



31 May 2007

DISCOVERY OF NEW NICKEL SULPHIDE ZONE INCREASES PROSPECTIVITY OF SCOTIA PROJECT

KEY POINTS

- **Significant near-surface RC drillhole intersections of 1m @ 4.76% Ni and 2m @ 3.32% Ni from a new zone located approximately 350 metres west of the St Patricks/St Andrews deposits.**
- **A follow-up diamond drillhole intersects massive/vein sulphides 30 metres down-dip – assays awaited.**
- **Results open up a new mineralised trend, the Western Contact Zone, within the northern part of the Scotia Project.**
- **Initial results from the programme of wide-spaced drilling at St Andrews and St Patricks intersects extensions to both deposits.**

Breakaway Resources Limited (ASX: **BRW**) is pleased to announce that exploration drilling at its 100%-owned **Scotia Nickel Project** in Western Australia has intersected a **new zone of nickel sulphide mineralisation** located approximately 350 metres west of the St Patricks and St Andrews nickel deposits. The newly discovered zone is particularly significant as it potentially defines a new mineralised trend, termed the Western Contact Trend, significantly expanding the nickel prospectivity of the area.

The Company also today announces initial results from ongoing programmes of Reverse Circulation (RC) and diamond drilling designed to test for extensions to the **St Patricks deposit** (137,000 tonnes @ 3.7% Ni for 5,000 tonnes of contained nickel) and nearby **St Andrews deposit**.

The current drilling programmes commenced last month as part of a multi-staged strategy to evaluate key deposits and prospects within the Scotia Project, which encompasses a strategic 240km² tenement portfolio located some 65km north of Kalgoorlie. The overall programme is progressing well with positive initial results received on a number of fronts.

New Nickel Zone Discovered – Western Contact Trend

Breakaway is pleased to advise that RC drilling of near-surface geochemical anomalism, located approximately 350 metres to the west of the St Patricks and St Andrews deposits, returned the following significant nickel intersections from RC drillhole 07BSGC0015:

- **1 metre @ 4.76% Ni** from a downhole depth of 87 metres, and
- **2 metres @ 3.32% Ni** from a downhole depth of 67 metres.

Note: Intersections are not weighted by bulk density measurements

Diamond drill hole 07BSGD0030, which was drilled below RC hole 07BSGC0015, intersected apparent extensions to the mineralisation in two zones located approximately 30 metres down-dip, as follows:

- **0.34 metres of 80% massive/vein sulphides from 81.57 metres, and**
- **0.55 metres of 50-60% vein sulphides from 98.90 metres.**

Analytical results are awaited to confirm whether the sulphides are nickeliferous, however the geological evidence indicates continuity of the sulphide zones between the two holes.

The nickel sulphide mineralisation in holes 07BSGC0015 and 07BSGD0030 occurs as massive/vein nickel sulphides within basalts, immediately west of the ultramafic rocks which host the St Patricks/St Andrews nickel mineralisation located on the eastern contact of the ultramafic, (Figure 1). The occurrence of the nickel sulphides in basalts suggests that the mineralisation may be remobilised from a nearby primary source located on the Western Contact Trend.

The discovery hole, 07BSGC0015, was drilled to test a zone of near-surface Ni-Cu-Pt+Pd geochemical anomalism intersected in previous shallow aircore drilling. This anomalism is located immediately north and along strike of an isolated surface Transient Electromagnetic (TEM) geophysical target 350 metres west of the St Patricks and St Andrews deposits. The TEM anomaly was recently tested by a single RC percussion hole, 07BSGC0014, which intersected a narrow black shale, interpreted to be the source of the conductor on the western basalt/ultramafic contact. In addition, the hole intersected 1 metre @ 0.58% nickel from a depth of 123 metres, which further supports the prospectivity of the Western Contact Trend.

