ACTIVITY REPORT
FOR THE QUARTER ENDED 31 MARCH 2007

HIGHLIGHTS

SCOTIA NICKEL PROJECT – WESTERN AUSTRALIA

- Encouraging results received from RC drilling on the St Andrews Prospect, including **2m @ 3.17% Ni from 171m**, **4m @ 0.71% Ni from 161m** and **7m @ 0.80% Ni from 224m**.
- New drilling increases the strike length of the St Andrews mineralisation to over 100 metres and demonstrates the potential for higher grades and improved widths.
- First stage of a multiple-stage drilling programme commenced subsequent to Quarter-end, to evaluate and test for shallow extensions to the nearby St Patricks nickel resource (135,000 tonnes at 3.7% Ni for 5,000 tonnes of contained nickel).
- A Scoping Study will also be carried out on the St Patricks deposit concurrent with the drilling programme.
- Drilling will also evaluate extensions to the St Andrews Prospect and test key regional targets.
- Initial diamond drilling beneath the historic Scotia Mine intersects narrow disseminated nickel sulphide mineralisation, which may be a favourable indicator for additional mineralisation in the vicinity.
- Pre-collars to be drilled in preparation for planned diamond holes targeting down-plunge extensions of the mineralisation at the Scotia Mine. Diamond drilling scheduled to commence by mid-year.

ELOISE BASE METAL PROJECT – QUEENSLAND (100%)

- Major geological evaluation in progress on the Altia lead-silver-zinc deposit in preparation for 3D resource modelling of the deposit and calculation of an initial resource estimate.
- Diamond drilling scheduled to re-commence by mid-year.
- Prior to drilling, Breakaway plans to complete an Induced Potential geophysical programme to explore the broader Altia target area for possible extensions of the known mineralisation.
- The primary objectives of the next phase of drilling will be to delineate extensions of the lead-silver-zinc zones at Altia, increase the resource base and assess the potential of the footwall copper zone.

ELOISE PRODUCTION ROYALTY – QUEENSLAND (30% NET PROFIT INTEREST)

- Total royalty payments received to date increase to $15.5 million, following receipt of $2.987 million representing the balance of receivables for the June and September 2006 Quarters.

CORPORATE

- Cash and receivables of $21.58 million at the end of the Quarter.
- Major strategic review of Breakaway's exploration projects completed, which resulted in the prioritization of projects and an immediate emphasis on several short-to-medium term nickel development opportunities in the Eastern Goldfields of WA.

OVERVIEW

During the March Quarter, Breakaway completed a major strategic review of all its exploration projects. This review also focused on prioritising the Company's exploration activities within its extensive portfolio and highlighted the need to focus on short-to-medium term development opportunities at both the Scotia and West Kambalda nickel projects in Western Australia and the Eloise Base Metal Exploration Project in North Queensland. The full results of this review – including planned exploration expenditures and key areas of focus for the balance of 2007 – will be announced during May 2007. This announcement will provide the foundation for Breakaway's continued development and growth as a leading Australian base metal company over the next 12-18 months.

Key activities completed during the Quarter included an initial drilling programme at the Scotia Nickel Project, paving the way for a significantly expanded drilling programme which commenced in early April and which will be accompanied by a Scoping Study on the St Patricks Nickel Deposit. Planning is also well advanced for a major new drilling programme at the Eloise Project, which is scheduled to commence by mid-year.

EASTERN GOLDFIELDS NICKEL PROJECTS

SCOTIA NICKEL PROJECT (100%)

The Scotia Nickel Project, located in the Eastern Goldfields region of Western Australia, encompasses a 240km^2 tenement holding located in the strongly mineralised Kambalda-Mt Keith nickel corridor. This strategic ground position, which lies 65km north of Kalgoorlie, represents a priority exploration and development opportunity for Breakaway.

The project area includes the historic Scotia Nickel Mine, which was reported to have produced 14,500 tonnes of nickel at an average head grade of 2.2% nickel before its premature closure in 1977. The broader tenement area includes the St Patricks Nickel Deposit, located some 15km north of the Scotia Mine, as well as numerous nickel sulphide prospects and areas of known mineralisation such as the St Andrews Prospect, located in close proximity to St Patricks.

