



breakaway

BREAKAWAY RESOURCES LIMITED

ABN 16 061 595 051



ANNUAL REPORT

For the Year Ended 30 June 2011



breakaway

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CORPORATE DIRECTORY

DIRECTORS

John Atkins	Non-Executive Chairman
David Hutton	Managing Director
Jon Young	Non-Executive Director
Jeffrey Gresham	Non-Executive Director

MANAGEMENT

Simon Storm	Company Secretary & CFO
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CHAIRMANS LETTER

Dear Shareholders,

While the past year has not been without its challenges, I am pleased to report that Breakaway successfully executed important drilling programs at both our nickel in Western Australia and our copper-gold projects in North Queensland, resulting in positive outcomes for the Company and creating a clear forward pathway in terms of exploration and corporate priorities.

The strategic project review completed last year enabled us to prioritise our exploration approach, resulting in a dual-commodity program for 2011 comprising:

- *preparatory geophysics and a second phase of drilling at key nickel targets at the Wildara Project Group and Miranda Project in the Leinster Nickel District of Western Australia; and*
- *the commencement of a new copper-gold exploration initiative at our 100 per cent owned Eloise Exploration Project, a 400km² tenement package surrounding the Eloise Copper Mine in the Cloncurry District of North Queensland.*

Our exploration programs for 2011 were underpinned by a \$3.8 million capital raising (before costs) completed at the end of 2010 which comprised a well-supported Share Purchase Plan (SPP) to raise \$3.3 million and a subsequent placement to raise \$0.5 million. This boosted our cash position to \$4.7 million at the start of the 2011 calendar year.

The 3,400m program of RC and diamond drilling completed at the Wildara and Miranda Nickel Projects during the year did nothing to diminish our view that these projects offer an outstanding opportunity to discover high-quality nickel sulphide resources. However, while drilling confirmed the presence of the prospective ultramafic host horizon for nickel sulphide mineralisation at several key target areas, we were not able to generate any economic intersections.

Given the fact that nickel sulphide exploration generally requires a fairly lengthy time horizon and a sustained funding commitment, the Board has placed the future of Breakaway's Leinster District nickel projects under review. These projects offer enormous potential given their strategic location within the world-class Leinster Nickel District, which has a total nickel metal endowment exceeding 9 million tonnes.

At the same time, the re-commissioning of the Eloise Copper Mine in North Queensland by the owner, our major shareholder FMR Investments Pty Ltd, together with a sustained increase in the copper price and robust market outlook, provided a strong strategic imperative to ramp up copper exploration at the Eloise Project in North Queensland.

Mining activities at Eloise recommenced on 15 January 2011, and the processing facility was re-commissioned in May. Breakaway holds a 30 per cent Net Profit Interest in the mine (adjusted for prior losses).

As I have outlined previously, Breakaway does not factor in any royalty receipts going forward, however the re-opening of the mine is of strategic significance given our expanded exploration activities in the area.

Following an initial major review of historical data for the Eloise Project, our geological team was able to identify a host of bedrock copper targets within a 20km radius of the Eloise Copper Mine. These targets are typically characterised by +1 per cent copper intercepts (up to 4 per cent copper), highly anomalous gold results and limited deep drilling.

All offer excellent potential to extend the known mineralisation along strike and down-dip. In addition, we identified several significant surface geophysical and geochemical anomalies in close proximity to bedrock targets which also represent attractive follow-up targets.

None of these targets have received meaningful exploration attention over the past 10-15 years, creating a significant opportunity for Breakaway in the current environment.

Drilling commenced at the Eloise Project in July, initially with 5,000m of Reverse Circulation drilling being undertaken at four priority targets – Surprise Ridge, Roberts Creek, Sandy Creek and Coral Reef.

At the time of writing this report, significant results had been received from two prospects, Surprise Ridge and Sandy Creek.

At Surprise Ridge, four holes were drilled to test the target with one hole returning significant results including intercepts of 1m @ 31.7g/t gold and 7.10g/t silver from 114 metres and 5m @ 3.32% zinc, 1.85% lead, 30.4g/t silver, 0.38% copper, and 0.14g/t gold from 116 metres. The mineralisation remains open down-dip and along strike to the north, and warrants immediate follow-up drilling.

Of potentially greater importance, drilling at Sandy Creek has identified a significant new copper system which has strong geological similarities to the nearby Eloise Mine, with the broad widths of mineralisation intersected over a significant strike length.

Drilling has now intersected the mineralisation over a strike length of 600 metres with significant intercepts including **10m @ 2.0% copper**, 0.47g/t gold from 121 metres including **3m @ 3.0% copper**, 0.92g/t gold from 128 metres; **3m @ 2.2% copper**, 0.47g/t gold from 146 metres; **9m @ 1.75% copper**, 0.15g/t gold from 139 metres and **13m @ 1.1% copper**, 0.18g/t gold from 140 metres.

The mineralisation remains open in all directions with most sections only containing one drill hole, offering an outstanding opportunity for follow-up exploration.

These results are significant because the strike length and apparent continuity of mineralisation intersected so far and the consistency of copper grades – coupled with the strong geological similarities to the Eloise Copper Mine – give us great confidence that Sandy Creek has the potential to host a substantial copper deposit.

In light of these excellent results, the Board has approved an immediate follow-up work program for Sandy Creek which is due to commence in September. This will include a program of high-resolution ground magnetics and in-fill RC / diamond drilling.

Turning to other projects, BHP Billiton completed an initial deep diamond drilling program during the year at the Altia Joint Venture Project in North Queensland, enabling it to complete its initial minimum expenditure of \$1 million. This drilling has established the broader geological setting of the deposit and identified a new zone of zinc mineralisation within the parallel-trending Dingo Trend.

Altia – which currently has a JORC Code compliant Inferred Resource of 5.78Mt @ 3.96% lead, 40.3g/t silver and 0.49% zinc (229,000t of contained lead and 7.5Moz of contained silver) – offers exciting exploration potential for a large-scale Cannington-style base metals deposit.

BHP has completed its geological review of these results and we expect an additional drilling program to commence in the September 2011 Quarter. Under the terms of the joint venture, BHP can earn a 70 per cent interest in the silver-lead-zinc rights within an 8km² area by spending \$10 million over five years.

One of the other key outcomes of the strategic project review completed last year was to identify those assets within our portfolio which are likely to require either a longer lead time or additional external funding in order to realise value for Breakaway shareholders.

Consistent with the outcomes of this review, we concluded an agreement to divest our tenement interests in the East Kimberley region during the year to Panoramic Resources for \$0.36 million in cash, as well as a joint venture with Aphrodite Gold to earn up to an 80 per cent interest in the gold rights of the Scotia Nickel Project.

Aphrodite Gold has since commenced drilling at the Chameleon prospect and reported some very encouraging high-grade results.

In summary, I am confident that Breakaway can look to the future with a renewed sense of purpose, confidence and enthusiasm.

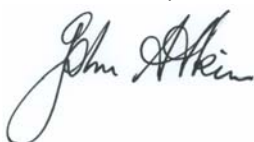
I would like to take this opportunity to thank our Managing Director, David Hutton, and his team for their hard work and dedication during the year, and my fellow Directors for their input over the course of the year.

I would also like to thank our shareholders for their support, including our major shareholder, Norilsk Nickel, which now holds 29.5 per cent of the Company's issued capital after its five-year, \$9 million converting note matured on 18 August, resulting in the issue of 74.4 million shares to Norilsk.

Norilsk is one of the world's largest base and precious metal producers and we welcome the increase in their shareholding and look forward to their ongoing support.

Breakaway has much to look forward to in the months ahead and I look forward to continuing to report on our progress.

Yours faithfully,



John Atkins
Chairman

COMPANY HIGHLIGHTS AND ACHIEVEMENTS

NORTH QUEENSLAND COPPER - GOLD

- Successful RC drilling programme completed at the Eloise Exploration Project testing four priority copper-gold targets within a 20km radius of the producing Eloise Copper Mine.
- Significant copper-gold results returned from preliminary drilling at the Sandy Creek prospect, including:
 - *10m @ 2.0% copper, 0.47g/t gold including 3m @ 3.0% copper, 0.92g/t gold; 3m @ 2.2% copper, 0.47g/t gold; 9m @ 1.75% copper, 0.15g/t gold*
- Mineralisation intersected in 100m spaced RC holes over 600m strike to 120m vertical and remains open in all directions with potential for depth and strike extensions – strong geological similarities to the Eloise Copper Mine.
- Sandy Creek copper prospect prioritised for immediate follow-up testing with high-resolution ground magnetic surveys and a 3,700m RC and diamond drilling program approved to commence in September 2011.
- Initial positive results returned at the Surprise Ridge prospect, with initial results including:
 - *1m @ 31.7g/t gold, 7.10g/t silver from 114m*
 - *5m @ 3.32% zinc, 1.85% lead, 30.4g/t silver, 0.38% copper, 0.14g/t gold*
- Mineralisation at Surprise Ridge remains open down-dip and to the north.

ELOISE COPPER MINE, NORTH QUEENSLAND

- Mining activities recommenced in January 2011 with the mill successfully recommissioned in May 2011, providing a strong strategic imperative to resume copper exploration at the surrounding Eloise Exploration Project.

ALTIA BASE METALS JOINT VENTURE, NORTH QUEENSLAND

- Diamond drilling by BHP Billiton establishes the broader geological setting of the deposit and identifies a new zone of mineralisation in the parallel-trending Dingo Trend.
- Minimum expenditure of \$1 million satisfied by BHP Billiton on the Altia Joint Venture following completion of the maiden diamond drilling programme. Additional drilling proposed for the September 2011 Quarter.

NICKEL EXPLORATION – WESTERN AUSTRALIA

- RC/Diamond Drilling program completed on the Leinster District nickel projects, confirming the presence of high MgO ultramafic rocks at 19 Mile North, to the south along strike from the Cosmos nickel deposits, and identifying new nickel-PGE anomalism at the Bakers Target, Mt Clifford.
- The future of the Leinster District nickel projects is currently subject to review.

CORPORATE

- \$3.8M capital raising completed comprising a Share Purchase Plan and subsequent share placement.
- Norilsk Nickel Australia's shareholding increased to 29.5% with issue of 74.4 million additional shares to Norilsk following maturity of its five-year, \$9 million Converting Note.
- Non-core assets divested or joint ventured included the sale of the East Kimberley tenement interests to Panoramic Resources for \$0.36M and a \$1.5M joint venture with Aphrodite Gold to earn 80% of the Scotia Project gold rights.

OPERATIONS REPORT

NORTH QUEENSLAND COPPER - GOLD

The Eloise Exploration Project (“Eloise”) is located 70 kilometres south-east of Cloncurry, in the heart of the world-class Cloncurry Mineral District of North West Queensland (*Figure 1*).

Covering an area of approximately 480km², the project is highly prospective for both copper – gold and silver – lead – zinc mineralisation and lies within a region that hosts a number of major base and precious metal deposits, including Eloise (copper – gold) to the east, Ernest Henry (copper-gold) to the north, Cannington (silver-lead-zinc) and Osborne (copper) to the south.

The re-opening of the adjacent Eloise Copper Mine in January 2011 combined with the strong copper price outlook provided a strong strategic imperative to resume copper exploration at Eloise. Due to the close proximity of Breakaway’s tenements, any new copper discovery would lie within an economic trucking distance of the mine, thereby opening up the potential for development and processing opportunities in the short term..

A major data review undertaken by Breakaway in late 2010 identified multiple bedrock targets which are typically characterised by +1% copper intercepts (up to 4% copper), highly anomalous gold results and limited deep drilling with excellent potential to extend 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 (*Figure 2*).

While a number of these targets have been known for some time, they have received minimal exploration over the past 10-15 years due to Breakaway previously focusing on its Western Australia nickel assets and the Altia Silver-Lead-Zinc Deposit at Eloise. Previous owners of Eloise were also focused on development of the Eloise Copper Mine.

Subsequent to the end of the 2010/2012 Year, Breakaway completed a 33 hole Reverse Circulation (RC) drilling programme (4,978 metres) to test 4 of the newly identified high priority targets (i.e. Surprise Ridge, Roberts Creek, Sandy Creek and Roberts Creek).

Drilling commenced at **Surprise Ridge** where historic copper and zinc mineralisation occurs within an altered and brecciated banded iron (BIF) unit coincident with a combined aeromagnetic and IP chargeability geophysical

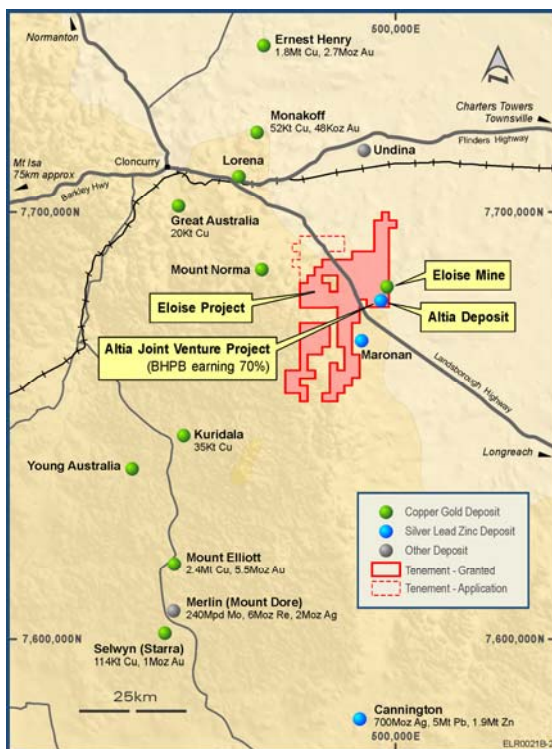


Figure 1: Eloise Exploration Project Location Plan

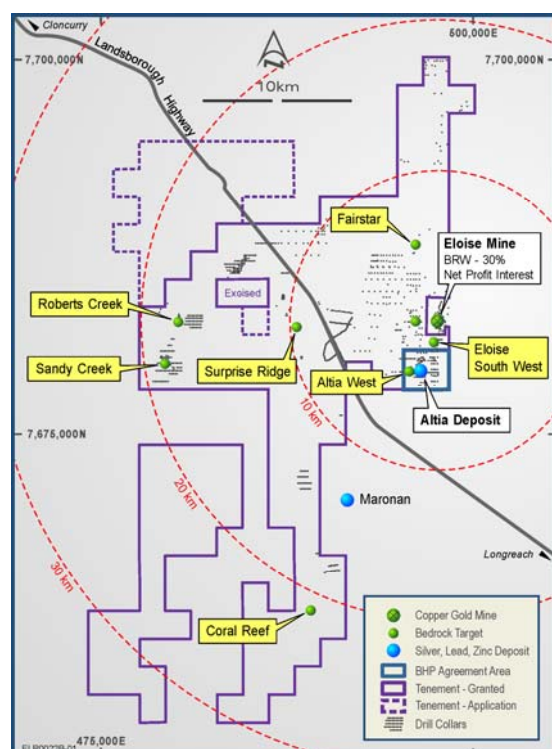


Figure 2: Eloise Exploration Project Targets

anomaly. Eight holes (11BERC0054 to 11BERC0057, 11BERC0080 to 11BERC0082, and 11BERC0086) were drilled with numerous significant results returned including:

- 1m @ 31.7g/t gold and 7.10g/t silver from 114 metres in 11BERC0057,
- 5m @ 3.32% zinc, 1.85% lead, 30.4g/t silver, 0.38% copper, and 0.14g/t gold from 116 metres in 11BERC0057,
- 5m @ 3.34% zinc, 0.14% lead, 4.30g/t silver from 173m in 11BERC0080,
- 2m @ 1.01% copper, 0.24g/t gold from 179 metres in 11BERC0080, and
- 11m @ 3.42% zinc, 0.97% lead, 13.90g/t silver from 188 metres in 11BERC0080 including 2m @ 7.40% zinc, 4.04% lead, 57.40g/t silver from 193 metres.

