loan to controlled entity – Altia Resources Pty Limited	13,213,166	1
Loan to Controlled entity – Scotia Nickel Pty Limited	2,970,208	-
	21,239,147	2,053,574

22. DIRECTORS AND EXECUTIVE'S REMUNERATION

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Mr JK Atkins	Chairman (non-executive) – appointed 24 th November 2006
Mr PS Buck	Managing Director
Mr JA Young	Director (non-executive)
Mr GP Connell	Director (non-executive)
Mr JJ Gresham	Director (non-executive) – appointed 1 st October 2006

(ii) Specified executives

Mr GJ Mooney	Company Secretary
Mr TG Hart	Financial Controller
Mr DJ Hutton	Exploration Manager
Mr DN Castleden	Manager Nickel Geology and Exploration

(b) Remuneration of Specified Directors and Specified Executives

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the non-executive directors and reviews their remuneration annually, based on market practices, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is \$250,000. Fees for non-executive directors are not linked to the performance of the economic entity.

The Board of Directors' is responsible for setting the remuneration of executive Board members and senior executives of the Company. Their broad policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and to ensure remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Company's performance is taken into consideration when setting remuneration.

Directors and executives remuneration included amounts paid by the Company during the year to indemnify directors and executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

NOTES TO THE FINANCIAL STATEMENTS

Remuneration of Specified Directors and Specified Executives

Name	Year	Short-term		Post Employment	Share based expense	Total Remuneration	Value of options as
		Salaries & fees	Non-monetary benefits	Superannuation benefits	Options and rights		proportion of remuneration
		\$	\$	\$	\$	\$	%
Executive Directors							
Peter Buck (appointed Managing Director 15/05/2006)	2007	229,358	-	132,766	254,234	616,358	41%
	2006	-	-	69,255	-	69,255	-
Michael G Mulroney (Resigned 1/2006)	2007	-	-	-	-	-	-
	2006	110,653	20,825	10,365	-	141,843	-
Non Executive Directors							
John Atkins (Appointed 24/11/2006)	2007	-	-	39,240	-	39,240	-
	2006	-	-	-	-	-	-
Jon A Young	2007	-	-	64,587	-	64,587	-
	2006	-	-	40,000	-	40,000	-
Garry P Connell	2007	-	-	52,527	-	52,527	-
	2006	-	-	30,000	-	30,000	-
Jeffery Gresham (Appointed 1/10/2006)	2007	-	-	29,067	-	29,067	-
	2006	-	-	-	-	-	-
Grant J Mooney (Company Secretary)	2007	117,508	-	-	-	117,508	-
	2006	126,929	-	-	-	126,929	-
Total	2007	346,866	-	318,187	254,234	919,287	
Total	2006	237,582	20,825	149,620	-	408,027	
Key Management Personnel							
Trevor G Hart (Financial Controller)	2007	128,038	16,615	11,523	42,116	198,292	21%
	2006	91,913	20,200	8,272	-	120,385	-
David J Hutton (Appointed 01/09/2006) (Exploration Manager)	2007	123,495	-	11,115	78,967	213,577	37%
	2006	-	-	-	-	-	-
David N Castleden (Appointed 1/09/2006) (Manager Nickel Geology and Exploration)	2007	116,283	-	10,670	78,967	205,920	37%
	2006	-	-	-	-	-	-
James W Guy (Resigned 19/01/07) (Exploration Manager)	2007	79,017	-	7,112	-	86,129	-
	2006	115,000	-	11,213	-	126,213	-
Total	2007	446,833	16,615	40,420	200,050	703,918	
Total	2006	206,913	20,200	19,485	-	246,598	

NOTES TO THE FINANCIAL STATEMENTS

22. DIRECTORS AND EXECUTIVE'S REMUNERATION (Continued)

EQUITY INSTRUMENTS

Option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director and officer is as follows:

Specified Directors	Held at 1 July 2006	Granted as Remuneration	Exercised	Cancelled/Lapsed	Held at 30 June 2007
Peter Buck	-	2,000,000	-	-	2,000,000
John Atkins	-	-	-	-	-
Jon A Young	600,000	-	-	300,000	300,000
Garry P Connell	200,000	-	-	100,000	100,000
Jeffery Gresham	-	-	-	-	-
Specified Officers					
Trevor G Hart	-	400,000	-	-	400,000
David Hutton	-	750,000	-	-	750,000
Nick Castleden	-	750,000	-	-	750,000

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director and officer is as follows:

