



breakaway

BREAKAWAY RESOURCES LIMITED

ABN 16 061 595 051

FINANCIAL REPORT

for the Half-Year Ended

31 December 2011

BREAKAWAY RESOURCES LIMITED
ABN 16 061 595 051

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DIRECTORS' REPORT

The Directors of Breakaway Resources Limited ("Breakaway or the "Company") present their report together with the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2011.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

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

RESULT

The loss from ordinary activities after income tax for the financial period was \$2,201,177 (2010: Loss of \$1,550,123).

REVIEW OF OPERATIONS

During the half year ending 31 December 2011, the Group undertook the following activities:

- continued to explore and evaluate its base and precious metals projects;
- focussed on evaluating the potential of the highly prospective copper – gold Eloise Exploration Project, located within the Cloncurry District of North West Queensland;
- significant new copper – gold system over 600 metres strike to 120 metres vertical identified at Sandy Creek (Eloise Exploration Project) with positive results returned;
- convertible note matured and settled through the issue of 74.4 million fully paid ordinary Breakaway shares to Norilsk Nickel Australia Pty Ltd;
- awaiting results from infill RC drilling programme completed at the Chameleon Prospect (Scotia Project) by Scotia Gold Rights JV partner Aphrodite Gold Limited ahead of planned 2012 resource drilling program;
- diamond drilling underway at Altia JV to further test the potential of the Altia Deposit to host a world-scale silver-lead-zinc system;
- the future of the Company's nickel projects continues to be strategically reviewed; and
- the Company successfully raised \$1.1 million (before costs) through a strategic share placement of 22.7 million fully paid ordinary shares at an issue price of 4.9 cents per share.

SUBSEQUENT EVENTS

On 8 February 2012 the Company signed a sale and purchase agreement with Ramelius Resources Limited, whereby Ramelius will purchase a number of Breakaway's tenements located in the West Kambalda region of Western Australia

DIRECTORS' REPORT

for \$300,000 (cash) and a royalty being the total of 1.5% of the net smelter return on all minerals other than nickel upon completion of the sale process.

Other than this, no matter or circumstance has arisen since the end of the half year that has significantly affected or may significantly affect the Company's operations, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's Independence Declaration

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

Signed on this 6th day of March 2012 in accordance with resolution of the Directors made pursuant to s306 (3) of the Corporations Act 2001.



John Atkins
Director

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

CONDENSED STATEMENT OF COMPREHENSIVE INCOME	Consolidated	
	Half Year 31-Dec-11	Half Year 31-Dec-10
	\$	\$
Finance revenue	71,312	58,364
Total revenue from continuing operations	71,312	58,364
Other revenue	31,716	29,372
Employee benefit expenses	(283,518)	(308,242)
Exploration expenditure	(1,545,589)	(811,595)
Depreciation and amortisation costs	(19,415)	(20,824)
Administration expense	(277,923)	(250,169)
Consultants expense	(57,885)	(104,151)
Occupancy expense	(77,484)	(141,095)
Impairment of assets available for sale	(19,877)	-
Impairment of fixed assets	(14,261)	-
Other expenses from ordinary activities	(8,253)	(1,783)
Loss before income tax relating to continuing operations	(2,201,177)	(1,550,123)
Tax expense	-	-
Loss for the period	(2,201,177)	(1,550,123)
Other comprehensive income		
Net change in the fair value of available-for-sale financial assets	-	17,498
Other comprehensive income for the period, net of tax	-	17,498
Total comprehensive loss for the period	(2,201,177)	(1,532,625)
Loss attributable to:		
Owners of Breakaway Resources Ltd	(2,201,177)	(1,550,123)
Total comprehensive loss for the period is attributable to:		
Owners of Breakaway Resources Ltd	(2,201,177)	(1,532,625)
Basic (loss)/profit per share (cents per share)	(0.63)	(0.64)
Diluted (loss)/profit per share (cents per share)	(0.63)	(0.64)