The polymetallic mineralisation at Surprise Ridge is interpreted to occur within a fault-bounded, steeply plunging “shoot-like” body which remains open at depth. Further drilling is required to the north of the recent drilling in order to determine the nature of the cross cutting fault structures and confirm whether potential exists to extend the strike length of the existing mineralisation.

Twelve holes (11BERC0057 to 11BERC0069) were drilled to test the **Roberts Creek** prospect, where high grade copper - gold mineralisation (previous drill intercepts up to 3.57% copper and 4.12g/t gold) had been intersected within 25 - 50 metre spaced historic drillholes over a 500 metre strike length and to a vertical depth of 50 metres. The mineralisation occurs within an east – dipping sulphidic quartz vein and prior to the 2011 drilling, remained open in all directions.

The new holes were drilled on 50 metre – spaced sections over 700 metres strike, and tested the quartz vein approximately 50 metres vertically beneath the existing copper – gold mineralisation. All holes intersected broad widths of quartz veining and disseminated sulphides (pyrite and chalcopyrite) with numerous significant results returned including:

- 7.0m @ 1.13% copper, 0.67g/t gold from 89 metres in 11BERC0059,
- 2.0m @ 2.17% copper, 0.14g/t gold from 16 metres in 11BERC0062, and
- 1.0m @ 0.79% copper, 8.04g/t gold from 64 metres in 11BERC0064.

Ten holes (11BERC0070 to 11BERC0079) were drilled to test the **Sandy Creek** prospect, where copper-gold mineralisation (historic drill intercepts up to 1.67% copper) had previously been intersected on broad +200 metre-spaced sections. The new holes were drilled on nominal 100 metre-spaced sections to a maximum vertical depth of 120 metres.

Drilling successfully intersected the mineralisation over a strike length of 600 metres with numerous significant results returned including:

- 10m @ 2.0% copper, 0.47g/t gold from 121 metres in 11BERC0073 including 3m @ 3.0% copper, 0.92g/t gold from 128 metres,
- 3m @ 2.2% copper, 0.47g/t gold from 146 metres in 11BERC0076,
- 9m @ 1.75% copper, 0.15g/t gold from 139 metres in 11BERC0075,
- 13m @ 1.1% copper, 0.18g/t gold from 140 metres in 11BERC0071 including 1m @ 3.51% copper, 0.14g/t gold from 152 metres, and
- 3m @ 1.56% copper, 0.83g/t gold from 58 metres in 11BERC0070.

In addition to the copper intersection in 11BERC0070 a significant gold intersection of 12m @ 1.25g/t gold (4 metre composite samples) from 104 metres was returned from the gabbroic intrusion located east of the main copper zone (Figure 3).

The copper-gold mineralisation at Sandy Creek occurs in a well-defined zone of sheared sulphidic quartz-carbonate veining within a broader zone of mafic / garnet alteration on the western margin of a gabbroic intrusive body. The mineralisation remains open in all directions with most sections only containing one drill hole (Figure 4).

Three holes (11BERC0083 to 11BERC0085) were drilled to test the **Coral Reef** prospect, where an historic drill hole previously intersected a thin zone of copper - gold mineralisation (4m @ 4.02% copper, 1.21g/t gold from 44 metres in MPSA_TR031) within quartz veining down dip of an outcropping copper – stained gossan. The new holes were drilled on 100 metre – spaced sections over 200 metres strike length, centred on the previous drill hole. Despite each hole intersecting multiple thin sulphidic quartz veins (typically ≤ 2 metres) only one significant result of 2m @ 0.90% copper, 0.33g/t gold from 62 metres was returned in 11BERC0083.

Of the targets drilled, Sandy Creek has emerged as the priority for follow up. The strong geological similarities to the nearby Eloise Copper Mine coupled with the strike length, apparent continuity of mineralisation intersected so far and the consistency of copper grades – gives the Company confidence that the prospect has the potential to host a substantial copper deposit.

At the time of writing, a follow-up work program for Sandy Creek, incorporating RC and diamond drilling, high resolution magnetic surveying and DHTM surveying had been approved and was due to commence in September 2011.

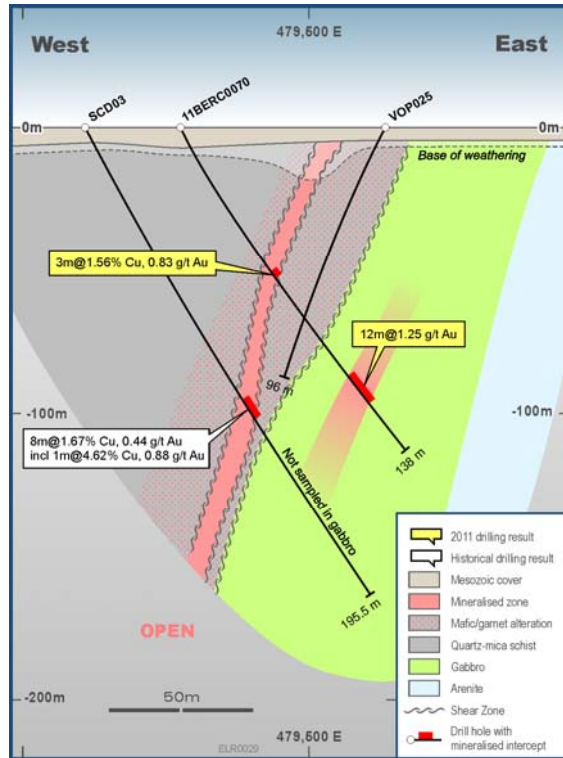


Figure 3: Sandy Creek Cross Section

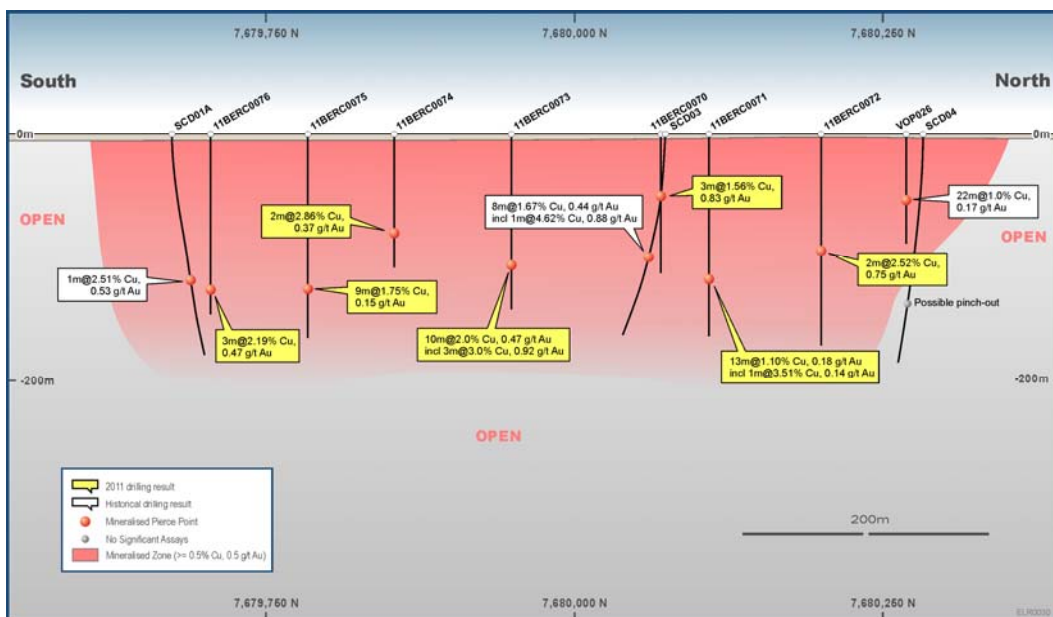


Figure 4: Sandy Creek Long Section

ELOISE COPPER MINE (BRW 30% NET PROFIT ROYALTY)

The Company holds a 30% net profit royalty interest (after adjusting for prior losses) in the Eloise Copper Mine and the surrounding Mining Leases (covering a total area of 5km²).

The owners of the Eloise Copper Mine, FMR Investments Pty Ltd, advised that operations at the mine continued to perform satisfactorily following recommencement of mining activities in January 2011 and recommissioning of the mill in May 2011.

While the Company doesn't factor in any royalty receipts from the 30% Net Profit Interest going forward, the re-opening of the mine is of strategic significance given the expended exploration activities in the area.

ALTIA JOINT VENTURE PROJECT (BHP BILLITON EARNING 70%)

As announced on 11 November 2009, the Company entered into a Farm-in and Joint Venture, termed the Altia Joint Venture Project, with BHP Billiton Minerals Pty Ltd (ASX: BHP – "BHP Billiton") (Figures 1 and 2). Covering an area of approximately 8km², the joint venture area hosts the Altia Silver-Lead-Zinc Deposit 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).

At Altia, BHP Billiton can earn a 70% interest in the silver-lead-zinc rights by completing expenditure of A\$10 million over five years with Breakaway retaining the copper – gold rights.

During the 2010/2011 Year, BHP Billiton met its first year minimum expenditure commitment of \$1 million by testing the broader potential of the deposit through the completion of six diamond drill holes (ADD10_01, ADD10_05 – ADD10_06, ADD10_09, and ADD10_11A/B - 4,479.6 metres) at Altia (Figure 5).

The drilling successfully established the broader geological setting of the Altia Deposit and surrounding area. A number of positive geological features identified in the initial drill programme (i.e. southern BIF extensions, and parallel zinc mineralisation) suggest that the Altia Deposit may occur within a broader poly-metallic mineralised system and the following significant intersections were returned:

- 2m @ 2.86g/t silver, 0.49% lead, and 0.42% zinc from 1,144 metres, including 0.2m @ 4.9g/t silver, 3.12% lead and 0.42% zinc from 1,144.40 metres in ADD10_09.
- 7.00m @ 0.71g/t silver, 0.06% lead, 0.28% zinc from 664.0 metres in ADD10_06,
- 1.15m @ 3.14g/t silver, 0.63% lead, 0.46% zinc from 674.4 metres in ADD10_06, and
- 10.00m @ 1.14g/t silver, 0.08% lead, 0.65% zinc from 688.0 metres in ADD10_06, including 2.00m @ 2.72g/t silver, 0.21% lead, 1.61% zinc from 694.0 metres and 0.30m @ 3.12g/t silver, 1.03% lead, 5.39% zinc from 694.80 metres.

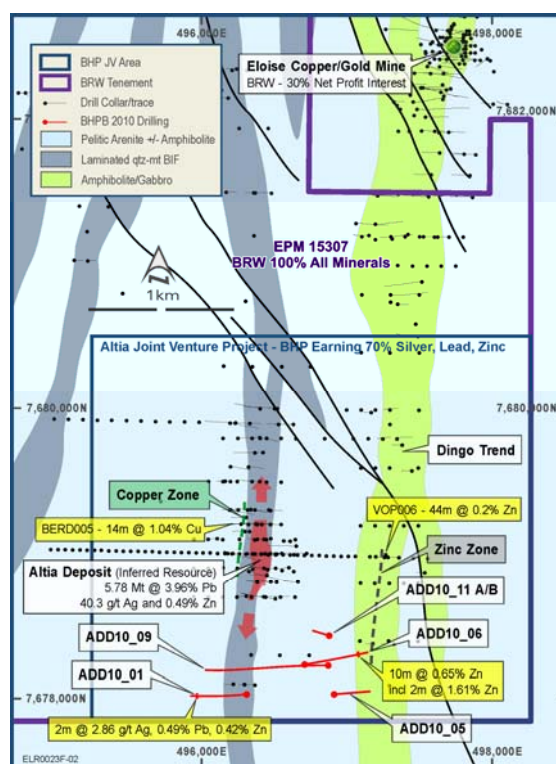


Figure 5: Altia Joint Venture Drill Collar Locations

Subsequent to the 2010/2011 Year, Breakaway was advised that a new geological model has been developed for the Altia deposit and up to 2,000 metres of diamond drilling is proposed for October 2011 as a further test of its broader silver-lead-zinc potential.

NICKEL EXPLORATION – WESTERN AUSTRALIA

WILDARA PROJECT GROUP – (BREAKAWAY 100% EXCEPT FOR YILLAREE PROJECT – BREAKAWAY 81.27%/ HAMPTON HILL 18.73%) AND MIRANDA PROJECT – (BREAKAWAY 100% NICKEL RIGHTS)

Located within the world-class Leinster Nickel District (9Mt nickel metal), the 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. Wildara hosts the Horn Nickel Deposit (2008 JORC Code Compliant Inferred Resource of 600,000t at 1.39% nickel, 0.2% copper - 8,300t nickel metal) within the centrally located Roadside Ultramafic Belt which is interpreted to be the southern extension of the Perseverance Ultramafic Belt which hosts the world-class Leinster nickel deposits further to the north (Figure 6).

The Miranda Project is located immediately south of Xstrata's Cosmos Nickel Deposits (+0.5Mt nickel metal) and covers the interpreted southern extension of the Mt Goode Ultramafic Belt which hosts these deposits (Figure 6).

At Miranda, Breakaway owns 100% of the nickel rights with Gold Fields Australia Limited owning the gold rights. Significantly, most of the historic exploration activity in project area has been targeted towards gold.

During the 2010/2011 Year Breakaway's efforts were directed towards developing and drill testing priority nickel sulphide targets within prospective high MgO ultramafic belts on both project areas.

At the northern end of Miranda, a ground-based Moving Loop TEM (MLTEM) survey over a 7-kilometre length of prospective ultramafic rocks interpreted to be the southern extension to the Mt Goode Ultramafic Belt, identified numerous new bedrock EM conductors, five of which have geophysical characteristics potentially indicative of massive nickel sulphide mineralisation and lie either within or immediately adjacent to favourable ultramafic rocks. Of the five conductors, one was prioritised ("19 Mile North") for initial drill testing on the basis of coincident magnetic features, anomalous nickel pathfinder geochemistry and accessibility.

19 Mile North, which is located within the southern portion of the 2010 MLTEM survey area, comprises a strong EM conductor coincident with a magnetic feature interpreted to be a structurally complex remnant of the Mt Goode Ultramafic. An adjacent air core hole shows geochemistry consistent with that of weathered nickel sulphide (i.e. 1m @ 1,920ppm nickel, 385ppm copper, 46ppb platinum + palladium from 64 metres in 06BMAC010).

Concurrent with the Miranda activities, a target generation and prospectivity ranking exercise was carried out at Wildara during September 2010, to determine priority targets for future exploration. Targets were initially generated on the basis of favourable empirical and conceptual factors (i.e. high MgO rock types, geochemical and geophysical anomalism), then systematically ranked against one another on the basis of characteristics that best represent Breakaway's corporate exploration "target" of a high value nickel sulphide deposit.

From the work, six priority targets were identified, three of which ("Jezebel", "Glenoran" and "Bakers") were subsequently drill tested (Figure 6). Two additional targets ("Horn Deeps" and "New Orleans") are present at depth within the Roadside Ultramafic Belt, and will ultimately require evaluation by further deep-penetrating surface and downhole TEM (DHTEM) surveying and extensive stratigraphic drilling, which are currently beyond the Company's financial capacity. The sixth target ("Revolution"), located immediately north of the Horn Nickel Deposit was

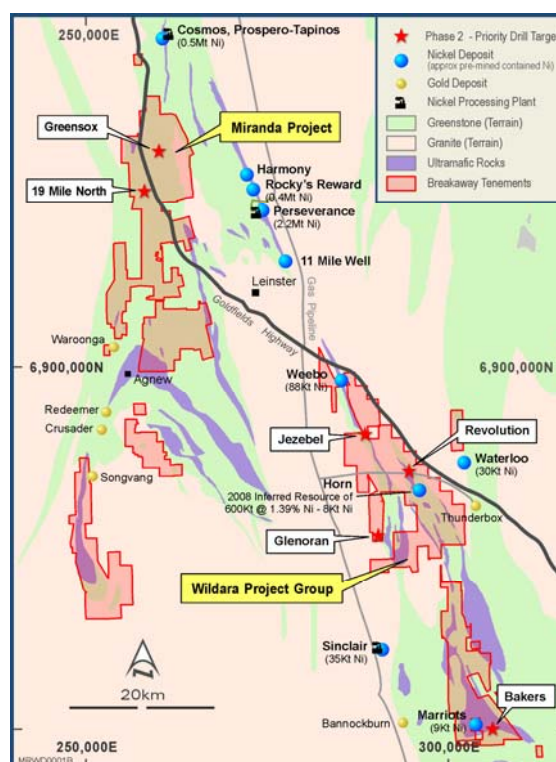


Figure 6: Leinster District Nickel Projects

downgraded after a FLTEM survey failed to repeat an historic MLTEM conductor interpreted to lie 400 metres along strike of known nickeliferous disseminated sulphides.