Specified Directors	Held at 1 July 2006	Purchases or held at date of employment	Received on Exercise of Options	Sales	Held at 30 June 2007
Peter Buck	-	400,000	-	-	400,000
John Atkins	-	100,000	-	-	100,000
Jon A Young	998,003	500,000	-	-	1,498,003
Garry P Connell	6,775,710	-	-	-	6,775,710
Jeffery Gresham	-	75,000	-	-	75,000
Specified Officers					
Trevor G Hart	60,000	20,000	-	30,000	50,000
David Hutton	-	66,667	-	-	66,667
Nick Castleden	-	66,667	-	-	66,667

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Aggregate liability for employee benefits including on-costs				
• Current	87	14	87	14
• Non-Current	2	6	2	6
	89	20	89	20

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

23 EMPLOYEE BENEFITS

(continued)

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Assumed rate of increase in wage and salary rates	3%	3%	3%	3%
Discount rate	5%	5%	5%	5%
Settlement term (years)	10	10	10	10
Number of Employees				
Number of Employees at year end	14	6	14	6

(a) Share base payments

The Company has an employee share option scheme which was approved at the 2003 Annual; General Meeting held on 24 November 2003.

Each option is convertible to one ordinary share. The exercise price of the options are determined in accordance with the rules of the plan and will be the greater of 120% of the market value of shares on the day the option is issued, 20 cents or a price determined by the Directors in their discretion.

All employee options expire on the earlier of their expiry date or 30 days after termination of the employee's employment.

There are no voting rights attached to the options or to the unissued ordinary shares, voting rights will be attached to the issued ordinary shares when options have been exercised.

Summary of options over unissued ordinary shares

Details of options over unissued ordinary shares as at the beginning and end of the reporting periods and movements during the year are set out below.

Expiry date	Excise price	Number of options at beginning of year	Options granted	Options cancelled	Options exercised	Number of options on issue at end of year	
						Vested	Unvested
17 Oct 2009	\$0.55	-	4,000,000	1,175,000	-	-	2,825,000

24. SEGMENT INFORMATION

The Company operates solely in the natural resources exploration and mining industry in Australia.

25. NOTES TO STATEMENTS OF CASH

FLOWS

(a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash assets	18,483	8,814	18,422	8,776

(b) Reconciliation of profit/ (loss) from ordinary activities after income tax to net cash provided by operating activities

Profit/(Loss) from ordinary activities after income tax	816	9,747	506	9,846
Add/(less) items classified as investing/financing activities				
(Profit)/Loss on sale of non-current assets	(7)	1	(7)	1
Exploration costs expensed	133	82	133	82
Add non-cash items				
Exploration, evaluation and development costs written off	74	-	74	-
Gain in available for sale assets	20	-	20	-
Depreciation	75	30	70	24
Converting Notes interest	436	212	436	212
Interest on inter company loans	-	-	(1,051)	-
Share option expense	513	-	513	-
Equity settlement payment	10,553	-	10,553	-
Conversions of Notes to equity	3,057	-	3,057	-
Net cash provided by operating activities before change in assets and liabilities	15,670	10,072	14,304	10,165
<u>(Increase)/Decrease in Assets</u>				
Prepayments	21	(21)	21	(21)
Receivables	5,250	(6,168)	5,226	(5,978)
Inter company receivables	-	-	(10,553)	-
Mining and security bonds	(189)	(46)	(148)	(46)
Available for sale assets	(20)	9	(20)	9
Acquisitions of exploration assets	(10,553)	-	-	-
<u>Increase/(Decrease) in Liabilities</u>				
Creditors	480	(1,244)	677	(1,105)
Provisions	264	(29)	(105)	(29)
Deferred tax liability	(3,722)	2,734	(1,962)	2,338
Converting Notes	(1,852)	-	(1,852)	-
Net cash provided by operating activities	5,349	5,307	5,588	5,333

Non cash financing activities and investing activities

During the financial year ending 30 June 2007 the Company incorporated a wholly owned subsidiary for \$1 (refer note 26).

26. BUSINESS COMBINATIONS

Acquisition of Scotia Nickel Pty Ltd

On the 21st August 2006 as part of the acquisition of the LionOre assets the consolidated entity through its wholly subsidiary Altia Resources Pty Ltd acquired 100% of the voting shares in Scotia Nickel Pty Ltd.

In connection with the business combination the Company issued converting notes and shares to LionOre with a fair value of \$6,256,152 at the date of acquisition.

