



## Activity Report for the Quarter Ended 31 March 2011

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### Nickel Exploration – Western Australia

- Reverse Circulation and Diamond drilling of priority Leinster District nickel targets well underway with 8 of planned 10-hole program completed.
- Multiple prospective sulphide – bearing ultramafic intersections obtained with assays awaiting.
- Drilling continuing with Downhole TEM (DHTEM) surveying to be undertaken shortly.

### Base Metal Exploration – Queensland

- Planning of field activities to test multiple high grade copper targets on Breakaway's 100%-owned Eloise Exploration Project underway with anticipated June Quarter commencement.
- BHP Billiton reviewing the results of the 2010 Altia JV drilling programme ahead of decision on further drilling.

### Eloise Copper Mine – Queensland

- Production continues to ramp up following recommencement of mining activities in January 2011 ahead of mill recommissioning in May 2011.
- Reopening of the mine provides a strong strategic imperative to resume copper exploration on the 100% - owned Eloise Exploration Project.

### Divestments

- East Kimberley tenement interests sold to Panoramic Resources for \$0.36M

### Cash Position

- The Company's cash position at the end of the March 2011 Quarter was \$4.5 million.

## OVERVIEW

Breakaway has a quality portfolio of mineral exploration projects, which are highly prospective for nickel, gold and base metals, and are strategically located within several highly endowed mineral districts in Western Australia and Queensland (see *Figure 1*). While a large number of targets have been identified on all of the projects, Breakaway has adopted a nickel and copper-focus to its ongoing exploration activities.

The Company's objectives remain the maximisation of shareholder wealth through the discovery and development of a high-quality stand alone mineral deposit. Accordingly, the Company's future exploration activities remain focused on the Wildara and Miranda Projects, which are located within the world-class Leinster District (+9Mt nickel metal endowment) of Western Australia, and the Eloise Exploration Project, which is located within the Cloncurry District of Queensland.

During the Quarter, the Company commenced reverse circulation and diamond drilling of its priority Leinster District nickel targets as well as the planning of exploration activities to test several high grade copper-gold bedrock targets on its Eloise Exploration Project in the Cloncurry District, Queensland.

During the Quarter, the Company was also advised by the owners of the Eloise Copper Mine, FMR Investments Pty Ltd, that production continues to ramp up following recommencement of mining activities in January 2011 ahead of mill recommissioning in May 2011.

Breakaway holds a 30% Net Profit Interest in the mine (adjusted for prior year losses) and while the Company doesn't factor in any royalty receipts going forward, the re-opening of Eloise coupled with strong copper prices and the robust outlook for the copper market provides a strong strategic imperative to resume copper exploration on the Eloise Exploration Project.

The Company's cash position at the end of the Quarter was \$4.5 million.



Figure 1: Breakaway Project Locations

## NICKEL EXPLORATION ACTIVITIES – WESTERN AUSTRALIA

During the Quarter, Breakaway commenced a substantial new nickel exploration work programme, comprising 3,100 metres of Reverse Circulation / Diamond drilling and Fixed Loop Electromagnetic (FLTEM) surveying at the Wildara Project Group and Miranda Nickel Project in the premier Leinster Nickel District, Western Australia.

At the time of writing, the drilling programme was continuing, with 8 of the planned 10-hole programme now complete. Downhole TEM (DHTEM) surveying of holes will be undertaken following completion of the drilling.

### Wildara Project Group – (Breakaway 100% except for Yillaree Project – Breakaway 81.27%/ Hampton Hill 18.73%)

Located 30 kilometres south along strike from BHP Nickel West’s Leinster Nickel Deposits (+2.5Mt nickel metal), Breakaway’s Wildara Project Group comprises the 100%-owned Wildara and Mt Clifford Projects and the 81.27%-owned Yillaree Project, with Breakaway’s joint venture partner Hampton Hill Mining NL (ASX:HMM) holding the balance of 18.73% and contributing to expenditure on a pro rata basis.

Drilling at **Bakers Target**, located at the southern end of the Mt Clifford Project (see *Figure 2*) has intersected **3.0 metres** (down-hole width) of vein and breccia sulphides (pyrrhotite – pyrite – chalcopyrite) from 257 metres down-hole in drill hole 08BMCD008.