During the second half of the 2010/2011 Year, 3,389 metres of Reverse Circulation (RC) and diamond drilling was undertaken to test the priority targets at both projects.

Drilling at the **Bakers Target** (08BMCD008 – 08BMCD010), located at the southern end of the Mt Clifford Project, intersected vein, breccia and stringer sulphides within a prospective high MgO ultramafic approximately 80 metres down-dip of known nickel mineralisation (i.e. 8m @ 0.43% nickel, 608ppm copper and 136ppb platinum + palladium from 239 metres in 07BMCC007). Sampling of the sulphides returned the following significant results:

- 4.33m @ 0.37% nickel, 0.12% copper, 161ppb platinum + palladium from 246.00 metres in 08BMCD008, and
- 0.38m @ 0.44% nickel, 0.16% copper, 81ppb platinum + palladium from 280.95 metres in 08BMCD009.

The prospectivity of the Bakers area was further enhanced by the identification of a new downhole TEM (DHTEM) offhole conductor adjacent to the 08BMCD009 intersection. Given that the ultramafic at Bakers is interpreted to be the southern extension of the Roadside Ultramafic Belt which hosts the Horn Nickel Deposit further to the north, this area warrants further exploration.

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), 11BWDD004 tested an EM conductor that was modelled to lie on the interpreted footwall basal contact of the Sinclair ultramafic. Although the hole intersected stringer and disseminated sulphides (pyrrhotite – pyrite – chalcopyrite) throughout a 34 metre thick ultramafic unit from approximately 376 metres downhole and coinciding with the position of the EM conductor, no significant results were returned from sampling of the mineralisation and the target was downgraded.

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 possible “thickened” accumulation of the prospective Weebo ultramafic unit. While 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, no significant results were returned from sampling of the mineralisation and the target was downgraded.

At **19 Mile North**, which lies at the northern end of the Miranda Project (*Figure 7*), broad downhole widths (+30 metres) of high MgO ultramafic (ortho and mesocumulate lithologies) were intersected in 3 of the 5 holes drilled (11BMAC003, 11BMAC006 - 11BMAC007, 11BMAD001 – 11BMAD002).

Confirmation of highly prospective high MgO ultramafics at 19 Mile North is significant given the drill holes were the first deep nickel – focussed test of the area, and that the target lies within the interpreted southern extension of the Mt Goode Ultramafic Belt which hosts the Cosmos Nickel Deposits approximately 15 kilometres to the north.

While the drilling failed to intersect any significant nickel mineralisation, the exploration undertaken to date is of a preliminary nature and further drill testing of both the **19 Mile North** target and adjacent areas along strike is warranted.

From a regional perspective, the 2010 / 2011 Year drilling has reinforced the prospectivity of both the Wildara Project Group and Miranda Project areas.

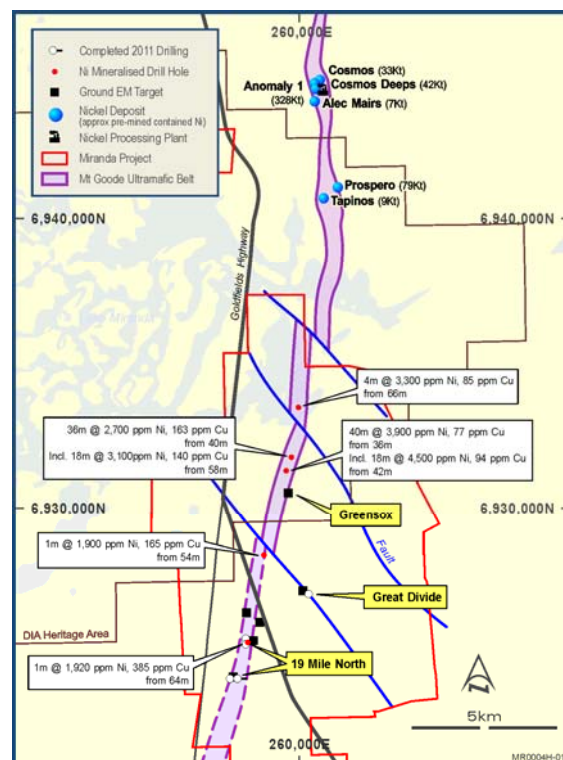


Figure 7: Miranda North Prospect Locations

While the results of the exploration activities will enable prioritisation of future nickel targets, the Company recognises the fact that nickel sulphide exploration generally requires a fairly lengthy time horizon and a sustained funding commitment.

Given the emerging significance of the Queensland Eloise Exploration Project and the positive results from the initial copper – gold drilling programmes, Breakaway is strategically reviewing the future of the Leinster District nickel projects.

SCOTIA PROJECT (100% NICKEL RIGHTS)

The Scotia Nickel Project (238km²) is located 65 kilometres north of Kalgoorlie in Western Australia, and covers approximately 40 strike kilometres of the nickel sulphide bearing Scotia Ultramafic which hosts the historic **Scotia Nickel Mine** (production of 581,973 tonnes at 2.34% Ni) and the **Saints Nickel Target**, as well as several near-surface nickel geochemical anomalies (*Figure 8*),

Nickel sulphide mineralisation at the Saints is present as a series of thin structurally-controlled planar zones developed along two parallel ultramafic/basalt contacts termed the Eastern and Western Contact respectively. On the Eastern Contact, two mineralised zones located 400 metres apart are present – St Andrews and St Patricks (Further details on the mineralisation can be found in the Company’s Annual Report for the Year ending 30 June 2010).

The Western Contact was discovered by Breakaway in 2007 following up anomalous air core geochemistry. Subsequent drilling over 600 metres strike extent located +1% nickel sulphides in a large number of holes with grades up to 6.29% Ni. A zone of higher grade matrix sulphides with an interpreted north plunging geometry, defined by Breakaway at the southern end of the Western Contact, has been drilled on nominal 50 metre centres over approximately 150 metres strike length to a vertical depth of 180 metres.

During the 2010/2011 Year, one diamond drill hole (11BSGD0075) was completed to further test the prospective southern end of the Western Contact approximately 100 metres below existing mineralisation at a vertical depth of 300 metres. While the drill hole intersected a 6 metre wide (downhole width) zone of brecciated basalt and sulphides (pyrrhotite) at the prospective contact position, no significant results were returned and the target was downgraded.

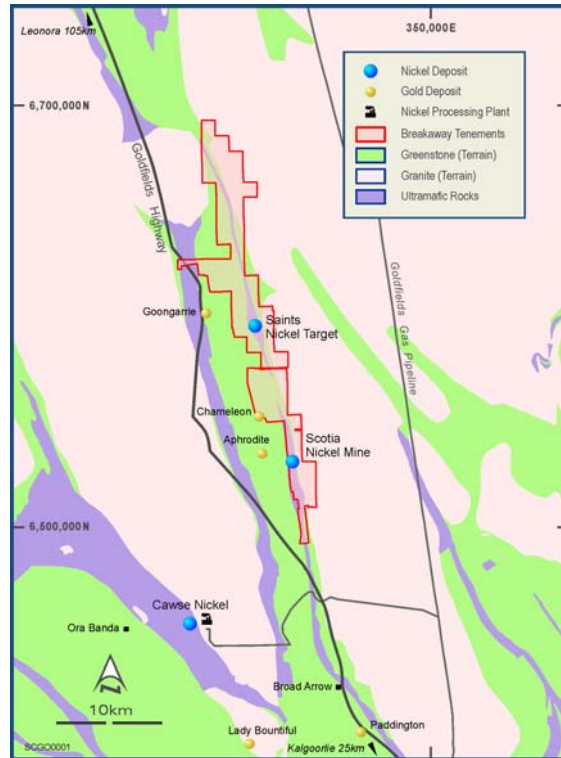


Figure 8: Scotia Project Location Plan

CORPORATE

CAPITAL RAISING

The Company successfully completed a \$3.8 million Capital Raising (before costs), with \$3.3M raised through a Share Purchase Plan (“SPP”), and subsequent Placement raising \$0.5M. Upon completion, an additional 51.83 million shares were issued, bringing Breakaway's total issued capital to 291.1 million shares.

The Company’s major shareholder, Norilsk Nickel Australia increased their shareholding to 29.5% of the Company’s issued capital after its five-year, \$9 million converting note matured on 18 August, resulting in the issue of 74.4 million additional shares to Norilsk.

DIVESTMENT OF EAST KIMBERLEY PROJECT

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 2010/2011 Year, to Pindan Exploration Company Pty Ltd, 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.

DIVESTMENT OF MEEKATHARRA PROJECT

The Company sold EL51/859 located in the Meekatharra District of Western Australia to Alchemy Resources Limited (ASX: ALY) for \$10,000 cash during the 2010/2011 Year.

DIVESTMENT OF SCOTIA PROJECT GOLD RIGHTS

As announced 16 June 2011, Breakaway signed a Farm-in and Joint Venture Heads of Agreement with Aphrodite Gold Limited (ASX: AQQ), whereby Aphrodite can earn up to an 80% interest in the Scotia Project Gold Rights by spending \$1.5M over a period of up to 4 years.

The Scotia Project is highly prospective for gold as it lies within the Bardoc Shear Zone, a significant regional structure which hosts numerous gold deposits including Aphrodite Gold's +1Moz Aphrodite Deposit (5 kilometres to the west) and the +5Moz Paddington Deposits (approximately 30 kilometres to the south).

Additionally, a number of known gold prospects including the Chameleon prospect, and historical drill intersections lie within the Scotia Project's boundaries (Figure 9).

At Chameleon, gold mineralisation occurs within a steeply dipping, north plunging shoot that has been previously drilled on nominal 50 metre centres, over 300 metres strike and to a depth of 200 metres.

Mineralisation remains open both at depth and along strike with numerous positive intersections returned from historic drilling including 29m @ 3.40g/t gold from 124 metres in GG382, 22m @ 5.43g/t gold from 150 metres in GG390, and 8m @ 3.39g/t gold from 202 metres in GG401.

Subsequent to the 2010/2011 Year, Aphrodite completed a maiden Reverse Circulation (RC) drilling programme (16 holes – 3,170 metres) at Chameleon prospect with better intercepts including 12m @ 10.99g/t gold from 66 metres in CHR001, 11m @ 2.05g/t gold from 129 metres in CHR002, 8m @ 1.51g/t gold from 227 metres in CHR009, and 6m @ 4.48g/t gold from 92 metres in CHR0016.

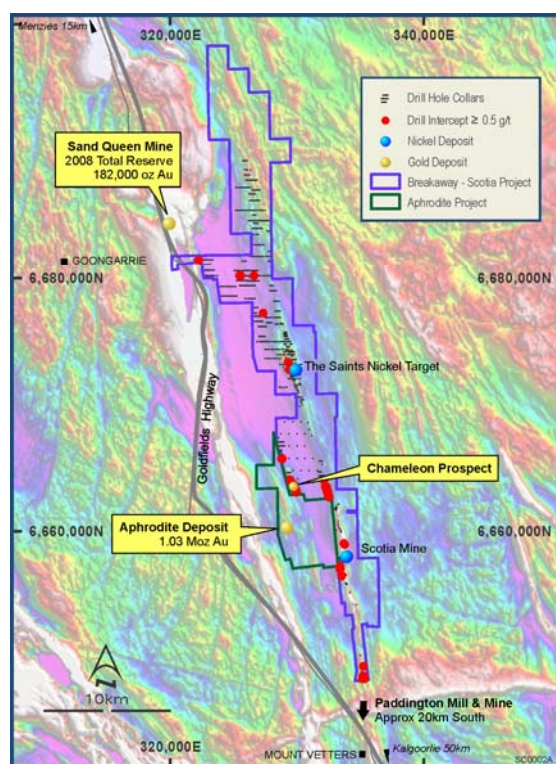


Figure 9: Scotia Project Gold Occurrences

TABLE OF DRILL HOLE INTERCEPTS – ELOISE EXPLORATION PROJECT

Hole ID	Northing	Easting	Dip°	AziMag°	From	Width	g/tAu	%Cu	g/tAg	%Pb	%Zn
11BERC0054	7,682,196	488,341	-60	90	No Significant Intersection						
11BERC0055	7,682,185	488,268	-60	90	No Significant Intersection						
11BERC0056	7,682,182	488,193	-60	90	No Significant Intersection						
11BERC0057	7,682,322	488,174	-60	90	114	1	31.7	-	7.1	-	0.57
"	"	"	"	"	116	5	0.14	0.38	30.4	1.85	3.32
"	"	"	"	"	127	2	-	-	-	-	0.98
11BERC0058	7,682,185	488,268	-60	270	77	2	0.15	0.75	1.65	-	0.12
11BERC0059	7682725	480302	-60	270	89	7	0.67	1.13	4.7	-	-
11BERC0060	7682775	480302	-60	270	Hole abandoned - Failed to reach target						
11BERC0061	7682825	480302	-60	270	84	1	3.28	0.62	-	-	-
"	"	"	"	"	96	1	2.42	0.16	-	-	-
"	"	"	"	"	106	4	1.35	0.80	13.7	0.21	1.45
11BERC0062	7682925	480292	-60	270	16	2	0.14	2.17	4.25	-	-
"	"	"	"	"	113	1	1.59	0.66	2.50	-	-
11BERC0063	7682975	480292	-60	270	111	1	4.28	1.00	3.80	-	-
"	"	"	"	"	116	1	0.71	0.99	-	-	-
11BERC0064	7682875	480302	-60	270	64	1	8.04	0.79	10.0	0.14	-
11BERC0065	7682665	480272	-60	270	83	2	1.80	1.02	2.30	-	-
11BERC0066	7682575	480272	-60	270	No Significant Intersection						
11BERC0067	7682475	480242	-60	270	No Significant Intersection						
11BERC0068	7683100	480340	-60	270	No Significant Intersection						
11BERC0069	7683230	480370	-60	270	No Significant Intersection						
11BERC0070	7680070	479455	-60	90	58	3	0.83	1.56	8.0	0.02	1.60
"	"	"	"	"	104	12	1.25	0.02	-	-	0.03
11BERC0071	7680109	479380	-60	90	140	13	0.18	1.10	5.1	-	-
<i>including</i>					152	1	0.14	3.51	21.2	-	0.33
11BERC0072	7680200	479431	-60	90	99	2	0.75	2.52	8.7	-	0.40
"	"	"	"	"	105	6	0.16	0.59	2.1	-	0.04
"	"	"	"	"	118	1	0.16	1.46	5.4	-	0.42
11BERC0073	7679949	479402	-60	90	121	10	0.47	2.00	7.8	-	0.11
<i>including</i>					128	3	0.92	3.00	11.0	-	0.11
11BERC0074	7679854	479438	-60	90	93	2	0.37	2.86	17.8	0.05	0.53
11BERC0075	7679784	479472	-60	90	139	9	0.15	1.75	28.9	0.36	0.31
<i>including</i>					145	2	0.31	1.34	70.2	1.19	0.41
11BERC0076	7679705	479515	-60	90	146	3	0.47	2.19	9.9	-	-
11BERC0077	7680242	479151	-60	90	No Significant Intersection						
11BERC0078	7680126	479128	-60	90	No Significant Intersection						
11BERC0079	7679570	479505	-60	90	No Significant Intersection						
11BERC0080	7682320	488130	-60	90	165	3	0.04	0.06	0.23	0.01	0.97
"	"	"	"	"	173	5	0.02	0.11	4.30	0.14	3.34
<i>including</i>					176	2	0.03	0.18	1.45	0.03	6.10
"	"	"	"	"	179	2	0.24	1.01	3.70	0.01	0.10
"	"	"	"	"	188	11	0.09	0.03	13.90	0.97	3.42
<i>including</i>					193	2	0.31	0.02	57.40	4.04	7.40
11BERC0081	7682250	488100	-60	90	No Significant Intersection						
11BERC0082	7682370	488200	-60	90	29	4	3.60	-	-	-	-
11BERC0083	7663655	489176	-60	90	62	2	0.33	0.90	-	-	-
11BERC0084	7663713	489206	-60	90	No Significant Intersection						
11BERC0085	7663605	489158	-60	90	No Significant Intersection						
11BERC0086	7682368	488235	-70	135	No Significant Intersection						

