



breakaway

BREAKAWAY RESOURCES LIMITED

ABN 16 061 595 051

FINANCIAL REPORT

For the Half-Year Ended

31 December 2010

BREAKAWAY RESOURCES LIMITED
ABN 16 061 595 051

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DIRECTORS' REPORT

The Directors of Breakaway Resources Limited ("Breakaway or the Company") present their report together with the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2010.

DIRECTORS

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

<i>Name</i>	<i>Period of Directorship</i>
John Atkins - Chairman	Director and Chairman since November 2006
David Hutton – Managing Director	Director since May 2010
Jonathan Young - Non-Executive Director	Director since March 2003
Jeffrey Gresham - Non-Executive Director	Director since October 2006

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity for the half-year were the exploration for mineral resources in Australia.

RESULT

The Loss from ordinary activities after income tax for the financial period was \$1,550,123 (2009: Loss of \$2,141,415). – The Group changed its accounting policy effective 1 July 2010, to write off exploration, evaluation and acquisition costs in the year they are incurred. This resulted in a write off of \$18,161,048 against opening retained earnings at 1 July 2010 and \$811,595 was expensed in the half year to 31 December 2010.

REVIEW OF OPERATIONS

During the half year ending 31 December 2010, the Group undertook the following activities:

- continued to explore and evaluate its base and precious metals projects.
- priority nickel targets in the Leinster District for 2010 were drill tested
- a review of the Eloise Exploration Project in Queensland for its copper potential identified several new high grade copper-gold bedrock targets which will form the basis for 2011 field activities.
- in Queensland, drill testing of the Altia Silver-Lead-Zinc Deposit area successfully established the deposit's geological setting and identified a new parallel zone of zinc mineralisation. Under the terms of the Farm-in and Joint Venture Agreement, BHP Billiton can earn 70% of the silver-lead-zinc rights at Altia by completing expenditure of A\$10 million over five years with a minimum first year expenditure commitment of \$1 million, now satisfied.
- the Company successfully raised \$3.8 million (before costs) via a Share Purchase Plan and Placement in December 2010.

SUBSEQUENT EVENT

The Company completed the sale of its East Kimberley tenement interests to Pindan Exploration Company Pty Ltd for \$360,000, with settlement occurring on 9 February 2011.

Auditor's Independence Declaration

The copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is appended to the Auditor's Independent Review Report.

Signed on this 14th day of March 2011 in accordance with resolution of the Directors made pursuant to s306(3) of the Corporations Act 2001.



John Atkins
Director

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

CONDENSED STATEMENT OF COMPREHENSIVE INCOME	Note	Consolidated	
		Half Year 2010 31-Dec	Half Year 2009 31-Dec
		\$	Restated \$
Finance revenue	3	58,364	47,991
Total revenue from continuing operations		58,364	47,991
Other revenue	3	29,372	184,493
Employee benefit expenses		(308,242)	(411,793)
Exploration expenditure		(811,595)	(993,535)
Depreciation and amortisation costs	3	(20,824)	(101,758)
Administration expense		(250,169)	(358,334)
Consultants expense		(104,151)	(82,569)
Occupancy expense		(141,095)	(213,477)
Impairment of assets available for sale		-	(8,787)
Impairment of fixed assets		-	(320,651)
Other expenses from ordinary activities		(1,783)	-
Loss from continuing operations before tax and finance costs		(1,550,123)	(2,258,420)
Finance income/(cost)		-	-
Loss before income tax relating to continuing operations		(1,550,123)	(2,258,420)
Income tax benefit		-	117,005
Net loss for the period		(1,550,123)	(2,141,415)
Other comprehensive income			
Net change in the fair value of available-for-sale financial assets		17,498	172,698
Other comprehensive income for the period, net of tax		17,498	172,698
Total comprehensive income for the period		(1,532,625)	(1,968,717)
Loss attributable to:			
Owners of Breakaway Resources Ltd		(1,550,123)	(2,141,415)
Total comprehensive income for the period is attributable to:			
Owners of Breakaway Resources Ltd		(1,532,625)	(1,968,717)
Basic (loss)/profit per share (cents per share)		(0.64)	(1.19)
Diluted (loss)/profit per share (cents per share)		(0.64)	(1.19)

The condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CONDENSED STATEMENT OF FINANCIAL POSITION	Note	Consolidated		
		2010 31-Dec	2010 30-Jun	2009 1-Jul
		\$	Restated \$	Restated \$
CURRENT ASSETS				
Cash and cash equivalents		4,754,451	2,459,029	2,864,070
Trade and other receivables		38,534	203,854	35,772
Total Current Assets		4,792,985	2,662,883	2,899,842
NON-CURRENT ASSETS				
Trade and other receivables		277,279	282,875	226,875
Property, plant & equipment		129,154	151,157	587,720
Available for sale financial assets		112,623	91,999	102,247
Total Non-Current Assets		519,056	526,031	916,842
TOTAL ASSETS		5,312,041	3,188,914	3,816,684
CURRENT LIABILITIES				
Trade and other payables		140,680	147,917	125,406
Loans and borrowings		-	875	11,375
Provisions		85,331	58,302	71,833
Total Current Liabilities		226,011	207,094	208,614
NON CURRENT LIABILITIES				
Loans and borrowings		-	-	-
Provisions		628,639	627,756	626,368
Total Current Liabilities		628,639	627,756	626,368
TOTAL LIABILITIES		854,650	834,850	834,982
NET ASSETS		4,457,391	2,354,064	2,981,702
EQUITY				
Issued capital	5	86,175,453	82,544,027	79,290,342
Converting Note		9,000,000	9,000,000	9,000,000
Reserves		709,222	687,198	671,758
Accumulated losses		(91,427,284)	(89,877,161)	(85,980,398)
TOTAL EQUITY		4,457,391	2,354,064	2,981,702

The condensed statement of financial position should be read in conjunction with the accompanying notes.

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CONDENSED STATEMENT OF CASH FLOWS	Consolidated	
	Half Year 2010 31-Dec \$	Half Year 2009 31-Dec \$
	Cash Flows from Operating Activities	
Cash receipts in the course of operations	2,901	35,600
Cash payments in the course of operations	(1,564,831)	(1,803,968)
Interest received	57,308	53,696
R&D - Tax offset	124,951	117,005
Net cash used in operating activities	(1,379,671)	(1,597,667)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(1,850)	(6,258)
Proceeds from sale of property, plant and equipment	19,500	-
Proceeds from sale of available for sale financial assets	-	95,965
Sale of tenements	10,000	-
Payment for available for sale financial assets	(3,125)	(10,250)
Deposits received/(relinquished)	10,519	(55,000)
Net cash used in Investing Activities	35,044	24,457
Cash Flow from Financing Activities		
Proceeds from share issue (net of transaction costs)	3,835,205	-
Share issue costs	(194,281)	(24,243)
Repayment of hire purchase liability	(875)	(5,253)
Net Cash provided by/(used in) Financing Activities	3,640,049	(29,496)
Net increase/(decrease) in cash held	2,295,422	(1,602,706)
Cash at the beginning of the financial year	2,459,029	2,864,070
Cash at the End of the Financial Year	4,754,451	1,261,364

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

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

CONDENSED STATEMENT OF CHANGES IN EQUITY	Ordinary Shares	Converting Notes	Reserves	Accumulated losses	Total attributed to equity holders
	\$	\$	\$	\$	\$
Balance at 1 July 2009	79,290,342	9,000,000	671,759	(53,790,268)	35,171,833
Retrospective adjustment upon change in accounting policy for exploration expenditure	-	-	-	(32,190,130)	(32,190,130)
Restated balance at 1 July 2009	79,290,342	9,000,000	671,759	(85,980,398)	2,981,703
Shares issued during the year	-	-	-	-	-
Share-based payments	-	-	-	-	-
Share issue costs	-	-	-	-	-
	79,290,342	9,000,000	671,759	(85,980,398)	2,981,703
Loss attributable to members of the parent entity	-	-	-	(2,141,415)	(2,141,415)
	79,290,342	9,000,000	671,759	(88,121,813)	840,288
Financial Asset Revaluation	-	-	172,698	-	172,698
Employee Equity-Settle Benefits Reserve	-	-	-	-	-
Balance at 31 December 2009	79,290,342	9,000,000	844,457	(88,121,813)	1,012,986
Balance at 1 July 2010	82,544,027	9,000,000	687,198	(71,716,113)	20,515,112
Retrospective adjustment upon change in accounting policy for exploration expenditure	-	-	-	(18,161,048)	(18,161,048)
Restated balance at 1 July 2010	82,544,027	9,000,000	687,198	(89,877,161)	2,354,064
Shares issued during the year	3,835,205	-	-	-	3,835,205
Share-based payments	-	-	4,526	-	4,526
Share issue costs	(203,779)	-	-	-	(203,779)
	86,175,453	9,000,000	691,724	(89,877,161)	5,990,016
Loss attributable to members of the parent entity	-	-	-	(1,550,123)	(1,550,123)
	86,175,453	9,000,000	691,724	(91,427,284)	4,439,893
Financial Asset Revaluation	-	-	17,498	-	17,498
Balance at 31 December 2010	86,175,453	9,000,000	709,222	(91,427,284)	4,457,391

The condensed statement of changes in equity should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 14 March 2011.

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 4.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Breakaway Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of a change in accounting policy for Exploration, Evaluation and Development Expenditure which has been changed to the following:-

Exploration, Evaluation and Development Expenditure

Exploration, evaluation and acquisition costs are written off in the year they are incurred. Development costs are capitalised. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production.

Further information on the change in policy and its financial impact are included in note 7.

