



breakaway

20 December 2007

STRATEGIC GOLD JOINT VENTURE WITH BARRA RESOURCES AT KAMBALDA WEST

KEY POINTS

- **Farm-in agreement with ASX-listed Barra Resources Limited for the gold rights over the northern portion of Breakaway's Kambalda West Project.**
- **Aggressive drilling programme by Barra scheduled to commence within weeks.**
- **Gold potential of the area highlighted by nearby Wattle Dam gold discovery (Ramelius Resources) and historic Spargos Reward gold mine.**
- **\$3.5M Joint Venture with Breakaway to benefit from any gold discoveries while maintaining its focus on nickel exploration at West Kambalda.**

Breakaway Resources Limited (ASX: **BRW** – “Breakaway”) is pleased to advise that it has reached agreement with ASX-listed exploration and mining company, Barra Resources Limited (ASX: **BAR**) (“Barra”), to rapidly evaluate the gold potential of a portion of Breakaway's **Kambalda West Project** in Western Australia under a strategic farm-in joint venture.

The agreement will result in the commencement of an aggressive gold exploration programme at West Kambalda, with drilling scheduled to begin within weeks to test a number of priority targets. The gold potential of the area is regarded as high, with the tenements subject to the Joint Venture located immediately north of Ramelius Resources Ltd's (“Ramelius”) recent Wattle Dam gold discovery that is currently being mined by open pit (see Figure 1).

The historic Spargos Reward gold mine – which had a recorded head grade of approximately 6-10g/t Au and production of 26,000 ounces of gold in the late 1930's and early 1940's – is located within the tenement area subject to the joint venture. Spargos Reward was also mined briefly in 1988-89, resulting in the extraction of a small tonnage of ore, but has only undergone intermittent exploration for both strike and depth extensions of the original deposit.

Wattle Dam, which is still in the early stages of production and evaluation, has produced approximately 25,000 ounces of gold since start-up in March 2006 through to the end of the September Quarter, but is ramping up to a targeted production level of 75,000oz per annum.



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The agreement with Barra Resources is consistent with Breakaway's focus as a nickel exploration company. The agreement allows for gold exploration to occur simultaneously while Breakaway carries out nickel drilling programmes which are currently underway on various nickel deposits in the project area, including the 5A and 1A Projects as reported to the market recently. The joint venture provides an opportunity to unlock the gold potential of the West Kambalda tenements with a focused gold exploration and mining company with a strong track record and extensive experience operating in the region.

Barra Resources has committed to an aggressive exploration programme with a first-year expenditure commitment of \$750,000. Under the terms of the farm-in agreement:

- Barra Resources must issue Breakaway with shares to the value of \$300,000 on signing the agreement;
- A minimum exploration commitment of \$750,000 applies within the first 12 months;
- Barra Resources can earn up to a 70% interest in the gold rights by spending a further \$2.5 million on exploration over two and a half years, with Breakaway reducing to a 30% interest; and
- Once Barra has earned a 70% interest, Breakaway can either elect to contribute according to its interest or dilute to a 20% free carried interest up to a Decision to Mine. After this decision point, Breakaway can either contribute according to its interest or divest.

Breakaway will retain the rights to all other metals, including nickel, on the tenements.

Breakaway's Managing Director, Mr Peter Buck, said the agreement will result in a major gold exploration programme within the Kambalda West area, with Breakaway retaining exposure to any upside from a significant discovery at a time of strong exploration and investor interest in the gold sector.

"While our focus as a Company is on nickel and base metal exploration, this represents an exciting strategic opportunity to advance the gold potential of our tenements at a particularly opportune time in the commodity cycle," Mr Buck said. "The joint venture is structured around an aggressive exploration commitment which will see drilling commence shortly to test a number of targets located in close proximity to the Wattle Dam discovery. Breakaway shareholders will retain strong leverage to any gold exploration success on these tenements."

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Figure 1: KAMBALDA WEST LEASING PLAN
Showing Gold Rights JV with Barra Resources Ltd