This hole was targeting a position approximately 80 metres down-dip of a zone of disseminated sulphides intersected by Breakaway in 2007 (previous intersection of **8m @ 0.43% Ni, 608ppm Cu and 136ppb Pt + Pd** from 239 metres in drill hole 07BMCC007). Two additional holes drilled 200 and 400 metres to the west of 08BMCD008 (i.e. 08BMCD009 and 08BMCD010 respectively) intersected lesser amounts of sulphides within the same structural position. Assays are awaited.

The presence of sulphides down dip from known nickel mineralisation within favourable ultramafic stratigraphy is encouraging as it reinforces the prospectivity of the Bakers Target. Mineralisation remains open both down dip and along strike to the east suggesting that a broader nickel system may be present.

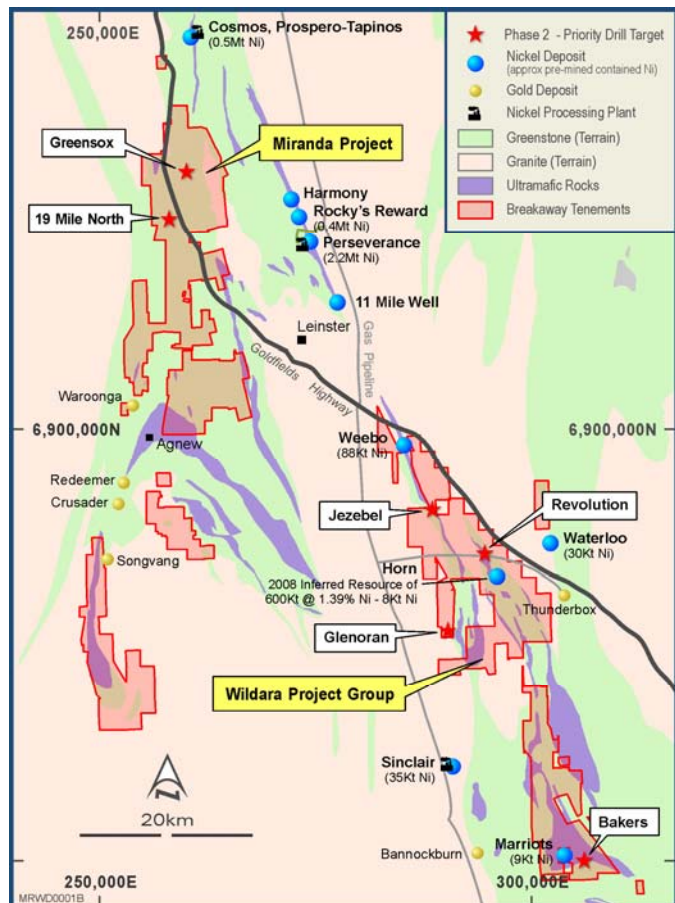


Figure 2: Leinster District Location Plan

At **Glenoran**, which is located in the western part of Wildara within the Sinclair Ultramafic Trend approximately 15 kilometres north along strike of Xstrata’s Sinclair Nickel Mine (~45Kt nickel metal), 11BWDD0004 tested an EM conductor that sits on the interpreted footwall basal contact of the Sinclair ultramafic (see *Figure 2*). The hole intersected stringer and disseminated sulphides (pyrrhotite – pyrite –

chalcopyrite) throughout a 34 metre thick ultramafic unit from approximately 376 metres downhole. The ultramafic was intersected at the modelled position of the EM conductor. Until assays are received, the significance of the sulphides is unknown.

At **Jezebel**, which is located 7 kilometres south along strike from BHP Billiton's Weebo Nickel Deposit (88Kt nickel metal) on the Yillaree Joint Venture (BRW – 81.27% and HHM – 18.73%), 11BWDD005 was drilled to test a prominent magnetic feature that was interpreted to be a “thickened” accumulation of the prospective Weebo ultramafic unit (see *Figure 2*). The hole intersected an extensive sequence (200 metre down hole width) of sulphidic quartz veining and sediments, together with minor mafic and ultramafic rock types from approximately 200 metres downhole. Until assays are received, the significance of the sulphides is unknown.