The fair value of the identifiable assets and liabilities of Scotia Nickel Pty Ltd as at the date of acquisition are:

	Consolidated	
	Recognised on	
	Acquisition	Carry Value
	\$	\$
Trade and other receivables	30,000	30,000
Exploration, evaluation and development expenditure	7,304,215	3,593,545
	7,334,215	3,623,545
Deferred income tax liability	1,078,063	1,078,063
Fair value of net assets	6,256,152	
Consideration:		
Shares and Converting Notes	6,256,152	

The cash outflow on acquisition is as flows:

Net cash acquired with subsidiary	30,000
Cash Paid	(30,000)
Net Cash outflow	-

27. FINANCING ARRANGEMENTS

Performance guarantees

- (i) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of the mineral tenements of a controlled entity. These bonds have been provided under a guarantee facility provided by Investec Bank (Australia) Limited with a restricted cash deposit of \$345,000 as at 30 June 2007.
- (ii) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Macquarie Bank Limited totalling \$59,000 as at 30 June 2007
- (iii) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Bankwest totalling \$11,200.
- (iv) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Westpac Bank totalling \$30,000.

Other guarantees

- (v) The Company has a \$74,805 performance guarantees in place to secure the payment of rent under the Company's lease of premises at its offices at 15 Rheola Street West Perth. This guarantee is secured by a \$74,805 term deposit with Bankwest.

NOTES TO THE FINANCIAL STATEMENTS

	2007 Cents	2006 Cents
28. PROFIT / (LOSS) PER SHARE		
Basic profit / (loss) per share (cents per share)	0.50	9.48
Diluted profit / (loss) per share (cents per Share)	0.49	9.45
Weighted average number of ordinary shares used in the calculation of basic loss per share	163,018,557	102,820,378
Weighted average number of ordinary shares used in the calculation of diluted loss per share	165,104,718	103,199,408
Net profit / (loss) attributed to EPS	815,952	9,747,618

A share consolidation on a 5 for 1 basis occurred on the 12th July 2006.

29. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(a) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets (excluding investments) of the consolidated entity, which have been recognised on the balance sheet, is the carrying amount, less any provision for doubtful debts.

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is:

NOTES TO THE FINANCIAL STATEMENTS

29. ADDITIONAL FINANCIAL INSTRUMENT

DISCLOSURES (Continued)

CONSOLIDATED	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2007						
Financial Assets						
Cash assets	7	6.47%	18,481	-	2	18,483
Receivables	8	3.28%	745	-	528	1,273
Available- for- sale financial assets	13	-	-	-	67	67
			19,226	-	597	19,823
Financial Liabilities						
Payables	14	-	-	-	955	955
Lease Liability	15	7.16%	37	-	-	37
Converting Note	15	-	-	-	7,881	7,881
			37	-	8,836	8,873
2006						
Financial Assets						
Cash assets	7	5.88%	8,814	-	-	8,814
Receivables	8	0.42%	556	-	5,779	6,335
Available for sale financial assets	13	-	-	-	48	48
			9,370	-	5,827	15,197
Financial Liabilities						
Financial Liabilities						
Payables	14	-	-	-	490	490
			-	-	490	490

29. ADDITIONAL FINANCIAL INSTRUMENT

DISCLOSURES (Continued)

THE COMPANY	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2007						
Financial Assets						
Cash assets	7	6.48%	18,420	-	2	18,422
Receivables	8	3.28%	704	-	528	1,232
Other financial assets	10	-	-	21,239	6,713	27,952
Available for sale financial assets	13	-	-	-	67	67
			19,124	21,239	7,310	47,673
Financial Liabilities						
Payables	14	-	-	-	955	955
Lease liabilities	15	7.16%	37	-	-	37
Converting Note	15	-	-	-	7,881	7,881
			37	-	8,336	8,873
2006						
Financial Assets						
Cash assets	7	5.88%	8,776	-	-	8,776
Receivables	8	0.42%	556	-	5,755	6,311
Available for sale financial assets	10	-	-	-	48	48
			9,332	-	5,803	15,135
Financial Liabilities						
Payables	14	-	-	-	292	292
			-	-	292	292

(c) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

29. ADDITIONAL FINANCIAL INSTRUMENT

DISCLOSURES(Continued)

Recognised financial instruments

Listed shares included in other financial assets are traded in an organised financial market and the net fair value is determined by valuing them at the quoted market bid price for the shares at balance date.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of accounts receivable, payables, bank loans, lease liabilities and employee benefits approximate net fair value.

(d) Liquidity risk

The consolidated entities objective is to maintain a balance between continuity of funding and flexibility through the use of cash at bank, finance leases and hire purchase contracts.

There is no significant liquidity risk with the consolidated entity.

30. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Parent entity

Breakaway Resources Limited

Controlled entities

BMV Properties Pty Ltd

100

100

Levuka Resources Pty Ltd

100

100

Altia Resources Pty Lid

100

100

Scotia Nickel Pty Ltd

100

-

All entities are incorporated in Australia

Interest Held

2007

2006

%

%

(b) Acquisition of controlled entities

On the 18 August 2006 the Altia Resources Pty Ltd acquired 100% of the voting shares of Scotia Nickel Pty Ltd as part of the LionOre acquisition. .