TABLE OF DRILL HOLE INTERCEPTS – ALTIA JOINT VENTURE PROJECT

Hole ID	Northing	Easting	Dip°	AziMag°	From	Width	g/tAg	%Pb	%Zn
ADD10_09	7678400	497000	-60	263	1,144.00	2.00	2.86	0.49	0.42
<i>including</i>					1,144.40	0.20	4.90	3.12	0.42
ADD10_06	7678200	497035	-60	83	664.00	7.00	0.71	0.06	0.28
"	"	"	"	"	674.40	1.15	3.14	0.63	0.46
"	"	"	"	"	688.00	10.00	1.14	0.08	0.65
<i>including</i>					694.00	2.00	2.72	0.21	1.61
<i>including</i>					694.80	0.30	3.12	1.03	5.39
ADD10_01	7678200	496435	-60	263	No Significant Intersection				
ADD10_05	7678000	497035	-80	83	No Significant Intersection				
ADD10_11	7678600	497000	-85	280	Hole abandoned				
ADD10_11A	7678600	497005	-85	280	No Significant Intersection				
ADD10_11B	7678600	497005	-80	328	Wedge hole off ADD10_11A - No Significant Intersection				

TABLE OF DRILL HOLE INTERCEPTS – WESTERN AUSTRALIA NICKEL EXPLORATION

Hole ID	Northing	Easting	Dip°	Azi Mag°	From	Width	Ni%	Cu%	Pt+Pd ppb
WILDARA PROJECT GROUP AND MIRANDA PROJECT									
08BMCD0008	6850139	305227	-85	160	246.0	4.33	0.37	0.12	161
08BMCD0009	6850049	305007	-60	135	280.95	0.38	0.44	0.16	81
08BMCD0010	6849949	304777	-60	125	No Significant Intersection				
11BMAC0003	6927000	260250	-60	270	No Significant Intersection				
11BMAC0006	6924100	257690	-60	90	No Significant Intersection				
11BMAC0007	6924100	257810	-60	90	No Significant Intersection				
11BMAD0001	6925403	258262	-60	90	No Significant Intersection				
11BMAD0002	6925253	258241	-60	90	No Significant Intersection				
11BWDD0004	6875980	290290	-60	90	No Significant Intersection				
11BWDD0005	6890470	287750	-60	90	No Significant Intersection				
SCOTIA PROJECT									
11BSGD0075	6672120	329450	-65	75	No Significant Intersection				

TABLE OF DRILL HOLE INTERCEPTS – SCOTIA GOLD RIGHTS JOINT VENTURE

Hole ID	Prospect	Northing	Easting	Dip°	Azi Mag°	From	Width	g/t Au
CHR0001	Chameleon	6663159	329740	-60	90	52	5	1.64
"	"	"	"	"	"	66	12	10.99
CHR0002	Chameleon	6663228	329641	-60	90	129	11	2.05
"	"	"	"	"	"	142	1	0.56
CHR0003	Chameleon	6663288	329570	-60	90	160	2	0.89
CHR0004	Chameleon	6663368	329574	-60	90	65	3	0.72
"	"	"	"	"	"	111	2	1.69
"	"	"	"	"	"	132	7	1.40
CHR0005	Chameleon	6663449	329562	-60	90	85	1	0.51
"	"	"	"	"	"	105	2	1.60
CHR0006	Chameleon	6663040	329749	-60	90	22	1	0.91
"	"	"	"	"	"	194	2	2.77
CHR0007	Chameleon	6663448	329510	-60	90	No Significant Intersection		
CHR0008	Chameleon	6663047	329720	-60	90	194	2	2.77

"	"	"	"	"	"	201	4	1.10
"	"	"	"	"	"	210	2	2.39
CHR0009	Chameleon	6663158	329639	-60	90	227	8	1.51
<i>including</i>						227	1	3.70
CHR0010	Chameleon	6662884	329780	-60	90	125	1	0.69
CHR0011	Chameleon	6663222	329535	-60	90	No Significant Intersection		
CHR0012	Chameleon	6662956	329660	-60	90	No Significant Intersection		
CHR0013	Chameleon	6663222	329542	-60	90	No Significant Intersection		
CHR0014	Chameleon	6663679	329422	-60	90	No Significant Intersection		
CHR0015	Chameleon	6663120	329610	-60	90	No Significant Intersection		
CHR0016	Chameleon	6663160	329720	-60	90	92	6	4.48
"	"	"	"	"	"	106	2	1.61

NOTES SPECIFIC

NOTES SPECIFIC TO EXPLORATION DRILL HOLE NAMING AND NOMENCLATURE:

- i) 11BERC = RC Percussion drill hole (Eloise Exploration Project)
- ii) ADD10 = Diamond drill hole (Altia Joint Venture Project)
- iii) 08BMCD = Diamond drill hole (Mt Clifford Project)
- iv) 11BMAC = RC Percussion drill hole, and 11BMAD = Diamond drill hole Miranda Project)
- v) 11BWDD = Diamond drill hole (Wildara Project)
- vi) 11BSGD = Diamond drill hole ((Scotia Project)
- vii) CHR = RC Percussion drill hole (Chameleon prospect – Scotia Gold Rights Joint Venture)
- viii) Au – gold, Ag – silver, Cu – copper, Pb – lead, and Zn – zinc.

NOTES SPECIFIC TO THE ELOISE EXPLORATION PROJECT DRILL HOLE RESULTS:

- All Reverse Circulation 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 are prepared and analysed at ALSGlobal Pty Ltd's Townsville Minerals Laboratory. Sample preparation is by pulverisation of the entire sample to a nominal 85% passing 75 microns in size (method LOG-23 / PUL-23). Base metal analysis is carried out by subjecting a 25-gram portion of the sample to a multi acid digest and analysing the sample by Inductively Coupled Plasma Atomic Emission Spectrometry (method ME-ICP61). Gold and precious metal analysis is carried by 25g Fire Assay and an AAS finish (method Au-AA25)
- Intersections are reported as down hole widths, not true widths.
- Reported intersections are calculated as length weighted average grades typically using the following cut off grades - a 0.5% copper, lead and zinc, and 0.5g/t gold and silver.
- The intersection obtained from 104 metres in 11BERC0070 was obtained from analysis of 4 metre composite samples.
- The location of drill holes were determined using a handheld GPS achieving +/- 4 metre accuracy - MGA datum (Zone 54).
- End of hole surveys were obtained using either an Eastman single shot survey camera or Reflex downhole survey tool.
- The prospect name abbreviations used in the drill hole results table are as follows: S. Ridge (Surprise Ridge), R. Creek (Roberts Creek), S. Creek (Sandy Creek), and C. Reef (Coral Reef).

NOTES SPECIFIC TO THE ALTIA JOINT VENTURE PROJECT DRILL HOLE RESULTS :

- All 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 diamond drill hole results were obtained from analysis of half - core samples whose sample intervals were determined initially by logging of geological boundaries within the drill hole. Maximum sample length was typically 1 metre.
- All samples were prepared and analysed at SGS Australia Pty Ltd's Townsville laboratory facility using a single stage mix and grind technique. Base metal analyses were carried out by subjecting a 50-gram portion of the sample to a mixed acid digest and analysing the sample by Inductively Coupled Plasma Optical Emission Spectrometry (ICP).
- Intersections are reported as down hole widths, not true widths.
- Significant results are calculated using a 0.1% lead, 0.1% zinc, and 1.0g/t silver lower cut off.
- Drill hole intersection grades are length weighted averaged grades and do not take account of material density for each sample.
- Drill hole locations were determined using a handheld GPS achieving +/- 4 metre accuracy and using the AGD84 datum (Zone 54).

NOTES SPECIFIC TO THE WILDARA PROJECT GROUP AND MIRANDA PROJECT DRILL HOLE RESULTS :

- All Reverse Circulation 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 diamond drill hole results were obtained from analysis of half - core samples whose sample intervals were determined initially by logging of geological boundaries within the drill hole. Maximum sample length was typically 1 metre.
- 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).

- Intersections are reported as down hole widths, not true widths.
- Significant 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
- 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 using an Eastman single shot survey camera.

NOTES SPECIFIC TO THE SCOTIA PROJECT - SAINTS NICKEL TARGET DRILL HOLE RESULTS:

- All diamond drill hole results were obtained from analysis of half - core samples whose sample intervals were determined initially by logging of geological boundaries within the drill hole. Maximum sample length was typically 1 metre.
- All samples were prepared at Genalysis Laboratory Services Pty Ltd's Kalgoorlie Sample Preparation facility using a dual stage crush and pulverisation technique. Nickel analysis (1ppm detection limit) was carried out at Genalysis' Perth laboratory by subjecting a 50 gram portion of the sample to a multi acid digest and analysing the sample by Inductively Coupled Plasma Optical Emission Spectrometry (ICPOES).
- Intersections are reported as down hole widths, not true widths.
- Significant 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
- The location of drill holes were determined using a handheld GPS achieving +/- 4 metre accuracy and reading AMG coordinates (Zone 51). End of hole surveys were obtained using an Eastman single shot survey camera.

NOTES SPECIFIC TO THE SCOTIA GOLD RIGHTS JOINT VENTURE DRILL HOLE RESULTS:

- All Reverse Circulation drill hole results were obtained from analysis of 1-metre samples for gold only.
- Gold analysis was by the Fire Assay 50 gram method with an AAS finish.
- Reported intersections are calculated as length weighted average grades using a 0.5 g/t gold cut off grade.

NOTES SPECIFIC TO THE RESOURCE ESTIMATION OF THE HORN DEPOSIT, WILDARA PROJECT:

The resource estimate was completed by Breakaway Resources Limited in accordance with the 2004 Guidelines of the Australasian Joint Ore Reserves Committee (JORC) Code for reporting Mineral Resources and Ore Reserves (JORC, 2004).

Tonnes	Ni (%)	Cu (%)	Pd+Pt (g/t)	Ni Metal (t)	Cu Metal (t)	Contained Pt +Pd (oz)
600,000	1.39	0.30	0.5	8,300	1,800	10,000oz

Methodology:

The resource estimate is based on 11 diamond and 1 RC drill holes carried out on a nominal 50m by 50m spacing, cross sectional interpretations of the geology and systematic assaying by an experienced, reputable commercial laboratory. The deposit boundary was defined by a 0.5% Ni cutoff grade which coincides with the geological boundary of disseminated/matrix sulphides. The estimate adopted a conventional, cross-sectional, polygonal technique. Individual blocks were defined around drill hole intersections with block boundaries on and between cross sections defined by the midpoints with adjacent holes and geological constraints. Block volumes were estimated by digitising the cross sectional areas of the blocks multiplied by their lengths. The tonnage for each block was estimated using the volume and averaged length weighted density measurements for individual drill hole samples forming the selected intersection. Block grades were estimated from averaged length and density weighted assays for each block intersection.

NOTES SPECIFIC TO THE RESOURCE ESTIMATION OF THE ALTIA SILVER-LEAD - ZINC DEPOSIT, ELOISE EXPLORATION PROJECT:

A resource estimate was carried out by Snowden Mining Industry Consultants Pty Ltd in November 2007 in accordance with the 2004 Guidelines of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. An Inferred Mineral Resource of 5.78Mt @ 3.96% Pb, 40.3g/t Ag and 0.49% Zn has been estimated for the Altia Deposit.

Lens	Tonnes (Mt)	Pb (%)	Contained Pb Metal * (t)	Ag g/t	Contained Ag * (oz)	Zn (%)	Contained Zn Metal * (t)
Lens 1 (Upper)	3.91	4.06	158,672	32.3	4,072,299	0.43	16,900
Lens 2 (Lower)	1.87	3.77	70,286	57.1	3,434,654	0.62	11,609
Total	5.78	3.96	228,958	40.3	7,506,953	0.49	28,509

* The contained metal and ounces lie wholly within the Resource boundaries and do not imply recoverable metal.

Methodology:

Estimation of lead, silver and zinc grades and density within each of the interpreted lenses was completed using the ordinary kriging interpolation technique within Minesight software. Compositing honoured the interpreted geological boundaries and was completed to a 2.0m length. Composite samples were coded by lens so that only samples within a single lens were used for grade estimation of that particular lens. A block size of 10mE x 50mN x 25m elevation was selected and block percentages for each lens were recorded into the Minesight block model. The total resource estimate for each lens has been derived by weighting the estimated lead, silver and zinc grades for each block by the estimated tonnage for each lens within each block.

COMPETENT PERSONS CONSENT

The information in this report that relates to Exploration Results 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 (MAusIMM). Both 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.

Mr Hutton consents to the inclusion of the matters based on information in the form and context in which it appears in this report.

The information in this report that relates to Mineral Resources or Ore Reserves for the Horn Nickel Sulphide Deposit is based on information compiled by Mr David Hutton (Managing Director), who is a full time employee of the Company. Mr Hutton is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and 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.

Mr Hutton consents to the inclusion of the matters based on information in the form and context in which it appears in this report.

The information in this report that relates to the estimation of the Altia Mineral Resource was compiled by Mr Justin Watson, who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Watson is a full time employee of Snowden Mining Industry Consultants 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 Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Watson consents to the inclusion of this information in the form and context in which it appears in this report.

Information in this report that relates to the Scotia Project Gold Rights Joint Venture reflects information compiled by Leon Reisgys FAusIMM and Exploration and Development Director of Aphrodite Gold Ltd who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is reporting on as a competent person as defined in the 2004 Edition of "The Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves.

Mr. Reisgys consents to the inclusion in this report of the matters based on the information compiled by him, in the form and context in which it appears.