2.2 Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

2.3 Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

2.4 Adoption of new and revised Accounting Standards

The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. The Group has decided against early adoption of any new Standards and Interpretations except amendments resulting from AASB 2009-5. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

3. LOSS BEFORE INCOME TAX BENEFIT

Consolidated	
Half Year	Half Year
31-Dec 2010	31-Dec 2009 Restated
\$	\$

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

Finance Costs:

Interest received	58,364	47,991
Total Finance Revenue	58,364	47,991
Other income	2,901	35,600
Profit on sale of available for sale assets	16,471	48,893
Income on disposal of tenement rights	10,000	100,000
Total other income	29,372	184,493
Impairment write down of property, plant & equipment	-	320,651
Depreciation of plant and equipment	20,824	101,758
Share based payment	4,526	-

4. OPERATING SEGMENT INFORMATION

The Company operates solely in the mineral resources exploration industry in Australia.

5. CONTRIBUTED EQUITY

	2010 31-Dec \$	2010 30-Jun \$
179,454,988 ordinary shares, fully paid	86,175,453	82,544,027

(i) Ordinary shares - number

	Consolidated Group	
	2010 31-Dec No.	2010 30-Jun No.
At start of period	239,273,318	179,454,988
1 for 3 rights issue at 6 cents (February 2010)	-	59,818,330
Issue of shares under a Share Purchase Plan	45,070,432	-
Placement at 7.4 cents (December 2010)	6,756,757	-
Balance at end of period	291,100,507	239,273,318

(ii) Ordinary shares – value

	Consolidated	
	2010 31-Dec \$	2010 30-Jun \$
At start of period	82,544,027	79,290,342
1 for 3 rights issue at 6 cents (February 2010)	-	3,589,100
Issue of shares under a Share Purchase Plan (December 2010)	3,335,205	-
Placement at 7.4 cents (December 2010)	500,000	-
Less share issue costs	(203,779)	(335,415)
Balance at end of period	86,175,453	82,544,027

OPTIONS ON ISSUE

	Consolidated	
	2010 31-Dec No.	2010 30-Jun No.
Movements in options over ordinary shares on issue		
At start of period	2,850,000	4,575,000
Issues	1,500,000	1,000,000
Expiry	(1,425,000)	(2,725,000)
At end of period	2,925,000	2,850,000

1,500,000 options vesting in 3 tranches of 500,000, 12, 24 and 36 months respectively at an exercise price for respective tranches of 15 cents, 20 cents and 25 cents and expiring 30 November 2013 were issued during the period.

6. COMMITMENTS

Expenditure commitment per the terms and conditions of exploration/mining tenements over the next 12 months is approximately \$2.209 million (2009: \$2.499 million). These obligations may be varied from time to time subject to statutory approval and are not provided for in the financial report.

7. CHANGE IN ACCOUNTING POLICY

The consolidated group changed its accounting policy for the financial year commencing 1 July 2010 relating to the accounting for exploration and development expenditure. Exploration and development costs were previously carried forward to the extent that they were expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The group has now elected to write off exploration, evaluation and acquisition costs in the year they are incurred. This change has been implemented as the directors are of the opinion that the write off of exploration, evaluation and acquisition costs will provide more relevant information as it results in a more conservative reflection of the net assets of an exploration company.

The aggregate effect of the change in accounting policy on the annual financial statements for the half year ended 31 December 2010 is as follows (no taxation effect results from these changes):

	Previously stated \$	Adjustment \$	Restated \$
Consolidated Group			
Income Statement (31 Dec 2009)			
Exploration expense	(50,457)	(943,078)	(993,535)
Loss before income tax	(1,198,337)	(943,078)	(2,141,415)
Basic and diluted loss per share	(0.67)	(0.53)	(1.19)
Balance Sheet (30 Jun 2010)			
Exploration and evaluation expenditure	18,161,048	(18,161,048)	-
Opening accumulated losses	(53,790,268)	(32,190,130)	(85,980,398)
Balance Sheet (1 Jul 2009)			
Exploration and evaluation expenditure	32,190,130	(32,190,130)	-
Opening accumulated losses	(53,790,268)	(32,190,130)	(85,980,398)

8. SUBSEQUENT EVENTS

On 9 February 2011 the Company completed the sale of its East Kimberley tenement interests to Pindan Exploration Company Pty Ltd for \$360,000.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Breakaway Resources Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" 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.

On behalf of the Directors



John Atkins
Director

Dated in Perth this 14th day of March 2011

Independent Auditor's Review Report to the members of Breakaway Resources Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Breakaway Resources Limited ('the Consolidated Entity'), which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a statement of accounting policies, other explanatory notes 1 to 8, and the directors' declaration of the consolidated entity comprising of the Company and the entities it controlled at the half-year end or from time to time during the interim period.

Directors' Responsibility for the Interim Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Breakaway Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Breakaway Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

MG IPAS

MGI Perth Audit Services Pty Ltd



**TJ Spooner CA FCA(UK) ACIS
Director**

Perth
14 March 2011

Lead auditor's independent declaration under section 307C of the Corporations Act 2001

To the directors of Breakaway Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half- year ended 31 December 2010 there have been:

- (i) no contraventions of the auditors independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

MGIPAS

MGI Perth Audit Services Pty Ltd



**TJ Spooner CA FCA(UK) ACIS
Director**

Perth
14 March 2011