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
31. COMMITMENTS				
Lease/Hire Purchase Commitments				
Operating lease repayments are payable as follows:				
not later than one year	133	76	133	76
later than one year but not later than five years	413	14	413	14
	<u>546</u>	<u>90</u>	<u>546</u>	<u>90</u>
Lease/hire purchase liabilities provided for in the financial statements				
Current	37	-	37	-
Non-current	-	-	-	-
Total lease/hire purchase liability	<u>37</u>	<u>-</u>	<u>37</u>	<u>-</u>

32. COMMITMENTS (EXPLORATION)

The consolidated entity has minimum expenditure obligations in pursuance of the terms and conditions of mining tenements in the forthcoming year of approximately \$3,389,460 (2006 \$662,620). These obligations are not provided for in the financial report. These obligations may be varied from time to time subject to statutory approval.

33. EVENTS SUBSEQUENT TO REPORTING DATE

On the 30 July 2007 the Company issued 2,050,000 employee share options via the company's Employee Share Plan. The issued options are exercisable at 85 cents within 3 years following the date of issue but commencing not before the relevant vesting dates as follows:

- 50% vesting 12 months from date of issue and the remaining 50% vesting 24 months from the date of issue.

DIRECTORS DECLARATION

1. In the opinion of the directors of Breakaway Resources Limited (“the Company”):

- (a) the financial statements and notes, set out on pages 17 to 51, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declaration required by section 295A of the Corporations Act 2001 from the chief executive office and chief financial office for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the directors:



John K Atkins
Chairman



Peter S Buck
Managing Director

Dated: 28th September 2007



Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF BREAKAWAY RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Breakaway Resources Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Breakaway Resources Limited. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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Auditor's Opinion

In our opinion:

- (a) the financial report of Breakaway Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 28th day of September 2007.

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 19 September 2007.

CAPITAL STRUCTURE

Listed on the Australian Stock Exchange are 169,079,988 fully paid shares. The Company has 6,825,000 unquoted options on issue.

DISTRIBUTION OF SHAREHOLDINGS

The distribution of shareholdings as at 19 September 2007 was:

Range	No. of Holders	No. of Securities
1 - 1,000	186	108,239
1,001 - 5,000	737	2,212,386
5,001 – 10,000	527	4,376,841
10,001 – 100,000	1,041	35,797,953
100,001 + over	134	126,584,569
Total	2,625	169,079,988
Less than a marketable parcel	194	116,606

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Norilsk Nickel Australia Pty Ltd	33,399,033
FMR Investments Pty Ltd	18,502,258

VOTING RIGHTS

Under the Company's constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for every ordinary share held.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Currently, Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

He is a member of the Institute of Chartered Accountants in Australia.

REGISTERED OFFICE

The registered office is at:

Level 1, 15 Rheola Street

West Perth WA 6005

Telephone: +61 8 9278 6444

Facsimile: +61 8 9278 6449

Twenty Largest Quoted Equity Security Holders

Name	Number of Shares	% of Total Issued Shares
Norilsk Nickel Australia Pty Ltd	33,399,033	19.75
FMR Investments Pty Ltd	18,502,258	10.94
Citicorp Nominees Pty Ltd	12,806,867	7.57
Sherrifmuir Holdings Pty Ltd	4,815,710	2.85
HSBC Custody Nominees (Australia) Limited	3,571,712	2.11
Nefco Nominees Pty Ltd	2,110,000	1.25
JP Morgan Nominees Australia Limited	1,676,928	0.99
Societe Generale Australia	1,666,668	0.99
Leet Investments Pty Limited	1,364,209	0.81
ANZ Nominees Limited	1,345,900	0.80
HSBC Custody Nominees (Australia) Limited	1,292,433	0.76
Wythenshawe Pty Ltd	1,283,333	0.76
Leet Investments Pty Ltd	1,280,000	0.76
Mineral Kingdom Ltd	1,200,000	0.71
Warramboe Holdings Pty Ltd	1,183,334	0.70
Ragged Holdings Pty Ltd	1,130,000	0.67
Mr Stephen John Alman	1,113,387	0.66
Mr John Albert Alman	1,000,000	0.59
Bass Strait Group Pty Ltd	1,000,000	0.59
Quintal Pty Ltd	1,000,000	0.59
TOTAL	92,741,772	53.53

Unquoted Securities (Options)

Holder	Number	Exercise Price	Vesting Date	Expiry Date
Mr Peter Buck & Mrs Roslyn Buck <Buck Superannuation Fund>	2,000,000	34.5 cents	666,666 18 August 2006 666,667 18 April 2007 666,667 18 December 2007	28 July 2009