Subsequent to the end of the Quarter, the Company announced the commencement of a major new programme of Reverse Circulation (RC) drilling as part of a strategy to further evaluate key deposits and prospects within this strategic project area. The focus of this programme includes the St Patricks Nickel Deposit, the nearby St Andrews Prospect, several regional targets and depth extensions below the historic Scotia Nickel Mine.

St Patricks Nickel Deposit

St Patricks hosts a JORC compliant Inferred Resource of 135,000 tonnes at 3.7% nickel for approximately 5,000 tonnes of contained nickel. During the Quarter, Breakaway completed planning for a staged evaluation and work programme planned to progress the St Patricks deposit towards development decision. This programme, which was announced to the market on 11 April 2007, comprises three stages:

Stage 1

- ***RC Drilling Programme:*** Commenced in early April to more accurately define the upper limits of the St Patricks deposit and test for near-surface extensions. Also, limited in-fill RC drilling of the upper portion of the deposit will be carried out. There is potential for depth extensions, which will be evaluated by follow-up diamond drilling. Preliminary metallurgical testwork will be carried out on representative samples.

- ***Scoping Study:*** Will be carried out as an initial investigation of development options and the potential economics of a mining project. This study will be carried out concurrently with the RC drilling programme, with completion scheduled by June 2007.

Stage 2

- ***Resource Definition Drilling:*** Subject to positive results from the RC drilling programme and Scoping Study, Breakaway intends to move immediately to a Stage 2 programme of diamond drilling, commencing in June or possibly earlier – subject to availability of suitable drill rigs. This phase of drilling will in-fill the existing hole pattern, test for depth extensions and collect representative material for further metallurgical testwork. It is envisaged that metallurgical testwork would be carried out to a standard required for a feasibility study. Detailed resource and financial studies would also be carried out incorporating the Stage 2 results.

Stage 3

- ***Feasibility Stage:*** Contingent on a successful outcome of the Stage 2 work, the final stage of the programme would be to progress the St Patricks deposit to feasibility by completing hydrogeological, geotechnical, mining, environmental, heritage and engineering studies and obtaining all of the necessary governmental approvals to progress to mine development.

The recently commenced drilling programme at the St Patricks Nickel Deposit is part of an accelerated strategy designed to unlock the potential of the Scotia Project, highlighting its potential to emerge as a short-term production opportunity for the Company.

St Andrews Prospect

Results were received during the Quarter for two RC percussion holes (06SGC0003 and 0004) drilled at the northern end of the known mineralisation identified at the St Andrews Prospect. Previous wide-spaced drilling at St Andrews had identified broadly distributed nickel sulphides over a 200 metre strike extent and 300 metres down-dip. The new holes were drilled 50m along strike to the north of historic nickel sulphide intersections which included 3.35m @3.42% Ni and 5.71m @ 1.41% Ni. The St Andrews Prospect forms part of a large mineralised system which includes the nearby St Patricks nickel deposit, approximately 600 metres to the north.

The analytical results for nickel mineralisation intersected in the two RC drill holes drilled at the northern end of the prospect, as follows:

06SGC0003	Basal contacts:	2 metres at 3.17% Ni from 171 metres
	Hangingwall:	4 metres at 0.71% Ni from 161 metres
06SGC0004	Hangingwall:	7 metres at 0.80% Ni from 224 metres

The intersections increased the known strike length of the better grade of mineralisation (2.00 – 5.80% Ni) within the St Andrews prospect to greater than 100 metres, demonstrating the scope for higher grades and improved widths. Further drilling is required to close off the mineralisation (see below).

The recently commenced RC drilling programme at Scotia will test for additional shallow extensions to the mineralised zone at St Andrews, which remains open at depth and along strike to the south. The new programme is also designed to in-fill the large gaps within the existing drill coverage and test several shallower strong downhole EM anomalies.

Western Trend

During the Quarter, Breakaway received assay results from a programme of aircore drilling targeting a TEM anomaly 250 metres west of the St Patricks and St Andrews Prospects. Hole 06BSGA0068 intersected 16 metres @ 0.41% Ni, 1,280ppm Cu and 430ppm PGE's (Pd + Pt) in the weathered zone, immediately to the north of the anomaly.