MINERAL TENEMENT SCHEDULE

BUNGALBIN PROJECT	
Tenement	Interest %
M7700580	100%

M – Mining Lease
 E – Exploration Licence
 L – Miscellaneous Licence
 P – Prospecting Licence
 (a) – Application

EPM – Exploration Permit for Minerals
 MDL - Mineral Development Licence

ELOISE PROJECT

Tenement	Interest %	Tenement	Interest %
EPM 17838	100%	MDL 00431(a)	100%
EPM 18442(a)	100%	MDL 00432(a)	100%

KAMBALDA WEST PROJECT

Tenement	Interest %	Tenement	Interest %	Tenement	Interest %
E 1500967	100%	P 1504299	100%	P 1504882	100%
E 1500968	100%	P 1504876	100%	P 1504883	100%
L 1500128	100%	P 1504877	100%	P 1504884	100%
L 1500255	100%	P 1504878	100%	P 1504885	100%
M 1500395	100%	P 1504879	100%	P 1504886	100%
M 1500703	100%	P 1504880	100%	P 1504963	100%
		P 1504881	100%		

MIRANDA NICKEL PROJECT

Tenement	Interest %	Tenement	Interest %	Tenement	Interest %
M 3600123	100%	M 3600089	100% of Base Metal Rights	P 3601570	100% of Base Metal Rights
M 3600166	100%	M 3600090	100% of Base Metal Rights	P 3601574	100% of Base Metal Rights
M 3600167	100%	M 3600111	100% of Base Metal Rights	P 3601575	100% of Base Metal Rights
M 3600168	100%	M 3600113	100% of Base Metal Rights		
E 3600613	100% of Base Metal Rights	M 3600114	100% of Base Metal Rights	P 3601576	100% of Base Metal Rights
E 3600614	100% of Base Metal Rights	M 3600115	100% of Base Metal Rights	P 3601577	100% of Base Metal Rights
E 3600615	100% of Base Metal Rights	M 3600116	100% of Base Metal Rights	P 3601578	100% of Base Metal Rights
E 3600616	100% of Base Metal Rights	M 3600119	100% of Base Metal Rights	P 3601579	100% of Base Metal Rights
E 3600617	100% of Base Metal Rights	M 3600120	100% of Base Metal Rights	P 3601580	100% of Base Metal Rights
E 3600618	100% of Base Metal Rights	M 3600121	100% of Base Metal Rights	P 3601581	100% of Base Metal Rights
E 3600619	100% of Base Metal Rights	M 3600138	100% of Base Metal Rights	P 3601582	100% of Base Metal Rights
E 3600620	100% of Base Metal Rights	M 3600139	100% of Base Metal Rights	P 3601583	100% of Base Metal Rights
M 3600034	100% of Base Metal Rights	M 3600140	100% of Base Metal Rights	P 3601591	100% of Base Metal Rights
M 3600061	100% of Base Metal Rights	M 3600141	100% of Base Metal Rights	P 3601592	100% of Base Metal Rights
M 3600062	100% of Base Metal Rights	M 3600142	100% of Base Metal Rights	P 3601593	100% of Base Metal Rights
M 3600063	100% of Base Metal Rights	M 3600163	100% of Base Metal Rights	P 3601594	100% of Base Metal Rights
M 3600064	100% of Base Metal Rights	M 3600164	100% of Base Metal Rights	P 3601595	100% of Base Metal Rights
M 3600069	100% of Base Metal Rights	M 3600165	100% of Base Metal Rights	P 3601596	100% of Base Metal Rights
M 3600070	100% of Base Metal Rights	M 3600182	100% of Base Metal Rights	P 3601597	100% of Base Metal Rights
M 3600071	100% of Base Metal Rights	M 3600233	100% of Base Metal Rights	P 3601598	100% of Base Metal Rights
M 3600072	100% of Base Metal Rights	M 3600234	100% of Base Metal Rights	P 3601599	100% of Base Metal Rights
M 3600073	100% of Base Metal Rights	M 3600292	100% of Base Metal Rights	P 3601600	100% of Base Metal Rights
M 3600074	100% of Base Metal Rights	M 3600301	100% of Base Metal Rights	P 3601644	100% of Base Metal Rights
M 3600075	100% of Base Metal Rights	M 3600317	100% of Base Metal Rights		
M 3600077	100% of Base Metal Rights	P 3601569	100% of Base Metal Rights		

MOONTA JV PROJECT

Tenement	Interest %
E 3733 (part of)	10%

MT CLIFFORD PROJECT

Tenement	Interest %	Tenement	Interest %
E 3700761	100%	P 3707170	100%
E 3700762	100%	P 3707370	100%
E 3700909	100%	P 3707371	100%
M 3700806	100%	P 3707372	100%
P 3707169	100%	P 3707373	100%

MT OSPREY JV PROJECT			
<i>Tenement</i>	<i>Interest %</i>	<i>Tenement</i>	<i>Interest %</i>
EPM 008515	30% (Diluting)	EPM 011698	30% (Diluting)

SCOTIA NICKEL PROJECT			
<i>Tenement</i>	<i>Interest %</i>	<i>Tenement</i>	<i>Interest %</i>
E 2400123	100%	P 2902025	100%
E 2900162	100%	P 2902105	100%
E 2900529	100%	P 2902117	100%
E 2900661	100%	P 2902118	100%
E 2900719	100%	P 2902119	100%
M 2400279	100%	P 2902120	100%
M 2400336	100%	P 2902121	100%
P 2901932	100%	M 2900245(a)	100%
P 2901933	100%	M 2900246(a)	100%

WILDARA PROJECT			
<i>Tenement</i>	<i>Interest %</i>	<i>Tenement</i>	<i>Interest %</i>
E 3600235	100%	M 3600548	100%
M 3600475	100%	M 3700771	100%
M 3600502	100%	M 3700772	100%
M 3600524	100%	M 3700877	100%
M 3600526	100%	M 3700878	100%

YILLAREE JV PROJECT			
<i>Tenement</i>	<i>Interest %</i>	<i>Tenement</i>	<i>Interest %</i>
E 3600245	81.27%	M 3600507	81.27%
E 3600273	81.27%	M 3600511	81.27%
E 3600630	81.27%	P 3601655	81.27%
E 3600631	81.27%	P 3601656	81.27%
E 3600702	81.27%		
E 3600765	81.27%		

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Breakaway Resources Limited ("Breakaway or the Company"), being the Company and its controlled entities, for the year ended 30 June 2011 and the Auditor's report thereon.

DIRECTORS

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

JOHN KING ATKINS – CHAIRMAN

(Appointed 24 November 2006)

John Atkins is an experienced company director and one of Perth's most experienced corporate lawyers holding a Bachelor of Law from the University of Western Australia and a Masters of Law from London University. Mr Atkins is the Chairman, Western Australia for ANZ, as well as serving on the Board of various entities: Australian Finance Group Ltd, Barrington Consulting Pty Ltd, Lotterywest, Chamber of Commerce and Industry, and the Committee for Perth Ltd. In the 3 years immediately before the end of the financial year, Mr Atkins also served as a director of the following listed companies:
Pearlstreet Limited November 2006 to December 2009

DAVID JAMES HUTTON – MANAGING DIRECTOR

(Appointed Managing Director 1 May 2010)

Graduating with a Bachelor of Science (Honours) degree from Monash University in 1989, David Hutton is a geologist with more than 20 years experience working in exploration and mining throughout Australia and South America. Mr Hutton has held the positions of Exploration Manager (August 2006 – May 2010), Chief Executive Officer (February 2009 – April 2010) and recently accepted the position of Breakaway's Managing Director. Prior to joining Breakaway, he held a number of senior exploration roles with Forresteria Gold, Western Metals and LionOre Australia where he was mainly involved in gold and base metal exploration throughout the Western Australian Goldfields and Kimberley regions, and 7 years with the MIM Group both in underground mining and exploration roles. Mr Hutton has a strong and successful track record as an explorer.

JONATHAN ALISTER YOUNG - DIRECTOR

(Director since March 2003, resigned as Chairman November 2006)

Jon Young graduated from UWA with a Bachelor of Commerce Degree. He qualified as a Chartered Accountant with Price Waterhouse in 1981 spending 7 years in their Perth, Melbourne and Sydney offices. The following 24 years have been spent in the Finance and Stockbroking industry and Mr Young is currently Director Private Clients with leading Perth based national stockbroking firm Patersons Securities Limited. For 11 years and until the sale of the contracting business in August 2007, Mr Young has served as Non-Executive Chairman of the Barmenco Group of companies including Barmenco Limited, one of Australia's largest privately owned underground mining contractors. Mr Young continues as the Non-Executive Chairman of FMR Investments Pty Ltd (formerly Barmenco Investments Pty Ltd), a major shareholder of Breakaway Resources Limited.

JEFFREY JOHN GRESHAM - DIRECTOR

(Appointed 1 October 2006)

Jeff Gresham has over 40 years experience in exploration, mining and the corporate functions both in Australia and overseas. During a career spanning 19 years with WMC he held a number of senior corporate and technical positions, most notably Chief Geologist of the Kambalda Nickel Operations (1981 - 1985), and Executive Vice President Exploration for WMC's Canadian subsidiary Westminster Canada Ltd (1988 - 1993). From 1993 to 1997 he was Managing Director of Wiluna Mines Ltd, General Manager Exploration at Homestake Gold of Australia Ltd (1998 - 2001) and Managing Director of Titan Resources Limited (2004-2006). In addition to his role at Breakaway, Mr Gresham is the Chairman of Rox Resources Limited. In the 3 years immediately before the end of the financial year, Mr Gresham also served as a director of the following listed companies:

Rox Resources Limited	Since October 2006
View Resources Limited	April 2007 to September 2009

COMPANY SECRETARY

SIMON JONATHAN STORM

(Appointed 21 September 2009)

Simon Storm is a Chartered Accountant with over 20 years of Australian and International experience in the accounting profession and commerce. He has held various senior finance and/or company secretary roles with listed and unlisted entities in the resources, banking, construction, telecommunications and property development industries. In the last 8 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies in these sectors.

DIRECTORS' INTERESTS

The following tables set out the relevant interests of each Director in the share capital of the Company at the date of this report and their participation in Board meetings during the year.

Name of Director	Directors' Interests in Ordinary Shares	Options Over Ordinary Shares
John Atkins*	469,370	-
David Hutton*	587,217	1,500,000
Jon Young*	1,842,703	-
Jeff Gresham	506,037	-

* Includes shares in which the Director holds a relevant interest but is not the registered holder.

DIRECTORS' MEETINGS

Name of Director	Board Meetings	
	A	B
John Atkins	9	9
Jon Young	8	9
Jeff Gresham	8	9
David Hutton	9	9

A- Number of meetings attended

B- Number of meetings held during the time the Director held office during the year.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were exploration for gold, nickel and copper.

RESULT

The consolidated loss after income tax for the financial year was \$3,551,716 (2010: Loss of \$3,896,763).

The Group changed its accounting policy effective 1 July 2010, to expense exploration, evaluation and acquisition costs in the year they are incurred. This resulted in a write off of \$32,190,130 against opening retained earnings at 1 July 2010 and exploration incurred of \$2,640,348 was expensed in the year to 30 June 2011 (2010: \$2,263,714).

DIVIDENDS

No dividend was paid during the year and no dividend will be paid in respect of the current financial year.

REVIEW OF OPERATIONS

During the year, the Group undertook the following activities:

- continued to explore and evaluate its base and precious metals projects;
- in Queensland, drill testing of the Altia Silver-Lead-Zinc Deposit area by BHP Billiton 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.
- priority nickel targets in the Leinster District 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 formed the basis for field activities commencing during the June 2011 quarter;
- the Company sold the East Kimberley Project to a wholly owned subsidiary of ASX listed Panoramic Resources for \$360,000;
- the Company farmed out the Scotia Project Gold Rights to ASX listed Aphrodite Gold Limited, whereby Aphrodite can earn 80% of the gold rights by spending \$1.5 million over a period of up to four years; and
- the Company successfully raised \$3.8 million (before costs) via a Share Purchase Plan and Placement in December 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During December 2010, the Company successfully raised \$3.8 million (before costs) via a Share Purchase Plan and Placement bringing total issued capital to 291.1 million shares at the year end.

Other than this, there have been no significant changes in the state of affairs of the consolidated entity during the financial year.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 18 August 2011 the Company issued 74,380,165 fully paid ordinary shares to Norilsk Nickel Australia Pty Ltd on maturity of the 180 converting notes issued to Norilsk, pursuant to the unsecured redeemable converting note agreement dated 13 May 2006.

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

LIKELY DEVELOPMENTS

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the Company's interests.

ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining and exploration activities situated in Queensland and Western Australia. There are significant environmental regulations under the Queensland and Western Australian Mining and Environmental Protection Acts, including licence requirements relating to waste disposal, water and air pollution and the handling of dangerous goods in relation to these operations. The Company is not aware of any matter that requires disclosure regarding any significant environmental regulation in respect to its operating activities.

SHARE OPTIONS

At the date of this report, unissued ordinary shares of the Company under options are as follows:

Number of Options	Exercise Price	Expiry Date
500,000	15 cents	30-Nov-13
500,000	20 cents	30-Nov-13
500,000	25 cents	30-Nov-13

All options are employee options issued under the terms of the Company's Employee Option Scheme and expire 30 days after termination of the employee's employment.

REMUNERATION REPORT (AUDITED)

This report details the amount and nature of remuneration of each Director of the Company and Executive Officers of the Company during the year.

REMUNERATION POLICY

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in achieving the alignment with shareholder and business objectives.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board obtains independent advice on the appropriateness of compensation packages given trends in comparative companies locally and the objectives of the Company compensation strategy.

Options are issued under the Employee Option Scheme (made in accordance with the criteria as set out in the plan approved by shareholders at the 2008 Annual General Meeting), at the discretion of the Directors or are issued under specific shareholder approval. All options are issued for no consideration. Options granted as part of the executive remuneration have been valued using a Black Scholes option pricing model, which takes account of factors including the option exercise prices, the current level and volatility of the underlying share price, the risk free rate expected, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

The remuneration policy in regards to setting terms and conditions for the Executive Directors has been developed by the Board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors. Remuneration levels are not dependent upon any performance criteria as the nature of the Group's operations is exploration and they are not generating profits. The Board has not established a policy in regard to individuals limiting their exposure to risk in relation the securities granted as part of remuneration.

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefit. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

NON-EXECUTIVE DIRECTORS

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the Non-Executive Directors and reviews their remuneration annually, based on market practices, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is \$250,000, last voted upon by shareholders at the 2006 Annual General Meeting.

The Chairman receives up to \$68,670 per annum, inclusive of superannuation. Non-Executive Directors' fees are not linked to the performance of the consolidated entity. Director fees cover all main board activities and committee memberships.

There are no retirement allowances that exist for Non-Executive Directors.

Details of the nature and amount of each element of the emoluments of Directors and Executives of the parent entity are set out in the following tables.

Name	Short-Term		Post Employment		Share Based Expense	Total Remuneration	Value of Options as Proportion of Remuneration
	Salaries & Fees	Non-Monetary Benefits	Superannuation Benefits	Termination Benefits	Options and Rights		
	\$	\$	\$	\$	\$	\$	%
2011							
Executive Director							
David J Hutton	238,532	-	21,468	-	9,436	269,436	4%
Non Executive Directors							
John K Atkins	63,000	-	5,670	-	-	68,670	
Jon A Young	40,500	-	3,645	-	-	44,145	-
Jeffery J Gresham	40,500	-	3,645	-	-	44,145	-
Total	382,532	-	34,428	-	9,436	426,396	
Key Management Personnel							
Simon Storm	71,700	-	-	-	-	71,700	-
Mark Fletcher (Resigned 4/03/11)	136,651	-	12,299	-	-	148,950	0%
Total	208,351	-	12,299	-	-	220,650	

Name	Short-Term		Post Employment		Share Based Expense	Total Remuneration	Value of Options as Proportion of Remuneration
	Salaries & Fees	Non-Monetary Benefits	Superannuation Benefits	Termination Benefits	Options and Rights		
	\$	\$	\$	\$	\$	\$	%
2010							
Executive Director							
David J Hutton (Appointed a Director 01/05/10)	227,064	-	20,435	-	6,541	254,040	3%
Non Executive Directors							
John K Atkins	63,000	-	5,670	-	-	68,670	
Jon A Young	20,250	-	23,895	-	-	44,145	-
Jeffery J Gresham	40,500	-	3,645	-	-	44,145	-
Garry P Connell (Resigned 20/11/09)	-	-	17,342	-	-	17,342	-
Total	350,814	-	70,987	-	6,541	428,342	
Key Management Personnel							
Simon Storm (Appointed 21/09/2009)	62,148	-	-	-	-	62,148	-
Mark Fletcher (Appointed 03/05/10)	31,667	-	2,850	-	1,060	35,577	3%
Trevor G Hart (Resigned 21/09/09)	46,017	-	3,175	-	-	49,192	-
Total	139,832	-	6,025	-	1,060	146,917	

SERVICE AGREEMENTS

Executive Service Agreement – Mr David Hutton (Managing Director)

Employment commenced on 21 August 2006 and an Executive Service Agreement was entered into on 16 August 2011 and is not for a fixed period.

The main terms of the Executive Service Agreement with Mr Hutton for the year under review are as follows:

Remuneration package (inclusive of superannuation) of \$260,000 pa;
 Salary reviewed in June each year;
 The Company is entitled to terminate the agreement by giving no less than 3 months notice; and
 Mr Hutton is entitled to terminate the agreement by giving no less than 3 months notice.