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

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

CONDENSED STATEMENT OF FINANCIAL POSITION	Note	Consolidated	
		2011 31-Dec	2011 30-Jun
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,170,426	3,231,428
Trade and other receivables		34,120	73,115
Total Current Assets		2,204,546	3,304,543
NON-CURRENT ASSETS			
Trade and other receivables		212,888	277,609
Property, plant & equipment		79,357	105,095
Available for sale financial assets		60,991	80,868
Total Non-Current Assets		353,236	463,572
TOTAL ASSETS		2,557,782	3,768,115
CURRENT LIABILITIES			
Trade and other payables		598,851	667,223
Provisions		68,326	46,781
Total Current Liabilities		667,177	714,004
NON-CURRENT LIABILITIES			
Provisions		625,273	623,830
Total Non-Current Liabilities		625,273	623,830
TOTAL LIABILITIES		1,292,450	1,337,834
NET ASSETS		1,265,332	2,430,281
EQUITY			
Issued capital	4	96,188,265	86,159,378
Converting Note		-	9,000,000
Reserves		707,121	699,780
Accumulated losses		(95,630,054)	(93,428,877)
TOTAL EQUITY		1,265,332	2,430,281

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

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

CONDENSED STATEMENT OF CASH FLOWS	Consolidated	
	Half Year 2011	Half Year 2010
	31-Dec \$	31-Dec \$
Cash Flows from Operating Activities		
Cash receipts in the course of operations	6,966	2,901
Cash payments in the course of operations	(2,260,547)	(1,564,831)
Interest received	79,590	57,308
R&D - Tax offset	-	124,951
Net cash used in operating activities	(2,173,991)	(1,379,671)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(3,424)	(1,850)
Proceeds from sale of property, plant and equipment	24,750	19,500
Sale of tenements	-	10,000
Payment for available for sale financial assets	-	(3,125)
Deposits received/(relinquished)	62,776	10,519
Net cash used in investing activities	84,102	35,044
Cash Flow from Financing Activities		
Proceeds from share issue (net of transaction costs)	1,111,475	3,835,205
Share issue costs	(82,588)	(194,281)
Repayment of hire purchase liability	-	(875)
Net Cash provided by/(used in) financing activities	1,028,887	3,640,049
Net increase/(decrease) in cash held	(1,061,002)	2,295,422
Cash at the beginning of the financial year	3,231,428	2,459,029
Cash at the End of the Half Year	2,170,426	4,754,451

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

BREAKAWAY RESOURCES LIMITED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

CONDENSED STATEMENT OF CHANGES IN EQUITY	Ordinary Shares	Converting Notes	Reserves	Accumulated losses	Total attributed to equity holders
	\$	\$	\$	\$	\$
Balance at 1 July 2010	82,544,027	9,000,000	687,198	(71,716,113)	20,515,112
Retrospective adjustment upon change in accounting policy for exploration expenditure	-	-	-	(18,161,048)	(18,161,048)
Restated balance at 1 July 2010	82,544,027	9,000,000	687,198	(89,877,161)	2,354,064
Shares issued during the period	3,835,205	-	-	-	3,835,205
Share-based payments	-	-	4,526	-	4,526
Share issue costs	(203,779)	-	-	-	(203,779)
	86,175,453	9,000,000	691,724	(89,877,161)	5,990,016
Loss attributable to members of the parent entity	-	-	-	(1,550,123)	(1,550,123)
	86,175,453	9,000,000	691,724	(91,427,284)	4,439,893
Financial Asset Revaluation	-	-	17,498	-	17,498
Balance at 31 December 2010	86,175,453	9,000,000	709,222	(91,427,284)	4,457,391
Balance at 1 July 2011	86,159,378	9,000,000	699,780	(93,428,877)	2,430,281
Shares issued during the period	10,111,475	(9,000,000)	-	-	1,111,475
Share-based payments	-	-	7,341	-	7,341
Share issue costs	(82,588)	-	-	-	(82,588)
	96,188,265	-	707,121	(93,428,877)	3,466,509
Loss attributable to members of the parent entity	-	-	-	(2,201,177)	(2,201,177)
	96,188,265	-	707,121	(95,630,054)	1,265,332
Financial Asset Revaluation	-	-	-	-	-
Balance at 31 December 2011	96,188,265	-	707,121	(95,630,054)	1,265,332

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

1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 6 March 2012.