At **Revolution**, which is located immediately north of Breakaway's Horn Nickel Deposit (2008 JORC Code Compliant Inferred Resource of 600,000t @ 1.39% Ni, 0.2% Cu for 8,300t nickel metal), a FLTEM survey failed to repeat an untested historical EM conductor 400 metres along strike of the disseminated sulphides thereby downgrading the prospectivity of the target (see *Figure 2*).

### **Miranda Project – (Breakaway 100% Nickel Rights)**

Miranda lies directly south along strike from Xstrata's **Cosmos Nickel Deposits** (+0.5Mt Ni metal). At Miranda, Breakaway owns 100% of the nickel rights with Gold Fields Australia Limited owning the gold rights. Most of the historic exploration activity in this belt has been targeted toward gold.

Breakaway has identified a 14 kilometre strike length of prospective ultramafic interpreted to be the southern extension of the Mt Goode Ultramafic Belt within the Miranda North area and two priority targets were selected for initial follow-up.

At **19 Mile North**, 11BMAD001 and 11BMAD002 were drilled to test a strong EM conductor coincident with sub surface geochemical anomalism consistent with that of weathered nickel sulphide (i.e. 1m @ 1,920ppm Ni, 385ppm Cu, and 46ppb Pt + Pd from 64 metres in 06BMAC010). Geological logging and sampling is currently taking place, but preliminary work suggests that the holes have intersected a sequence of talc – carbonate ultramafic and mafic rock types (see *Figure 2*).

Two Reverse Circulation holes remain to be drilled at 19 Mile North. Testing a second EM conductor coincident with a magnetic feature interpreted to be a structurally complex remnant of the Mt Goode Ultramafic, the holes should be completed by the end of May 2011.

At the **Great Divide** which is located immediately north east of 19 Mile North, 11BMACC03 was drilled to test a strong EM conductor to the east of the interpreted prospective ultramafic trend (see *Figure 2*). The hole intersected a mixed sequence of mafic and sedimentary rocks with black shale intersected at the modelled EM conductor depth. Assays are awaited.

A third target, **Greensox**, which is located north of 19 Mile North, comprises a strong EM conductor defined by a Breakaway 2005 MLTEM survey. The conductor is located close to the eastern margin of the favourable Mt Goode Ultramafic Belt and coincides with historic regolith nickel anomalism. Drill access to the target is still pending awaiting Heritage Clearances from the local Native Title Traditional Owners.

## **BASE METAL EXPLORATION ACTIVITIES – QUEENSLAND**

### **Eloise Exploration Project – BRW 100%**

The Eloise Exploration Project is located 70 kilometres south-east of Cloncurry, in the heart of the

world-class Cloncurry Mineral District of North West Queensland (see Figure 3).

As previously announced (10 December 2010), Breakaway has identified multiple bedrock high-grade copper targets on the Eloise Exploration Project within a 20km radius of the Eloise Copper Mine and milling facility (see Figure 4).

The targets are typically characterised by +1% copper intercepts (up to 4.7% copper), highly anomalous gold results and limited deep drilling – with excellent potential to extend the known mineralisation along strike and down dip.

In addition, there are several significant surface geophysical and geochemical anomalies in close proximity to the bedrock targets which also represent attractive targets for follow up.

Breakaway has commenced preparations for the forthcoming field program ahead of ground-based follow up of the targets in the June and September Quarters of 2011.