Remuneration and other terms of employment for the Managing Director and other key management personnel named are formalised in individual open employment contracts with no set terms of agreement. Each of these agreements provide for the participation in the Company's Incentive Option Scheme. All contracts with executives may be terminated early by either party providing four weeks notice. Any vested or unvested options not exercised will be forfeited 4 weeks from the date of resignation.

During the financial year, the following share-based payment arrangements were in existence and the movements during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified Director and Officer are as follows:

Specified Directors	Held at 01-Jul-10	Granted as Remuneration	Exercised	Forfeited/Lapsed	Held at 30-Jun-11
John Atkins	-	-	-	-	-
David Hutton ²	500,000	1,500,000	-	(250,000)	1,750,000
Jon Young	-	-	-	-	-
Jeffery Gresham	-	-	-	-	-
Specified Officers					
Mark Fletcher ¹	1,000,000	-	-	(1,000,000)	-
Simon Storm	-	-	-	-	-

1. – Mr Fletcher resigned 4 March 2011. The value of the options forfeited was \$0 as the share price at resignation date was less than the exercise price.

2 Mr Hutton's options expired on 30 July 2010. At this date the value of the options that lapsed was \$0 as the share price at 30 July 2010 was less than the exercise price.

OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

During the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Director and Officers of the Company as part of their Remuneration:

2011	Number of Options Granted	Grant Date	Fair Value per Option \$	Exercise Price	Expiry Date	Number of Options Vested During the Year
Directors						
David Hutton	1,500,000	30-Nov-10	2.00 cents 1.61 cents 1.33 cents	500,000 at 15 cents 500,000 at 20 cents 500,000 at 25 cents	30-Nov-13	-
Officers						
-	-	-	-	-	-	-
2010						
2010	Number of Options Granted	Grant Date	Fair Value per Option \$	Exercise Price	Expiry Date	Number of Options Vested During the Year
Directors						
-	-	-	-	-	-	-
Officers						
Mark Fletcher ¹	1,000,000	16-Apr-10	0.006 cents	333,333 at 15 cents 333,333 at 20 cents 333,334 at 25 cents	16-Apr-13	-

Note 1 – Mr Fletcher resigned in March 2011 and forfeited these options.

All options granted during the financial year were provided at no cost to the recipients. No options were exercised during the year. The vesting conditions applying to options granted during the year are set out in Note 19.

END OF REMUNERATION REPORT**INSURANCE PREMIUMS**

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability for the current Directors and current and former Officers, including Executive Officers and Secretaries of the Company. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

During the year the Company's auditors have performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001. The nature and scope of non-audit services has been assessed by the Board to ensure that auditor independence was not compromised.

Details of the amounts paid to the auditor of the Company and its related parties for non-audit services provided during the year are set out below:

Consolidated	
2011 \$	2010 \$
7,996	-
-	20,712

REMUNERATION OF AUDITORS – NON AUDIT SERVICES

Amounts received, or due and receivable, for taxation and other services by
Auditors of the Company – MGI

Previous Auditors of the Company – PKF

AUDITOR'S INDEPENDENCE DECLARATION

The copy of the Auditor's Independence Declaration as required under sections 307c of the Corporation Act 2001 is attached to the Independent Auditor's Report and forms part of the Directors' Report.

This report has been signed in accordance with a resolution of the Directors in accordance with s298(2) of the Corporations Act 2001.



John Atkins
Director

Perth
26 September 2011

CORPORATE GOVERNANCE

The Board and Management are committed to Corporate Governance and, to the extent they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"). The Board has adopted comprehensive systems of control and accountability as the basis for the administration of Corporate Governance. These policies and procedures are summarised below. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Other information about the Company's Corporate Governance practices as adopted by the Board and which are continually reviewed to ensure they remain consistent with the needs of the company are set out on the Company's website at www.breakawayresources.com.au.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Summary Statement

Recommendation	ASX Principles and Recommendations	If not, why not	Recommendation	ASX Principles and Recommendations	If not, why not
1.1	√	Refer (a) below	4.2	n/a	n/a
1.2	√	Refer (a) below	4.3	n/a	n/a
1.3	√	Refer (a) below	4.4 ³	n/a	n/a
2.1	√	Refer (b) below	5.1	√	Refer (i) below
2.2	√	Refer (b) below	5.2	√	Refer (i) below
2.3	√	Refer (b) below	6.1	√	Refer (j) below
2.4	X	Refer (c) below	6.2	√	Refer (j) below
2.5	√	Refer (d) below	7.1	√	Refer (k) below
2.6	√	Refer (e) below	7.2	√	Refer (k) below
3.1	√	Refer (f) below	7.3	√	Refer (l) below
3.2	X	Refer (g) below	7.4	n/a	n/a
3.3	X	Refer (g) below	8.1	X	Refer (m) below
3.4	√	Refer (h) below	8.2	n/a	n/a
3.5	X	Refer (g) below	8.3	√	Refer (n) below
4.1	X	Refer (c) below	8.4	n/a	n/a

(a) Principle 1 Recommendation 1.1, 1.2 and 1.3

Companies should establish and disclose functions reserved to the Board and those delegated to senior executives and disclose the process for evaluation of senior executive performance.

Disclosure:

The Company has 3 non-executive directors and a Managing Director. The Managing Director is responsible for ensuring that the Company achieves the goals established by the Board.

The appointments of non-executive directors are formalised in accordance with the regulatory requirements and the Company's constitution.

The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that Shareholder value is increased.

These policies are set out in the "Statement of Matters Reserved for Decision by the Board" and the "Board and Senior Executives Evaluation" policies, both of which are posted on the Company's website.

A performance evaluation was conducted during the previous reporting period with the result that the Chief Executive Officer was invited to join the board of directors as the Managing Director.

(b) Principle 2 Recommendations 2.1, 2.2 and 2.3

A majority of the Board should be independent directors and the Chair should be an independent director. The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The independent directors of the Board are John Atkins, who is the Non Executive Chairman, and Jeff Gresham. Jon Young is not an independent director.

(c) Principle 2 Recommendation 2.4 and Principle 4 Recommendations 4.1, 4.2, 4.3 and 4.4

Notification of Departure

Separate nomination and audit committees have not been formed.

Explanation for Departure

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or special committees is justified at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate ethical standards. In particular, the Board as a whole considers those matters that would usually be the responsibility of an audit committee and a nomination committee and adheres to their respective Charters. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

(d) Principle 2 Recommendation 2.5

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Disclosure:

The Board has adopted a self-evaluation process to measure its performance each year by way of an annual Director's Questionnaire, as well as the Chairman reviewing the individual performance of each Board member. This process includes a review of the composition, performance, effectiveness and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's Executives include:

Annual performance evaluations carried out by the Managing Director/CEO against an established set of performance targets.
Executive performance evaluation report prepared by the Managing Director/CEO and provided to the Board as a basis for making recommendations to the Board in relation to remuneration levels of Executives.

(e) Principle 2 Recommendation 2.6

Companies should provide the information indicated in the Guide to Reporting on Principle 2.

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company during the Reporting Period are disclosed in (b) above. Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board sits in its capacity as a Nomination Committee.

Performance Evaluation

During the Reporting Period the performance evaluations for the Board and individual directors did occur on an informal basis in accordance with the disclosed process in Recommendation 2.5.

Selection and re-appointment of Directors

The Board considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

Each director other than the Managing Director must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Reappointment of directors is not automatic.

(f) Principle 3 Recommendation 3.1

The Company should establish a formal code of conduct.

Disclosure:

Breakaway is committed to the highest standards of ethical business conduct. As part of that commitment, Breakaway established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Breakaway's standards of behaviour and corporate culture reflect best practice in Corporate Governance.

Breakaway also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Breakaway, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

(g) Principle 3 Recommendation 3.2, 3.3 and 3.5

Companies should establish a policy concerning diversity, the measurable objectives for achieving gender diversity, and provide the information listed in Box 3.2 of the Principles & Recommendations for the content of a diversity policy.

Notification of Departure

A Diversity policy has not been established.

Explanation for Departure

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of a diversity policy is justified at this time.

(h) Principle 3 Recommendation 3.4

Companies should disclose the proportion of woman employees and those in executive and on the board.

Disclosure:

Breakaway has 4 employees, of which 1 is a woman. There are no women in senior executive positions or on the board.

(i) Principle 5 Recommendation 5.1 and 5.2

The Company should have written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

Disclosure:

Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure Requirements. The Board has nominated the Managing Director and the Company Secretary as being responsible for all matters relating to disclosure.

(j) Principle 6 Recommendation 6.1 and 6.2

Companies should establish a formal Shareholder communication strategy.

Disclosure:

The Company has established a formal Shareholder communication strategy and it actively communicates with its Shareholders in order to identify their expectations and actively promotes Shareholder involvement in the Company. It achieves this by posting on its website copies of all information lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company are available on request.

(k) Principle 7 Recommendation 7.1 and 7.2

Companies should establish a sound system of risk oversight and management and internal control.

Disclosure:

The Board adopts practices to identify significant areas of risk and to effectively manage those risks in accordance with the consolidated entity's risk profile. Where appropriate the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. The Company's main areas of risk include:

Mineral exploration, development and production;
Fluctuating metal prices and exchange rates;
Financing; and
Title to assets.

The Board gives regular consideration to all these matters.

(l) Principle 7 Recommendation 7.3

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

(m) Principle 8 Recommendations 8.1

Notification of departure

Breakaway does not have a separate remuneration committee.

Explanation for Departure

Due to the Company's small size, it does not consider that a separate remuneration committee would add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Company has established a Remuneration Committee Charter and the Board ensures this is adhered to by setting aside time at specified Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with regulatory requirements, especially in respect of related party transactions; that is, none of the Directors will participate in any deliberations regarding their own remuneration or related issues.

(n) Principle 8 Recommendations 8.3

Companies should distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

The policies adopted by the Company are set out in the audited Remuneration report in the Directors' Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL POSITION	Note	Consolidated		
		2011 30-Jun	2010 30-Jun	2009 01-Jul
		\$	Restated \$	Restated \$
CURRENT ASSETS				
Cash and cash equivalents	6	3,231,428	2,459,029	2,864,070
Trade and other receivables	7	73,115	203,854	35,772
Total Current Assets		3,304,543	2,662,883	2,899,842
NON-CURRENT ASSETS				
Trade and other receivables	7	277,609	282,875	226,875
Property, plant & equipment	8	105,095	151,157	587,720
Available for sale financial assets	9	80,868	91,999	102,247
Total Non-Current Assets		463,572	526,031	916,842
TOTAL ASSETS		3,768,115	3,188,914	3,816,684
CURRENT LIABILITIES				
Trade and other payables	10	667,223	147,917	125,406
Loans and borrowings	11	-	875	11,375
Provisions	12	46,781	58,302	71,833
Total Current Liabilities		714,004	207,094	208,614
NON CURRENT LIABILITIES				
Provisions	12	623,830	627,756	626,368
Total Non Current Liabilities		623,830	627,756	626,368
TOTAL LIABILITIES		1,337,834	834,850	834,982
NET ASSETS		2,430,281	2,354,064	2,981,702
EQUITY				
Issued capital	13	86,159,378	82,544,027	79,290,342
Converting note	14	9,000,000	9,000,000	9,000,000
Reserves	15	699,780	687,198	671,758
Accumulated losses	16	(93,428,877)	(89,877,161)	(85,980,398)
TOTAL EQUITY		2,430,281	2,354,064	2,981,702

The Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF COMPREHENSIVE INCOME	Note	Consolidated	
		2011 \$	2010 \$ Restated
Finance revenue	2	185,152	126,214
Total revenue from continuing operations		185,152	126,214
Other revenue	2	389,629	329,239
Employee benefit expenses		(565,424)	(717,198)
Exploration expenditure		(2,640,348)	(2,263,714)
Capitalised Exploration written off	5		
Depreciation and amortisation costs	3	(44,883)	(159,578)
Administration expense		(420,687)	(511,155)
Consultants expense		(176,665)	(232,370)
Occupancy expense		(265,898)	(346,134)
Impairment of assets available for sale		(14,257)	(1,035)
Impairment of fixed assets	3	-	(320,651)
Reversal of rehabilitation provision		5,000	-
Other expenses from ordinary activities		(3,335)	(41,360)
Loss from continuing operations before tax		(3,551,716)	(4,137,742)
Income tax benefit	5	-	240,979
Net loss for the year		(3,551,716)	(3,896,763)
Other comprehensive income			
Net change in the fair value of available-for-sale financial assets		-	(1,250)
Other comprehensive income for the year, net of tax		-	(1,250)
Total comprehensive income for the year		(3,551,716)	(3,898,013)
Loss attributable to:			
Owners of Breakaway Resources Ltd		(3,551,716)	(3,896,763)
Total comprehensive income for the year is attributable to:			
Owners of Breakaway Resources Ltd		(3,551,716)	(3,898,013)
Basic and diluted loss per share (cents per share)	22	(1.33)	(1.91)

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

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	3,589,100	-	-	-	3,589,100
Share-based payments	-	-	16,689	-	16,689
Share issue costs	(335,415)	-	-	-	(335,415)
	82,544,027	9,000,000	688,448	(85,980,398)	6,252,077
Loss attributable to members of the parent entity	-	-	-	(3,896,763)	(3,896,763)
	82,544,027	9,000,000	688,448	(89,877,161)	2,355,314
Financial Asset Revaluation	-	-	(1,250)	-	(1,250)
Restated balance at 30 June 2010	82,544,027	9,000,000	687,198	(89,877,161)	2,354,064
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	-	-	12,582	-	12,582
Share issue costs	(219,854)	-	-	-	(219,854)
	86,159,378	9,000,000	699,780	(89,877,161)	5,981,997
Loss attributable to members of the parent entity	-	-	-	(3,551,716)	(3,551,716)
	86,159,378	9,000,000	699,780	(93,428,877)	2,430,281
Financial Asset Revaluation	-	-	-	-	-
Balance at 30 June 2011	86,159,378	9,000,000	699,780	(93,428,877)	2,430,281

The Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF CASH FLOWS	Note	Consolidated	
		2011 \$	2010 \$
Cash Flows from Operating Activities			
Cash receipts in the course of operations		373,157	50,215
Cash payments in the course of operations		(3,543,403)	(4,126,651)
Interest received		178,846	124,606
R&D - Tax offset		124,951	117,005
Net cash used in operating activities	6(b)	(2,866,449)	(3,834,825)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(1,850)	(43,666)
Proceeds from sale of property, plant and equipment		19,501	-
Proceeds from sale of available for sale financial assets		-	295,576
Payment for available for sale financial assets		(3,125)	(10,250)
Deposits received/(relinquished)		9,846	(55,061)
Net cash used in Investing Activities		24,372	186,599
Cash Flow from Financing Activities			
Proceeds from share issue (net of transaction costs)		3,835,205	3,589,100
Share issue costs		(219,854)	(335,415)
Repayment of hire purchase liability		(875)	(10,500)
Net Cash provided by/(used in) Financing Activities		3,614,476	3,243,185
Net increase/(decrease) in cash held		772,399	(405,041)
Cash at the beginning of the financial year		2,459,029	2,864,070
Cash at the End of the Financial Year	6	3,231,428	2,459,029

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1) NOTES TO THE FINANCIAL STATEMENTS

a) CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 22 September 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 the Director's Report.

b) GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity had a net working capital surplus of \$2,590,539 (2010: \$2,455,789) after experiencing net cash outflows from operating activities of \$2,866,449 (2010: \$3,834,825) and after incurring a comprehensive loss after tax for the year ended 30 June 2011 of \$3,551,716 (2010: \$3,898,013).

However, in order to continue the Company's planned exploration program, the Company will require further funding in the next 15 months. Should the Company be unable to raise sufficient funds, the planned exploration program may have to be amended.

Accordingly, the Directors believe that there are sufficient funds to meet the consolidated entity's working capital requirements.