The results of this drilling – together with a geological reinterpretation of historical exploration results over 7 kilometres of strike – have significantly enhanced the discovery potential for nickel sulphide deposits in the St Andrews – St Patricks region, identifying several prospective ultramafic trends.

The western mineralised trend received only scant attention in historical exploration notwithstanding that sparse drilling intersected 2.45 metres @ 0.80% Ni from 72 metres in hole DND2003-005, 500 metres to the north of the TEM anomaly referred to above.

Analytical results for recent aircore drilling, south of St Andrews, highlighted two Ni-Cu anomalous zones having Ni concentrations of up to 0.52% Ni with supporting elevated copper of up to 657ppm and moderately anomalous PGE's of up to 242ppm (Pt + Pd).

The results of Breakaway's work, whilst still only of a preliminary nature, suggest that the nickel exploration potential extends over a wider portion of the broader St Patricks – St Andrews area, which has only been explored by wide-spaced, shallow drilling.

Scotia Mine

During the Quarter, assay results were received for diamond drill hole 06SGD0002, which was completed in the December Quarter. This hole intersected weak nickel sulphide mineralisation which assayed 2 metres at 0.69% Ni, approximately 150 metres down-plunge below the Scotia nickel mine.

While not high grade, the result is an encouraging indicator for possible stronger mineralisation in the vicinity and adds positive support to the off-hole conductor delineated by downhole TEM carried out on the hole, during the December Quarter.

A major new programme of diamond drilling is planned at the Scotia Mine as part of the expanded exploration strategy for the Scotia Project announced in early April 2007. The current Scotia RC drilling programme will include 6-8 RC pre-collars to be drilled in preparation for subsequent diamond drilling, to test for down-plunge extensions and the offhole TEM conductor beneath the Scotia Nickel Mine.

The diamond drilling programme is planned to commence in June, or earlier.

KALGOORLIE PROJECT (EARNING 60%)

Golden Valley

Four diamond holes were completed on the Golden Valley prospects (20'N, 69'N and 88'N). Only minor traces of nickel mineralisation (< 0.58% Ni) were encountered by the drilling, however it is acknowledged that the drilling program represents limited testing of these prospects. Aircore drilling between the prospects intersected anomalous nickel (up to 0.56% Ni) in several holes which may warrant follow-up. Downhole TEM was carried out on the recent holes drilled on 69'N and 88'N without locating off hole conductors. Downhole TEM will be carried out during the June Quarter on the hole drilled on 20'N.

Mt Jewell East

A geological assessment was carried out on the 1970s exploration results for geological work that delineated evidence of nickel mineralisation and shallow, follow-up drilling. A surface TEM geophysical program is planned for the prospect.

MOUNT CLIFFORD (100%)

Breakaway completed a moving loop TEM geophysical program over the Mt Clifford project. The results are still being processed, however indications appear promising for possibly two conductors in a zone of widespread near-surface nickel and copper anomalism.

MT FINNERTY (Earning 60%)

Breakaway signed a Joint Venture agreement with Barranco Resources NL over the Mt Finnerty project, giving the Company the right to earn a 60% interest in the project by spending $2.0 million on exploration over four years. The Mt Finnerty Project has many geological similarities to the Lake Johnston Belt to the south, where LionOre discovered the Emily Ann and Maggie Hays nickel deposits.

Breakaway is conducting geological mapping and moving loop TEM during the June 2007 Quarter, to assess several zones of nickel and copper anomalism.

MIRANDA (Earning 100%)

Due to the Company's other priorities, only limited work including a review of historical results and aeromagnetic data was carried out.

QUEENSLAND PROJECTS

ELOISE COPPER MINE (30% NET PROFIT ROYALTY)

Barminco Investments Pty Ltd advised Breakaway in February that the Eloise Mine incurred an unaudited loss of approximately $12.0 million for the December 2006 Quarter, after expensing all capital and development costs incurred during the Quarter. The major contributing factors to this loss were higher operating costs, primarily due to planned capital development at the mine and increased inventories of consumables to accommodate the northern wet season, and negative movements in the spot copper price in world markets towards the end of 2006.