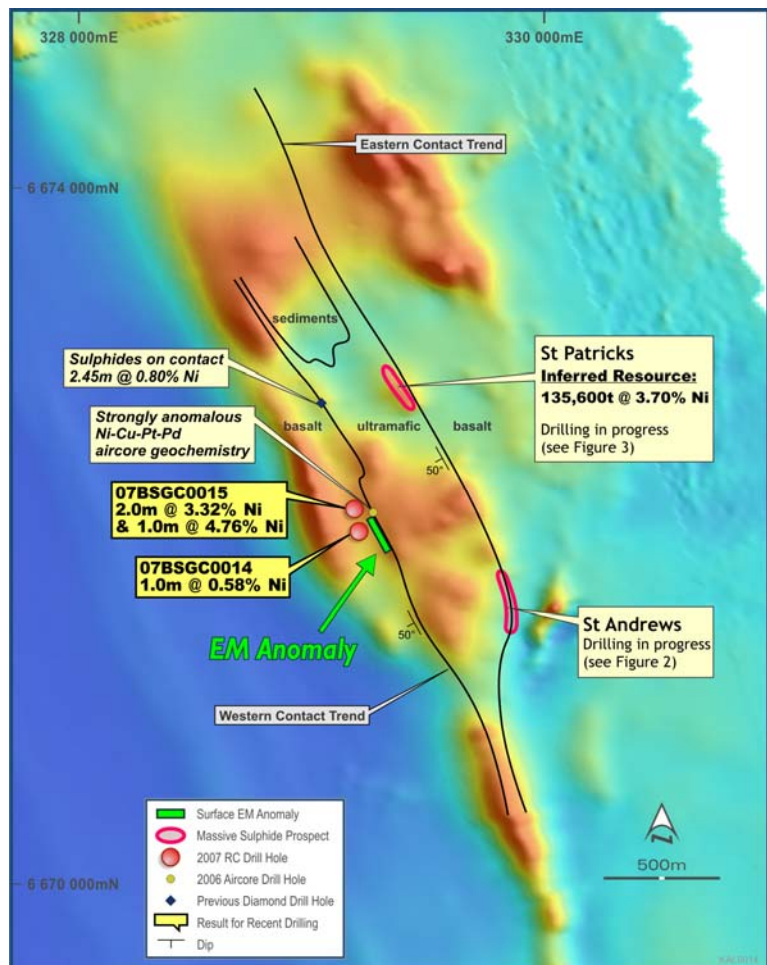


Figure 1. Interpreted setting of mineralised contacts in the Saints Region.



The discovery of this new nickel occurrence is regarded as significant because it represents a newly defined mineralised trend running parallel to the eastern contact zone that hosts the known deposits at St Patricks and St Andrews. This Western Contact Trend, which had not been identified prior to Breakaway's exploration activities at the Scotia Project, opens up a significant new front for nickel exploration in the area. The Company's interpretation from aeromagnetic data and limited shallow drilling results indicates that the Western Contact Trend may occur over a strike extent of at least 2.5km, which has undergone very limited exploration.

Breakaway's geological interpretation suggests that both the Western Contact Trend and the eastern or St Patricks/Andrews mineralised trend possibly occur on the opposing limbs of a north-trending, west-dipping synclinal fold. Should this interpretation be confirmed it would substantially increase the nickel prospectivity of the area through the duplication of the mineralised contact in close proximity to the surface.

Downhole electromagnetic geophysics (DHEM) carried out on the discovery hole, 07BSGC0015, located an off-hole conductor related to the lower sulphide intersection, to the north of the hole. Drilling is continuing to test this conductor and to further evaluate the newly discovered mineralised zone.

Initial Drilling Results – St Patricks and St Andrews

Drilling on the St Patricks and St Andrews deposits commenced in early May 2007, to explore for additional shallow extensions to the two zones, which are located some 800 metres apart on the eastern contact trend within the Scotia Project. The drilling represents the first part of a staged evaluation and work programme to progress the St Patricks deposit (JORC compliant Inferred Resource of 135,000 tonnes at 3.7% Ni) towards a development decision. At St Andrews, the drilling will further evaluate the mineralised zone where drilling by Breakaway earlier this year returned results including 2 metres at 3.17% Ni and 7 metres at 0.80% Ni.

The drilling programme which is still in its early stages is progressing well with several holes intersecting extensions to the mineralised zones, both of which remain open at depth. Breakaway has initially adopted a wide, nominal 100 x 100 metres drill hole spacing to broadly delineate the distribution of the mineralisation prior to any decision to infill drill on a closer spacing. While the programme is still far from complete, the following results have been received (*Figures 2 and 3*):

St Andrews

- 07BSGC0005 **1.0 metre @ 1.22% nickel** from 144.0 metres
2.0 metres @ 1.31% nickel from 175.0 metres
- 07BSGD0008 **1.35 metres of matrix and massive sulphides** from 214.8 metres: Assays awaited
- 07BSGD0009 **1.0 metre @ 2.32% nickel** from 109.0 metres
2.65 metres of matrix and massive sulphides from 263.55 metres: Assays awaited
- 07BSGD0012 **0.55 metres of matrix disseminated sulphides** with 15.0 metres of overlying finely disseminated sulphides from 227.2 metres: Assays awaited
- 07BSGC0013 **1.0 metre @ 2.42 % nickel** from 146.0 metres