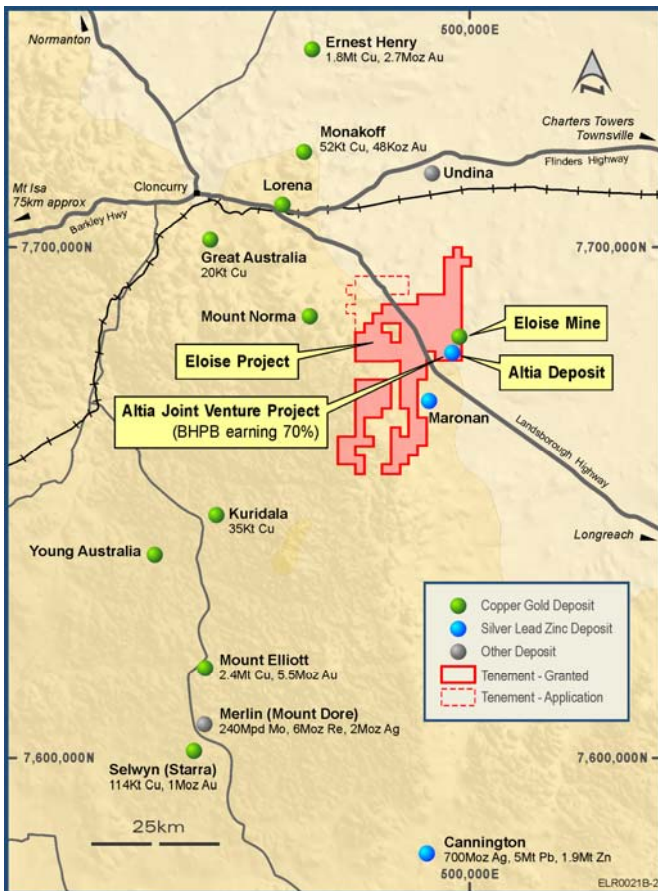


Figure 3: Eloise Exploration Project Location Plan

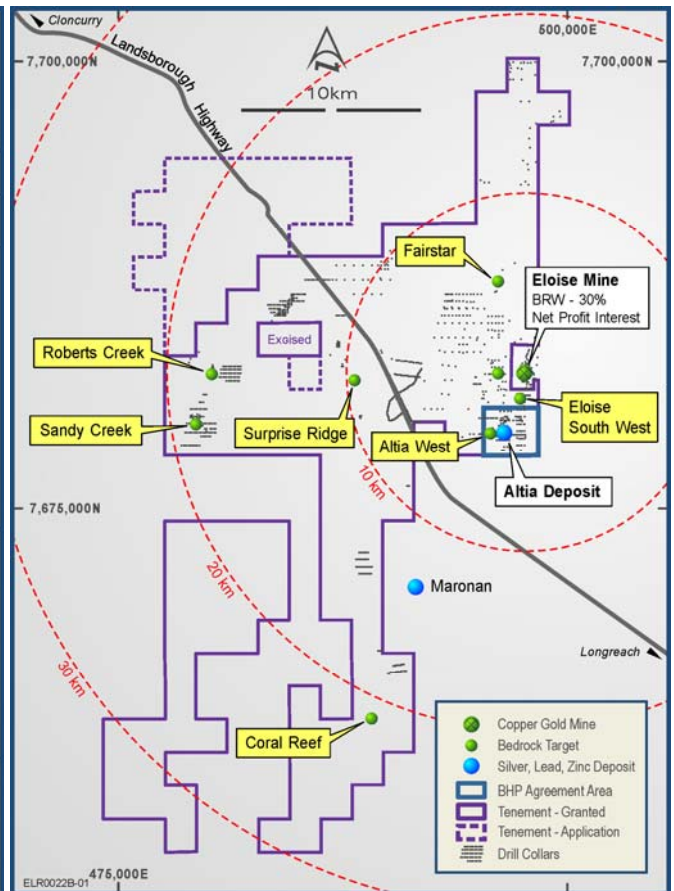


Figure 4: Eloise Copper Targets Location Plan

### **Altia Joint Venture Project**

Following the completion of a maiden six hole (4,479.6 metre) diamond drilling programme during 2010, BHP Billiton is continuing to evaluate the potential for a world-scale silver-lead-zinc deposit at Altia, and is currently reviewing the results of the 2010 drilling before determining whether further drilling is warranted. Breakaway understands that a decision on further drilling will be made at the end of May 2011.

The 2010 drilling programme formed a key component of the first year minimum expenditure commitment of \$1 million, now satisfied. Under the terms of the Altia Farm-in and Joint Venture, BHP Billiton can earn a 70% interest in the silver-lead-zinc rights at Altia by completing expenditure of A\$10 million over five years.

The joint venture project area lies within Breakaway's Eloise Exploration Project and covers the Altia Silver-Lead-Zinc Deposit (see *Figures 3 and 4*) where Breakaway has previously announced a JORC Code compliant Inferred Resource of 5.78Mt @ 40.3g/t silver, 3.96% lead and 0.49% zinc (7.5Moz of contained silver and 229Kt of contained lead).