During the second half of 2006, Barminco commenced a series of initiatives aimed at securing a long-term production future and profitability for the Eloise Mine. All of these initiatives are predicated on achieving a minimum concentrate production level of 5,000 tonnes per month to maintain an adequate operating margin. Breakaway is fully supportive of this strategy, as any enhancements to the Eloise mining and processing infrastructure which enhance the longevity of the operation represent a strategic advantage to the Company in terms of its 30% net profit royalty interest and its extensive 100%-owned exploration interests surrounding the mine.

Breakaway advised the market on 8 February 2007 that, with the commencement of the aggressive capital development program and productivity enhancement initiatives at Eloise, further royalty entitlements may not be received until the 2007/08 financial year. However, the December Quarter loss incurred at the mine does not represent a liability to Breakaway and has no impact on the Company's cash position, with any losses incurred offset against future profits.

Subsequent to the end of the Quarter, the Company received a payment of $2.987 million from Barminco, representing the balance of receivables relating to the previously announced royalty earnings for the June and September 2006 quarters, and stated in the Company's 31 December 2006 Half Year Accounts. The payment completes total royalty payments from Eloise to date of $15.5 million (total earnings for the 2005/06 financial year were $13.8 million). This increased Breakaway's cash reserves at the end of the March 2007 Quarter to $21.58 million, further strengthening the Company's outstanding financial position.

ELOISE BASE METAL EXPLORATION PROJECT (100%)

Breakaway compiled and interpreted the December Quarter drilling results collected from the **Altia lead-zinc-silver project**, which is located 4km south-west of the Eloise Copper Mine, in preparation for 3D geological modelling of the mineralization. Also the electrical properties of mineralization were investigated, to select a suitable electrical geophysical technique to explore for extensions and guide the next phase of diamond drilling. Subject to the availability of suitable diamond drill rigs, Breakaway plans to commence this new program of drilling by mid-year or sooner if possible.

The preliminary December Quarter drilling successfully delineated a broader system of lead-silver mineralisation, occurring within several parallel zones extending over a strike extent of about 500 metres and extending to a depth of about 250 metres. The mineralisation is particularly sparsely drilled and is open along strike and at depth.

Evidence indicates that the zones have variable lead and silver concentrations of up to 8% Pb and typically 1 oz Ag/tonne. Intersections in the lower or westernmost zone have significantly higher silver concentrations of up to 262g/t (8.4oz/tonne).. The occurrence of the higher silver values highlights the potential for metal zonation either within individual or separate zones. The presence of zones of enrichment in specific base metals is a characteristic feature of this style of base metal deposit.

The style and characteristics of the Altia mineralisation are broadly analogous to the Cannington Pb-Ag-Zn deposit, located some 100km to the south of Altia. Cannington – which is owned and operated by BHP-Billiton and reported to be one of the world's largest silver producers – is considered to be a Broken Hill type (BHT) of deposit. The broad geological parallels between Altia and Cannington are considered to be particularly significant as Cannington comprises a very large system of multiple, parallel mineralised zones with varying lead-silver-zinc concentrations.

The northerly trending Altia target, which comprises coincident aeromagnetic and gravity anomalies, is totally obscured by up to 50 metres of cover over its total strike extent of about 1.8 kilometres. The drilling coverage over the broader target, beyond the zone drilled to date, is limited – indicating additional potential for delineating more widely distributed lead-silver-zinc mineralisation. The copper zone located by previous drilling (12 metres @ 1.1% Cu and 45g/t Ag from a depth of 145 metres in hole BERD005), in the footwall 150 metres to the west of Altia, further demonstrates the broader potential of the system and the potential for it to host a variety of deposit types.

The work carried out during the Quarter has provided the basis for determining the focus of the Company's exploration and development strategy at Altia, including a clearer understanding of the nature of the deposit and drilling opportunities to extend the size and increase the quality of the resource.

CORPORATE

Following the receipt of outstanding receivables under Breakaway's 30% net profit interest in the Eloise Copper Mine, Breakaway had cash reserves at the end of the Quarter of approximately $21.58 million.

PETER BUCK
Managing Director and CEO

The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Peter Buck who is a Member of The Australian Institute of Geoscientists. Peter Buck is a fulltime employee of the Company and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Peter Buck consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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