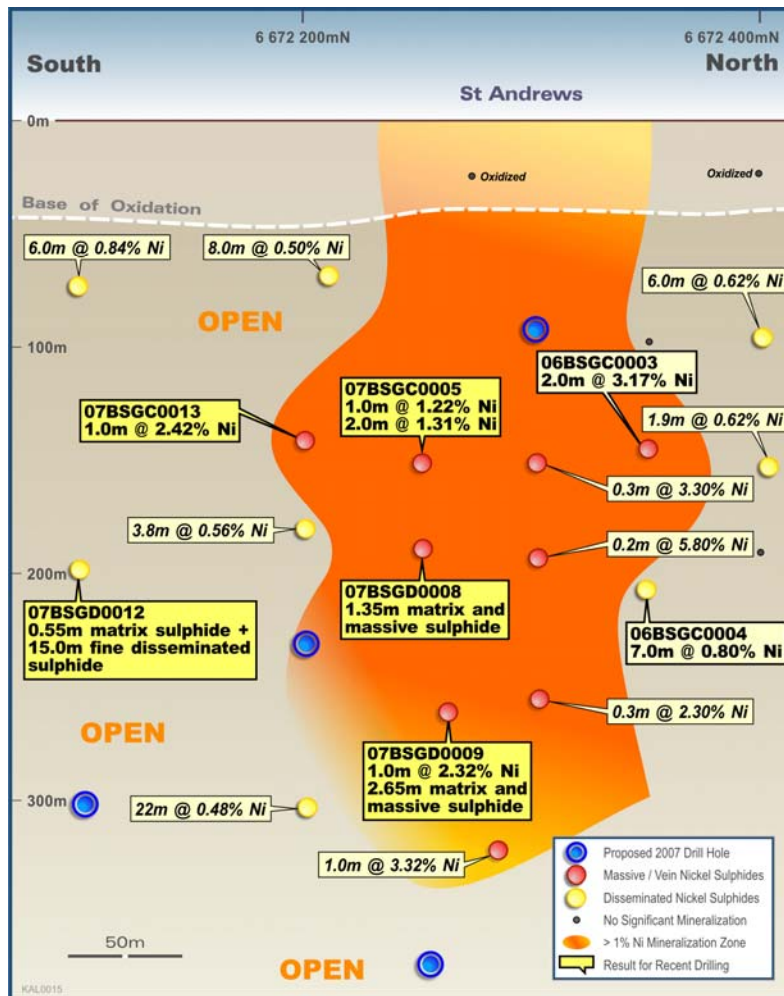


Figure 2. St Andrews Long Section with recent drilling results.

St Patricks

- 07BSGD0021 **3.0 metres of matrix sulphides** from 237.0 metres: Assays awaited
- 07BSGC0026 **1.0 metre of massive sulphides** from 183.0 metres: Assays awaited

Notes: i) 07BSGC = RC Percussion Hole
 07BSGD = Diamond Hole
 ii) Intersections are not weighted by bulk density measurements

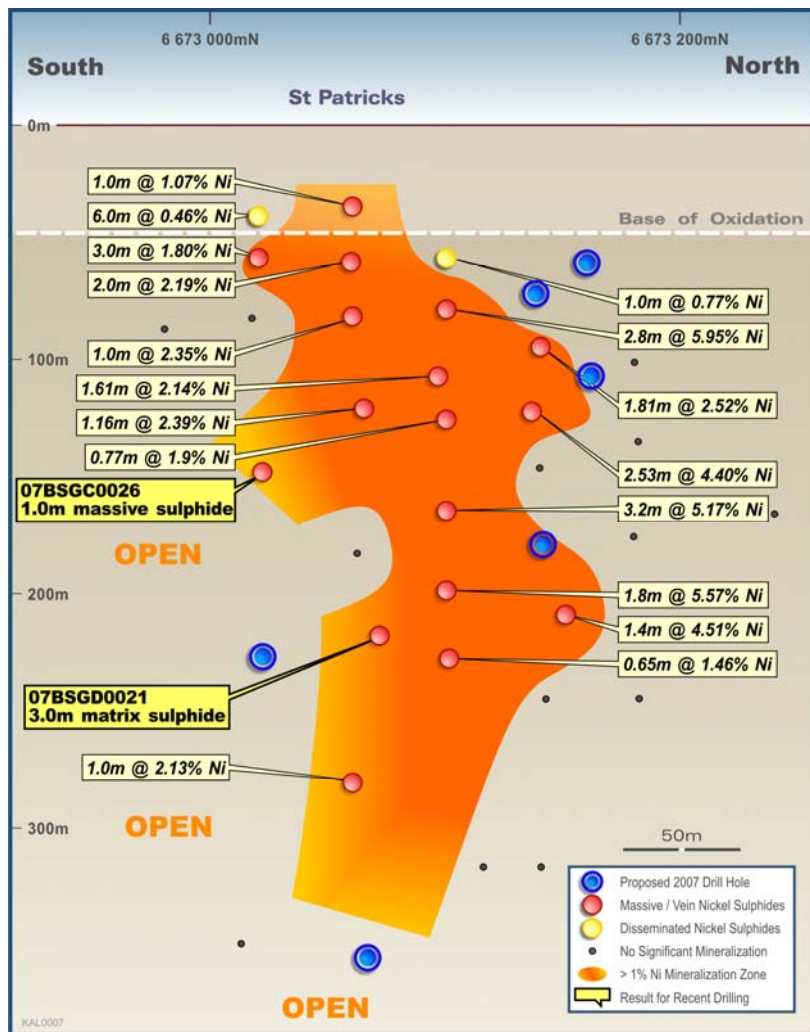


Figure 3. St Patricks Long Section with recent drilling results.