The Board is confident in securing sufficient additional funding to provide working capital for at least the next 15 months as it has in the past.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

i. Statement of Compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Australian Interpretation) issued by the Australian Accounting Standards Board. The financial report complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

ii. Basis of Measurement

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars which is the Group's functional currency.

iii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Breakaway Resources Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Breakaway Resources Limited has control.

iv. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand; cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

v. Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

vi. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

vii. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. Impairment losses in respect of goodwill are not reversed.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

viii. Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Breakaway Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

ix. Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Consolidated Entity as Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

x. Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables and other account payables are measured at amortised cost.

xi. Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	3 – 10 years
Plant and equipment	3 – 10 years
Equipment under finance lease	3 – 10 years

xii. Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Provisions for the restoration and rehabilitation of mine and industrial sites are determined based on the best estimate of the consideration required to settle the present obligation at the reporting date.

Provisions are reviewed each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, or the best estimate is lower than previously estimated, the provision is reversed to profit.

xiii. Revenue Recognition

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

xiv. Share-Based Payments to Employees

Fair value is measured by use of an appropriate valuation model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

xv. Exploration, Evaluation and Development

Exploration, evaluation and acquisition costs are expensed as incurred.

xvi. Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

xvii. Investments

All investments are initially recognised at fair value of the consideration given and including acquisition charges associated with the investment.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured as fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

xviii. Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised as an expense when incurred.

xix. Converting Note

The proceeds received from issue of the convertible notes are recognised as an equity instrument at the date of the transaction. Subsequent changes in the fair value of equity instruments are not recognised in the financial statements.

xx. Critical judgements in applying accounting policies

Key sources of estimation uncertainty

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black Scholes option pricing model, using the assumptions detailed in note 19.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

xxi. Adoption of new and revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's accounting for financial assets as it does not have any available for sale assets. There will be no impact on the

group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group has decided not to early adopt AASB 9.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Breakaway Resources Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(iv) AASB 10 Consolidated Financial Statements (effective from 1 July 2013)

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) AASB 11 Joint Arrangements (effective from 1 July 2013).

AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement.

Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.

(vi) AASB 12 Disclosure of Interests in Other Entities (effective from 1 July 2013)

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

(vii) AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards (effective from 1 July 2013).

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities.

(viii) AASB 13 Fair Value Measurement (effective from 1 January 2013).

AASB 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

2) PROFIT FROM OPERATIONS

	Consolidated	
	2011 \$	2010 \$
Revenue		
Interest income	185,152	126,214
Total revenue	185,152	126,214
Other income	3,157	50,215
Profit on sale of available for sale assets	-	179,024
Profit on sale of fixed assets	16,472	-
Income on disposal of tenement rights	370,000	100,000
Total other revenue	389,629	329,239
	574,781	455,453

3) PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

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

	Consolidated	
	2011 \$	2010 \$
Impairment write down of property, plant & equipment	-	320,651
Depreciation and Amortisation:		
Plant and equipment	44,883	159,578
Total Depreciation and Amortisation	44,883	159,578
Share based payments expense	12,582	16,689

4) REMUNERATION OF AUDITORS

	Consolidated	
	2011 \$	2010 \$
Audit Services		
Auditors of the Company – MGI	18,014	-
Auditors of the Company – Deloitte	-	15,000
Auditors of the Company – PKF	-	5,204
	18,014	20,204
Amounts received, or due and receivable, for taxation and other services by:		
Auditors of the Company – MGI	7,996	-
Auditors of the Company – PKF	-	20,712

5) INCOME TAX

A reconciliation of income tax benefit applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2011 and 2010 are as follows:

	Consolidated	
	2011 \$	2010 \$
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss before tax	(3,551,716)	(4,137,742)
Income tax benefit at 30%	1,065,515	1,241,322
Non-deductible expenses:		
Share based payment expense	(3,775)	(5,007)
Other non deductible expenses	(166)	(995,336)
Unused tax losses and other temporary differences not recognised	(1,061,574)	-
Income tax benefit attributable to loss from ordinary activities before tax	-	240,979
Unrecognised deferred tax balances		
Tax losses attributable to members of the tax consolidated group - revenue	(67,381,144)	(63,851,536)
Potential tax benefit at 30%	20,214,343	19,155,461
Deferred tax liability not booked		
Accrued interest	(5,156)	(3,264)
Deferred tax assets not booked		
Amounts recognised in profit & loss		
Provisions	212,603	205,817
Accruals	89,474	16,772
Plant & Equipment	-	96,195
Available for sale financial assets	79,687	75,410
Amounts recognised in equity		
Share issue costs	125,140	143,781
Capital losses	713,777	772,948
Net unrecognised deferred tax asset at 30%	21,429,868	20,463,120

The tax losses do not expire under tax legislation. Deferred tax assets have not been recognised in respect of these items because it's not probable that future taxable profit will be available against which the Company can utilise these benefits.

5) INCOME TAX (continued)

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the consolidated entity have entered into a tax sharing arrangement in order to allocate income tax expenses to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Breakaway Resources Limited.

Tax Effect Accounting by Members of the Tax Consolidated Group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the member entities' inter-company accounts with the tax consolidated group head company, Breakaway Resources Limited. In this regard the Company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

6) CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	\$	\$
Cash at bank and in hand	709,221	2,437,947
Short-term deposits	2,522,207	21,082
	3,231,428	2,459,029

The Company only deposits cash surpluses with major banks of high quality credit standing.

Cash at bank and in hand is kept to a minimum to limit non-interest earning component of available cash.

Bank deposits at call earn interest at a floating rate based on the deposit balance.

Short-term deposits are made on a monthly basis with a drawdown amount dependent upon the cash requirements of the Company, and earn interest at the respective short-term deposit rates.

(a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Cash and cash equivalents	3,231,428	2,459,029

6) CASH AND CASH EQUIVALENTS (continued)**(b) The reconciliation of loss after income tax to net cash flows from operating activities:**

	Consolidated	
	2011 \$	2010 \$
Profit/(Loss) from ordinary activities after income tax	(3,551,716)	(3,896,763)
Add non-cash items		
Depreciation	44,883	159,578
Share option expense	12,582	16,689
Impairment of fixed assets	-	320,651
Available for sale assets acquired non cash	-	(100,000)
Impairment of assets available for sale	14,257	1,035
Profit on sale of fixed assets	(16,472)	-
Profit on sale of available for sale assets	-	(179,024)
Net cash used in operating activities before change in assets and liabilities	(3,496,466)	(3,677,834)
(Increase)/Decrease in Assets		
Receivables	107,102	(201,774)
Increase/(Decrease) in Liabilities		
Trade creditors	481,239	28,233
Other creditors	38,066	-
Provisions	3,610	16,550
Net cash used in operating activities	(2,866,449)	(3,834,825)

7) TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011 \$	2010 \$
Current		
Other receivables	3,966	145,355
Interest Receivable	17,187	10,881
GST recoverable	51,962	47,618
	73,115	203,854
Non-Current		
Other - mining and rental bonds	277,609	282,875
	277,609	282,875

Other receivables are non-interest bearing, are generally on 30 day terms and are not overdue.

The Group has provided performance and other guarantees to the value of \$249,407 over these mining and tenement bonds. Refer to note 21 for more details.

8) PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2011	2010
	\$	\$
Plant and equipment – at cost	592,634	624,875
Less: Accumulated depreciation	(487,539)	(473,718)
Total property, plant and equipment at net book value	105,095	151,157

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated	
	2011	2010
	\$	\$
Plant and Equipment		
Carrying amount at beginning of year	151,157	587,467
Additions	1,850	43,919
Impairment writedown	-	(320,651)
Disposals	(3,029)	-
Depreciation	(44,883)	(159,578)
Carrying amount at end of year	105,095	151,157

9) AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated	
	2011	2010
	\$	\$
Non-Current		
Shares listed on a prescribed stock exchange - cost	346,491	343,366
Less: Provision for diminution in value	(265,623)	(251,367)
Carrying amount at year end	80,868	91,999

10) TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
	\$	\$
Current		
Trade creditors	330,912	92,885
Accruals	298,245	55,032
Group Tax	29,731	-
Superannuation Payable	8,335	-
	667,223	147,917

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 day terms; and
- Other payables are non-interest bearing.

11) LOANS AND BORROWINGS

	Consolidated	
	2011 \$	2010 \$
Current		
Lease/hire purchase liability	-	875
	<u>-</u>	<u>875</u>

12) PROVISIONS

	Consolidated	
	2011 \$	2010 \$
Current		
Employee benefits	46,781	58,302
	<u>46,781</u>	<u>58,302</u>
Non-Current		
Employee benefits	3,830	2,756
Rehabilitation	620,000	625,000
	<u>623,830</u>	<u>627,756</u>

The movements in provisions are analysed as follows:-

	Consolidated		
	Employee benefits \$	Rehabilitation \$	Total \$
Consolidated			
At 1 July 2010	61,058	625,000	686,058
Arising during the year	81,252	-	81,252
Utilised	(91,699)	-	(91,699)
Unused amounts reversed	-	(5,000)	(5,000)
At 30 June 2011	<u>50,611</u>	<u>620,000</u>	<u>670,611</u>
Current 2011	<u>46,781</u>	-	<u>46,781</u>
Non-current 2011	<u>3,830</u>	<u>620,000</u>	<u>623,830</u>

13) CONTRIBUTED EQUITY

	Consolidated	
	2011	2010
	\$	\$
291,100,507 (2010: 239,273,318) ordinary shares, fully paid	86,159,378	82,544,027

	Consolidated	
	2011	2010
	Number	Number
(i) Ordinary shares - number		
At start of year	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 year	291,100,507	239,273,318

	Consolidated	
	2011	2010
	\$	\$
(ii) Ordinary shares – value		
At start of year	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	(219,854)	(335,415)
Balance at end of year	86,159,378	82,544,027

14) CONVERTING NOTES

	Consolidated	
	2011	2010
	\$	\$
Current		
Equity portion of converting note	9,000,000	9,000,000

The terms of the \$9,000,000 Converting Notes issued are as follows:

- 18 Converting Notes with a face value of \$500,000 each and interest free;
- Converting at 40 cents per share within 5 years after issue;
- Redeemable by Breakaway at any time; and
- Notes automatically converted on the maturity date on 18 August 2011 by Breakaway either electing to the payment of cash or the conversion into shares at 12.5 cents per share (diluted to 12.1 cents per share in accordance with convertible note agreement dated 13 May 2006).

These notes were converted into 74,380,165 fully paid ordinary on the maturity date – refer to Note 26.

15) RESERVES

	Consolidated	
	2011	2010
	\$	\$
Employee Share Based Payments Reserve	699,780	687,198
Investments Revaluation Reserve	-	-
At end of year	699,780	687,198
Employee Share Based Payments Reserve		
At start of year	687,198	670,509
Employee share based payments	12,582	16,689
At end of year	699,780	687,198
Investments Revaluation Reserve		
At start of year	-	1,250
Net loss on available-for-sale financial assets	-	(1,250)
At end of year	-	-

16) ACCUMULATED LOSSES

	Consolidated		
	2011	2010	2009
	\$	\$	\$
		Restated	Restated
Accumulated losses at the beginning of the financial year	(89,877,161)	(85,980,398)	(83,707,398)
Net loss attributable to members of the parent entity	(3,551,716)	(3,896,763)	(2,273,000)
Accumulated losses at the end of the financial year	(93,428,877)	(89,877,161)	(85,980,398)

17) RELATED PARTY DISCLOSURES

Directors

The names of each person holding the position of Director of Breakaway Resources Limited during the financial year were:

John K Atkins – appointed 24 November 2006

David J Hutton – appointed 1 May 2010

Jonathan A Young – appointed since 2003

Jeffery J Gresham – appointed 1 October 2006

Directors Remuneration

Information on Directors Remuneration is disclosed in the Directors' Report.

Directors' Holdings of Shares and Share Options

The interests of Directors of the Company and their Director-related entities in shares and share options of the Company are set out as follows:

	2011	2010
Ordinary shares	26,691,369	21,096,773
Options	1,750,000	250,000

Mr Jonathan Young is also the Chairman of FMR Investments Pty Ltd (FMR) which held 23,286,042 shares in the Company at 30 June 2011.

Transactions with Controlled Entities

The Company performs certain office services and pays for certain items on behalf of controlled entities. These transactions are on-charged to the subsidiaries in the normal course of business. Interest is no longer charged on the inter-company loan accounts (2010: 3.7%)

18) KEY MANAGEMENT PERSONNEL

Details of Specified Directors and Key Management Personnel

(i) Specified Directors

Mr John K Atkins	Chairman (Non-Executive)
Mr David J Hutton	Managing Director (Appointed 1 May 2010)
Mr Jonathan A Young	Director (Non-Executive)
Mr Jeffrey J Gresham	Director (Non-Executive)

(ii) Key Management Personnel

Mr Simon Storm	Company Secretary
Mr Charles (Mark) Fletcher	Exploration Manager (resigned 4 March 2011)

Remuneration relating to Directors and Key Management Personnel are included in the Directors' Report.

18) KEY MANAGEMENT PERSONNEL (continued)**EQUITY HOLDINGS AND TRANSACTIONS**

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified Director and Officer is as follows:

Specified Directors	Purchases or held				
	Held at 1-Jul-10	at date of employment	Received on Exercise of Options	Sales/Other Movements	Held at 30-Jun-11
John Atkins	266,667	202,703	-	-	469,370
David Hutton	384,514	202,703	-	-	587,217
Jon Young	1,640,000	202,703	-	-	1,842,703
Jeffery Gresham	303,334	202,703	-	-	506,037
Specified Officers					
Mark Fletcher ¹	-	-	-	-	-
Simon Storm	-	-	-	-	-

1. – Mr Fletcher resigned 4 March 2011.

Aggregate compensation made to key management personnel is set out below:

	Consolidated	
	2011 \$	2010 \$
Short-term employee benefits	590,883	490,646
Post-employment benefits	46,727	77,012
Other long-term benefits	-	-
Share-based payment	12,582	7,601
Total compensation	650,192	575,259

19) EMPLOYEE BENEFITS**Share Based Payments**

The Company has an Employee Option Scheme which was approved at the 2008 Annual General Meeting held on 28 November 2008. Each option is convertible to one ordinary share. The exercise prices of the options are determined in accordance with the rules of the plan and will be the greater of 120% of the market value of shares on the day the option is issued, 20 cents or a price determined by the Directors in their discretion. All employee options expire on the earlier of their expiry date or 30 days after termination of the employee's employment. There are no voting rights attached to the options or to the unissued ordinary shares, voting rights will be attached to the issued ordinary shares when options have been exercised. Details of options over unissued ordinary shares as at the beginning and end of the reporting periods and movements during the year are set out below.