## **ELOISE COPPER MINE – QUEENSLAND (Breakaway 30% Net Profit Interest)**

As previously announced (24 January 2011), underground mining activities at the mine have recommenced, with the owners of the Eloise Copper Mine, FMR Investments Pty Ltd, advising Breakaway that production continues to ramp up ahead of mill recommissioning in May 2011.

Breakaway holds a 30% Net Profit Interest in the mine (adjusted for prior year losses) and while the Company doesn't factor in any royalty receipts going forward, the re-opening of Eloise coupled with strong copper prices and the robust outlook for the copper market provides significant impetus to "kick start" forthcoming copper exploration programs on Breakaway's **100%-owned Eloise Exploration Project**, which lies adjacent to the mine (see *Figures 3 and 4*).

## **PROJECT DIVESTMENT**

Consistent with Breakaway's previously announced strategy of rationalising its extensive minerals portfolio to focus on its core exploration projects the Company sold its remaining tenement interests in the East Kimberley region of Western Australia during the Quarter, to Pindan Exploration Company Pty Ltd (Pindan - a wholly owned subsidiary of Panoramic Resources Pty Ltd (ASX: PAN) for \$0.36M (cash).

Breakaway's tenement interests comprised an 80% interest in EL80/2836 (Keller Creek) and a 10% free carried interest in EL80/3673 (Sophie Downs). Keller Creek is located immediately west of Panoramic Resources' Savannah Nickel Mine and has been previously explored for nickel by Breakaway under the auspices of the East Kimberley Joint Venture with partner Thundelarra Exploration Limited (ASX: THX). Sophie Downs is located north of Halls Creek and is being explored by Thundelarra for silver, lead and zinc mineralisation.

## **OUTLOOK**

The primary focus of activity for the June Quarter will be the completion of the Leinster District nickel drilling, and the commencement of the Eloise Exploration Project copper activities.



**DAVID HUTTON**  
Managing Director

**Table 1. Wildara Project Group and Miranda Project Drilling Intercepts and Collar Details (reported using a 0.5% Ni lower cut off)**

Hole ID	Northing	Easting	EOH	Dip°	Azimuth Mag°	From	Downhole Width	Ni%
08BMCD008	6850139	305226	340	-85	165		Awaiting Assays	
08BMCD009	6850048	305006	343	-60	126		Awaiting Assays	
08BMCD010	6849949	304777	299	-60	125		Awaiting Assays	
11BWDD004	6875980	290290	481	-60	90		Awaiting Assays	
11BWDD005	6890470	287750	552	-60	90		Awaiting Assays	
11BMAD001	6925403	258262	296	-60	90		Awaiting Assays	
11BMAD002	6925253	258241	305	-60	90		Awaiting Assays	
11BMAC003	6927000	260250	208	-60	270		Awaiting Assays	

**Note on the Wildara and Miranda Drill Hole Results:**

1. All Reverse Circulation and Diamond drill hole results were obtained from analysis of 1-metre samples (unless otherwise specified). Sampling was undertaken following logging of geological boundaries within the drill hole. All samples were prepared at Genalysis Laboratory Services Pty Ltd's Kalgoorlie Sample Preparation facility using a single stage mix and grind technique. Nickel analysis (1ppm detection limit) was carried out at Genalysis' Perth laboratory by subjecting a 50-gram portion of the sample to a four acid digest and analysing the sample by Inductively Coupled Plasma Optical Emission Spectrometry (ICPOES).
2. Significant results shown in Table 1 of this report are calculated using a 0.5%Ni lower cut off.
3. Anomalous results quoted throughout the body of this report are calculated without using a lower cut off and are determined on the basis of their interpreted geological significance
4. The location of drill holes were determined using a handheld GPS achieving +/- 4 metre accuracy and using the MGA datum (Zone 51). End of hole surveys were obtained either using an Eastman single shot survey camera or ACE survey tool.

**ENDS**

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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 David Hutton (Managing Director), a full time employee of the Company. Mr Hutton is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). He has 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.

**About Breakaway Resources Limited:**

Breakaway Resources aims to generate shareholder wealth through the discovery and development of a high-quality standalone mineral deposit. The Company's exploration activities are focussed on our priority Wildara and Miranda Projects (nickel) located within the Leinster district of Western Australia's North Eastern Goldfields and the Cloncurry District (copper – gold) of North West Queensland; two areas that we believe offers the most attractive opportunities for future success.