A full assessment of the significance of these results will be carried out following the completion of the overall planned drilling programme on the two deposits.

The current drilling programme at the Scotia Project was originally scheduled for completion by late June. A decision will be made on any modifications to the programme as a result of the discovery of the new zone on the Western Contact Trend once further results have been received and assessed.

Commenting on the new results, Breakaway's Managing Director, Mr Peter Buck, said: "We are very pleased that this major drilling programme at the Scotia Project has delivered early success with the identification of a significant new mineralised zone within the Western Contact Trend. This discovery opens up a substantial new contact zone extending over a 2.5km strike length parallel to the known ultramafic contact that hosts the St Andrews and St Patricks deposits."

"Work will continue both to evaluate the new zone, including the potential for a deeper source to the mineralisation, and to test the broader Western Trend for additional discovery opportunities," Mr Buck continued.

"We have also received some encouraging but very early stage exploration results from St Patricks and St Andrews. It is still early days, but the drilling programme is progressing extremely well and has further reinforced the prospectivity of the Scotia Project and its potential to continue to develop as a very important asset for Breakaway."

A full table of drilling results received to date from the Scotia Project is appended to this announcement.

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Competent Persons Statement:

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

Background Information:

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

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

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

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

APPENDIX
Summary of Drilling Results – Saints Area

St Andrews

Hole ID	Northing AMG	Easting AMG	Azimuth	Dip	From (m)	Intersection	
						Width (m)	% Ni
07BSGC0005	6,672,250	329,743	90	-60	144	1.0m	1.22
"	"	"	"	"	175	2.0m	1.31
07BSGC0006	6,672,350	329,743	90	-60			NSA
07BSGC0007	6,672,300	329,740	90	-55			Abandoned
07BSGD0008	6,672,250	329,660	90	-60	214.8	1.35m	Matrix and massive sulphides. Assays awaited
07BSGD0009	6,672,250	329,623	90	-75	109	1.0m	2.32
"	"	"	"	"	263.55	2.65m	Matrix and massive sulphides. Assays awaited
07BSGC0010	6,672,400	329,760	90	-60			NSA
07BSGC0011	6,672,300	329,785	90	-70			Abandoned
07BSGD0012	6,672,100	329,680	90	-60	227.2	0.55m	Matrix sulphides. Assays awaited
07BSGC0013	6,672,200	329,805	90	-75	146	1.0m	2.42
07BSGD0029	6,672,250	329,528	90	-75			In progress

St Patricks

Hole ID	Northing AMG	Easting AMG	Azimuth	Dip	From (m)	Intersection	
						Width (m)	%Ni
07BSGC0016	6,673,060	329,024	90	-70			Abandoned
07BSGD0020	6,673,100	329,100	90	-76			NSA
07BSGD0021	6,673,060	329,157	90	-70	236.65	3.05m	Matrix sulphides. Assays awaited
07BSGC0022	6,673,060	329,020	90	-70			In progress
07BSGC0026	6,673,020	329,226	90	-55	183	~1.0m	Massive sulphides on shale
07BSGD0027	6,673,140	329,305	90	-60			NSA
07BSGD0028	6,673,140	329,140	90	-60			In progress

Western Contact

Hole ID	Northing AMG	Easting AMG	Azimuth	Dip	From (m)	Intersection	
						Width (m)	%Ni
07BSGC0014	6,672,500	329,225	90	-60	123	1.0m	0.58
07BSGC0015	6,672,600	329,210	90	-55	67	2.0m	3.32
"	"	"	"	"	87	1.0m	4.76
07BSGD0030	6,672,600	329,210	90	-75	81.57	0.34m	Vein/massive sulphides. Assays awaited
"	"	"	"	"	98.9	0.55m	Vein/massive sulphides. Assays awaited

Regional

Hole ID	Northing AMG	Easting AMG	Azimuth	Dip	From (m)	Intersection	
						Width (m)	%Ni
07BSGC0025	6,671,000	329880	90	-60	100	5.0m	Disseminated sulphides. Assays awaited

- Notes: i) 07BSGC = RC Percussion hole
07BSGD = Diamond hole
ii) Intersections are not weighted by bulk density measurements
iii) NSA – No significant assay