Grant date	Expiry date	Exercise price	Fair value at grant date	Number of options at beginning of year	Options granted	Options lapsed	Options exercised	Number of options on issue at end of year	
								Vested	Unvested
30-Jul-07	30-Jul-10	\$0.85	\$0.196	450,000	-	(450,000)	-	-	-
30-Jul-08	30-Jul-11	\$0.58	\$0.080	650,000	-	-	-	650,000	-
21-Nov-07	21-Nov-10	\$0.85	\$0.306	750,000	-	(750,000)	-	-	-
16-Apr-10	16-Apr-13	\$0.15	\$0.011	333,333	-	(333,333)	-	-	-
16-Apr-10	16-Apr-13	\$0.20	\$0.009	333,333	-	(333,333)	-	-	-
16-Apr-10	16-Apr-13	\$0.25	\$0.007	333,334	-	(333,334)	-	-	-
30-Nov-10	30-Nov-13	\$0.15	\$0.020	-	500,000	-	-	-	500,000
30-Nov-10	30-Nov-13	\$0.20	\$0.016	-	500,000	-	-	-	500,000
30-Nov-10	30-Nov-13	\$0.25	\$0.013	-	500,000	-	-	-	500,000

19) EMPLOYEE BENEFITS (continued)

1,500,000 options were granted to the Managing Director following approval by shareholders in November 2010. Details on the option issues to key management personnel are included in the Remuneration Report section of the Directors' Report. The number and weighted average exercise price of these options and previously granted are as follows:

	2011		2010	
	No.	Weighted average exercise price	No.	Weighted average exercise price
		Cents		Cents
Outstanding at the beginning of the year	2,850,000	56	4,575,000	68
Granted during the year	1,500,000	20	1,000,000	20
Forfeited during the year	(1,000,000)		(1,150,000)	
Exercised during the year	-		-	
Expired during the year	(1,200,000)		(1,575,000)	
Outstanding at the end of the year	<u>2,150,000</u>	31	<u>2,850,000</u>	56
Exercisable at the end of the year	<u>650,000</u>		<u>1,525,000</u>	

The outstanding balance as at 30 June 2011 is represented by:

- 1,500,000 options vesting as follows:
 - 500,000 in 12 months from grant date on 30 November 2010 with an exercise price of 15 cents expiring 30 November 2013.
 - 500,000 in 24 months from grant date on 30 November 2010 with an exercise price of 20 cents expiring 30 November 2013.
 - 500,000 in 36 months from grant date on 30 November 2010 with an exercise price of 25 cents expiring 30 November 2013.
- 650,000 options fully vested with an exercise price of 58 cents expiring 30 July 2011. These options expired subsequent to year end.

The fair value of the equity-settled share options granted under the option plan was estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2011:

	2011	2010
Expected volatility (%)	74%	76%
Risk-free interest rate (%)	6%	5%
Expected life of option (years)	3 years	3 years
Exercise price (cents)	15, 20 and 25 cents	15, 20 and 25 cents
Grant date share price	7.9 cents	5.5 cents

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

20) SEGMENT INFORMATION

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The operating segment identified by the Company is in the natural resources exploration and mining industry in Australia.

21) FINANCING ARRANGEMENTS

Performance Guarantees

Unconditional Performance Bonds have been lodged with the Department of Mines and Petroleum for the progressive rehabilitation and reclamation of the mineral tenements of a controlled entity. These bonds have been provided under a guarantee facility provided by Investec Bank (Australia) Limited with a restricted cash deposit of \$5,000 (2010: \$5,000).

Unconditional Performance Bonds have been lodged with the Department of Mines and Petroleum for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Macquarie Bank Limited totalling \$59,000 (2010: \$59,000).

Unconditional Performance Bonds have been lodged with the Department of Mines and Petroleum for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Bankwest totalling \$16,200 (2010: \$11,200).

Unconditional Performance Bonds have been lodged with the Department of Mines and Petroleum for the progressive rehabilitation and reclamation of mineral tenements of a controlled entity. The Bond is secured by a fixed charge over a cash deposit account with Bankwest totalling \$10,000 (2010: \$10,000).

Unconditional Performance Bonds have been lodged with the Department of Mines and Petroleum for the progressive rehabilitation and reclamation of mineral tenements of the company. The Bonds are secured by a fixed charge over a cash deposit account with Westpac Bank totalling \$30,000 (2010: \$30,000).

Other Guarantees

The Company has a \$74,805 performance guarantee in place to secure the payment of rent under the Company's sub-let premises at offices at 15 Rheola Street, West Perth. This guarantee is secured by a \$74,805 term deposit with Bankwest. This is partially offset by a guarantee from the sub lessee for \$48,237.

The Company also has in place a \$54,402 performance guarantee in place to secure the payment of rent under the Company's lease of premises of its offices at 23 Ventnor Avenue, West Perth. This guarantee is secured by a \$55,000 term deposit with Bankwest.

The total performance and other guarantees amounts to \$249,407.

22) LOSS PER SHARE

	Consolidated	
	2011 \$	2010 \$
<i>Basic loss per share (cents per share)</i>	(1.33)	(1.91)

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Loss for the year	(3,551,716)	(3,896,763)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	266,610,736	203,776,727

Diluted loss per share

The loss per share is antidilutive and thus the diluted loss per share is the same as the basic loss per share.

23) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, available for sale investments, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, market risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessments of market forecasts for interest rate, and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

RISK EXPOSURES AND RESPONSES**Credit Risk Exposure**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk the Group is exposed to is not greater than the carrying value of its financial assets.

Recognised Financial Instruments

The credit risk on financial assets (excluding investments) of the consolidated entity, which have been recognised on the balance sheet, is the carrying amount, less any provision for doubtful debts.

Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is:

23) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CONSOLIDATED	Weighted Average Interest rate	Floating interest rate	Fixed interest rate	Non-interest Bearing	Total
		\$	\$	\$	\$
2011					
Financial Assets					
Cash & cash equivalents	5.42%	3,231,428	-	-	3,231,428
Trade & other receivables	5.60%	277,609	-	21,153	298,762
Available- for- sale financial assets	-	-	-	80,868	80,868
		3,509,037	-	102,021	3,611,058
Financial Liabilities					
Trade and other payables	-	-	-	667,223	667,223
		-	-	667,223	667,223

CONSOLIDATED	Weighted Average Interest rate	Floating interest rate	Fixed interest rate	Non-interest Bearing	Total
		\$	\$	\$	\$
2010					
Financial Assets					
Cash & cash equivalents	3.53%	2,459,029	-	-	2,459,029
Trade & other receivables	2.57%	282,875	-	203,854	486,729
Available for sale financial assets	-	-	-	91,999	91,999
		2,741,904	-	295,853	3,037,757
Financial Liabilities					
Trade and other payables	-	-	-	147,917	147,917
Loans and borrowings	-	-	875	-	875
		-	875	147,917	148,792

The Group has no variable interest rate risk relating to long-term debt obligations. Earnable interest on cash and inter company loans are exposed to market interest rate fluctuations.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated	
	2011	2010
	\$	\$
Financial Assets		
Cash and cash equivalents	3,231,428	2,459,029
Trade and other receivables	277,609	282,875
Net exposure	3,509,037	2,741,904

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Judgements of reasonably possible movements:

	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
	2011	2010	2011	2010
	\$	\$	\$	\$
Consolidated Group				
+1% (100 basis points)	31,670	23,728	31,670	23,728
-1% (100 basis points)	(31,670)	(23,728)	(31,670)	(23,728)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Foreign Currency Risk

At Balance date the group currently has no off-shore cash or investments and is not exposed to foreign currency risk.

Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised Financial Instruments

Listed shares included in other financial assets are traded in an organised financial market and the net fair value is determined by valuing them at the quoted market bid price for the shares at balance date (these are all Level1).

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of accounts receivable, payables, bank loans and lease liabilities approximate net fair value.

Liquidity Risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of cash at bank, finance leases and hire purchase contracts.

The table below reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities as of 30 June 2011. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2011	2010
	\$	\$
6 months or less	667,223	147,918
6-12 months	-	-
1-5 years	-	-
over 5 years	-	-
	667,223	147,918

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Maturity Analysis of Financial Assets and Liability based on Management Expectation**

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk to monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks.

Year ended 30 June 2011	<6 months	6-12 months	1-5 years	>5 years	Total
	\$	\$	\$	\$	\$
Consolidated					
Financial assets					
Cash & cash equivalents	3,231,428	-	-	-	3,231,428
Trade & other receivables	21,153	-	-	-	21,153
Security bonds	-	-	129,805	147,804	277,609
Available for sale financial assets	80,868	-	-	-	80,868
	3,333,449	-	129,805	147,804	3,611,058
Financial liabilities					
Trade & other payables	667,223	-	-	-	667,223
	667,223	-	-	-	667,223
Net maturity	2,666,226	-	129,805	147,804	2,943,835
Year ended 30 June 2010					
	<6 months	6-12 months	1-5 years	>5 years	Total
	\$	\$	\$	\$	\$
Consolidated					
Financial assets					
Cash & cash equivalents	2,459,029	-	-	-	2,459,029
Trade & other receivables	202,507	-	-	-	202,507
Security bonds	-	-	129,805	153,070	282,875
Available for sale financial assets	91,999	-	-	-	91,999
	2,753,535	-	129,805	153,070	3,036,410
Financial liabilities					
Trade & other payables	147,918	-	-	-	147,918
	147,918	-	-	-	147,918
Net maturity	2,605,617	-	129,805	153,070	2,888,492

Capital Risk Management

The Consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Consolidated entity consists of cash and cash equivalents, and the equity attributed to equity holders of the parent, comprising issued capital, Converting notes, and reserves are disclosed in notes 13, 14, 15, respectively and accumulated losses.

Due to the nature of the Consolidated entity's activities (exploration) the directors believe that the most advantageous way to fund activities is through equity. The Consolidated entity's exploration is monitored by use of budgeting to ensure that adequate funds are available.

24) COMMITMENTS

Consolidated	
2011	2010
\$	\$

(i) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments

- not later than 12 months	137,647	264,853
- between 12 months and 5 years	135,286	83,763
- greater than 5 years	-	-
	272,933	348,616

Lease/Hire Purchase Liabilities provided for in the financial statements

Current	-	875
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The consolidated entity has minimum expenditure obligations in pursuance of the terms and conditions of mining tenements in the forthcoming year of approximately \$2,244,680 (2010: \$2,305,680). These obligations are not provided for in the financial report. These obligations may be varied from time to time subject to statutory approval.

25) PARENT ENTITY FINANCIAL INFORMATION

The Company	
2011	2010
\$	\$

Current assets	3,304,404	2,661,914
Total assets	3,709,281	15,052,405
Current liabilities	714,006	207,095
Total liabilities	972,836	469,851

Shareholders equity

Share capital	86,159,378	82,544,027
Converting Note	9,000,000	9,000,000
Reserves	699,780	687,198
Accumulated losses	(93,122,713)	(77,648,671)
	2,736,445	14,582,554

Net loss	(15,474,042)	(26,510,983)
Total comprehensive income	(15,474,042)	(26,512,233)

Performance Guarantees (refer to Note 21)	236,409	241,675
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26) EVENTS SUBSEQUENT TO REPORTING DATE

On 18 August 2011 the Company issued 74,380,165 fully paid ordinary shares to Norilsk Nickel Australia Pty Ltd on maturity of the 180 converting notes issued to Norilsk, pursuant to the unsecured redeemable converting note agreement dated 13 May 2006.

Other than the aforementioned, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

27) 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 expense 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 year ended 30 June 2011 is as follows (no taxation effect results from these changes):

	Previously stated \$	2010 Adjustment \$	Restated \$
Consolidated Group			
Statement to Statement of Comprehensive Income (30 June 2010)			
Exploration & impairment expense ¹	(16,292,796)	14,029,082	(2,169,755)
Loss before income tax	(17,925,845)	14,029,082	(3,896,763)
Basic and diluted loss per share (cents)	<u>(8.80)</u>	<u>6.88</u>	<u>(1.91)</u>
Statement of Financial Position (30 Jun 2010)			
Exploration and evaluation expenditure	18,161,048	(18,161,048)	-
Opening accumulated losses	<u>(53,790,268)</u>	<u>(32,190,130)</u>	<u>(85,980,398)</u>
Statement of Financial Position (1 Jul 2009)			
Exploration and evaluation expenditure	32,190,130	(32,190,130)	-
Opening accumulated losses	<u>(53,790,268)</u>	<u>(32,190,130)</u>	<u>(85,980,398)</u>

Note 1 - exploration expenditure previously expensed of \$93,959 in 2010. The total of the effect of the change in the accounting policy plus this previous expense is \$2,263,714, as shown as the 2010 restated Exploration Expense in the Statement of Comprehensive Income.

28) REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Registered office and principal place of business: Unit 14, 531 Hay Street, Subiaco, Western Australia, 6009.

DIRECTORS' DECLARATION

In the opinion of the directors of Breakaway Resources Limited ("the Company"):

a) the financial statements and notes and the remuneration disclosures that are contained on pages 4 to 7 of the remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2011 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(c) (i);

c) there are reasonable grounds to believe that the Company and the consolidated entity will be able to pay their debts as and when they become due and payable.

2. The directors have been given the declarations pursuant to Section 295A of the Corporation Act 2001 for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors



John Atkins
Director

Perth

26 September 2011

Independent auditor's report to the members of Breakaway Resources Limited

Report on the financial report

We have audited the accompanying financial report of Breakaway Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(c)(i), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

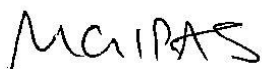
- (a) the financial report of Breakaway Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial positions as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c)(i).

Report on the remuneration report

We have audited the remuneration report included of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Breakaway Resources Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.



MGI Perth Audit Services Pty Ltd



TJ Spooner CA FCA(UK) ACIS
Director

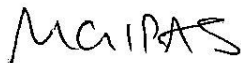
Perth, 26 September 2011

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 audit for the financial year ended 30 June 2011 there have been:

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



MGI Perth Audit Services Pty Ltd



TJ Spooner CA FCA(UK) ACIS
Director

Perth, 26 September 2011

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 4 October 2011.

CAPITAL STRUCTURE

Listed on the Australian Stock Exchange are 365,480,672 fully paid shares. The Company has 1,500,000 unquoted options on issue.

TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

SHAREHOLDERS	Number of shares held	% Holding
1 NORILSK NICKEL AUSTRALIA PTY LTD	107,779,198	29.5%
2 FMR INVESTMENTS PTY LIMITED	22,083,339	6.0%
3 MR ROBERT GEMELLI	9,457,203	2.6%
4 MR GARRY PATRICK CONNELL + MS DEVRYN LEE CONNELL <CONNELL CONTRACTOR SUPER A/C>	6,398,413	1.8%
5 LEET INVESTMENTS PTY LIMITED	5,284,400	1.4%
6 LEET INVESTMENTS PTY LTD <SUPERANNUATION FUND A/C>	4,750,000	1.3%
7 NEFCO NOMINEES PTY LTD	3,997,673	1.1%
8 HANOBINE HOLDINGS PTY LTD	3,976,750	1.1%
9 MR JOHN SIDNEY SNELL + MRS CAROLE VERONICA SNELL <JCTS SUPER FUND A/C>	2,999,999	0.8%
10 HANOBINE HOLDINGS PTY LTD <COLLICA SUPER FUND A/C>	2,500,000	0.7%
11 GASCORP AUSTRALIA PTY LTD	2,400,000	0.7%
12 MR WILLIAM GORDON MARTIN + MRS BEVERLEY MICHELLE MARTIN <CHEMCO SUPER FUND A/C>	2,202,703	0.6%
13 WYTHENSHAW PTY LTD	2,097,778	0.6%
14 MRS VANESSA HICKEY	2,078,091	0.6%
15 REDTOWER CORPORATION PTY LTD <SACKS SUPER FUND A/C>	2,003,688	0.5%
16 HOLBROOK CORPORATION PTY LTD	1,924,312	0.5%
17 RAGGED HOLDINGS PTY LTD <RAGGED SUPER A/C>	1,842,703	0.5%
18 CHETAN ENTERPRISES PTY LTD	1,743,244	0.5%
19 JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME	1,709,899	0.5%
20 SOCIETE GENERALE (CANADA BRANCH)	1,666,668	0.5%
	188,896,061	51.7%

DISTRIBUTION OF SHAREHOLDINGS

The distribution of shareholdings as at 4 October 2011 was:

Category (size of holding)	Number of Holders
1 - 1,000	192
1,001 - 5,000	517
5,001 - 10,000	384
10,001 - 100,000	1,043
100,001 - and over	416
	2,552

The number of shareholdings held in less than marketable parcels is 887.

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	No. of Shares
NORILSK NICKEL AUSTRALIA PTY LTD	107,779,198
FMR INVESTMENTS PTY LIMITED	23,266,042

VOTING RIGHTS

Under the Company's constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for every ordinary share held.

COMPANY SECRETARY

Mr Simon Storm.

REGISTERED OFFICE

The registered office is at: Unit 14, 531 Hay Street, Subiaco, WA 6008
Telephone: +61 8 9278 6444
Facsimile: +61 8 9278 6449