Breakaway Resources Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operation and principal activities of the group are described in note 3.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Breakaway Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2.2 Basis of preparation

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

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

2.3 Future Funding of operations

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 \$1,537,369 (30 June 2011-2,590,539) after experiencing net cash outflows from operating activities of \$2,173,991 (6 months to 31 December 2010 - \$1,379,671) and after incurring a comprehensive loss after tax for the half year ended 31 December 2011 of \$2,201,177 (6 months to 31 December 2010 - \$1,532,625).

The Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the consolidated entity:

- The consolidated entity successfully completed a capital raising during November 2011 and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is expected to occur in the twelve month period from the date of this financial report;

2.3 Future Funding of operations (continued)

- The consolidated entity retains the ability to scale down its operations to conserve cash, in the event that capital raisings are delayed or partial; and
- The company and consolidated entity have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in mineral exploration and development assets.

Due to the above matters, the Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as going concerns and that it is appropriate that this basis of accounting be adopted in the preparation of the financial statements.

2.4 Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

2.5 Adoption of new and revised Accounting Standards

The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. The Group has decided against early adoption of any new Standards and Interpretations except amendments resulting from AASB 2009-5. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

3. OPERATING SEGMENT INFORMATION

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

4. CONTRIBUTED EQUITY

	Half Year Dec-11 \$	Full Year Jun-11 \$
388,163,837 (2011: 291,100,507) ordinary shares, fully paid	96,188,265	86,159,378

(i) Ordinary shares - number

	Consolidated	
	Half Year Dec-11 Number	Full Year Jun-11 Number
At start of period	291,100,507	239,273,318
Conversion of convertible note	74,380,165	-
Issue of shares under a Share Purchase Plan Placement in November 2011 at 4.9 cents (December 2010 - 7.4 cents)	-	45,070,432
	22,683,165	6,756,757
Balance at end of period	388,163,837	291,100,507

(ii) Ordinary shares – value

	Consolidated	
	Half Year Dec-11 \$	Full Year Jun-11 \$
At start of period	86,159,378	82,544,027
Conversion of convertible note	9,000,000	-
Issue of shares under a Share Purchase Plan Placement in November 2011 at 4.9 cents (December 2010 - 7.4 cents)	-	3,335,205
Less share issue costs	1,111,475 (82,588)	500,000 (219,854)
Balance at end of period	96,188,265	86,159,378

OPTIONS ON ISSUE

	Consolidated	
	2011 31-Dec No.	2011 30-Jun No.
Movements in options over ordinary shares on issue		
At start of period	2,150,000	2,850,000
Issues	-	1,500,000
Forfeited	-	(1,000,000)
Expiry	(650,000)	(1,200,000)
At end of period	1,500,000	2,150,000

5. COMMITMENTS

Expenditure commitments per the terms and conditions of exploration/mining tenements over the next 12 months are approximately \$2,246,000 (30 June 2011: \$2,245,000). These obligations may be varied from time to time subject to statutory approval and are not provided for in the financial report.

Non-cancellable operating leases contracted for the office premises and associated costs, but not capitalised in the financial statements and due over the next 12 months, were approximately \$90,000 (30 June 2011: \$138,000).

6. SUBSEQUENT EVENTS

On 8 February 2012 the Company signed a sale and purchase agreement with Ramelius Resources Limited, whereby Ramelius will purchase a number of Breakaway's tenements located in the West Kambalda region of Western Australia for \$0.3 million (cash) and a royalty being the total of 1.5% of the net smelter return on all minerals other than nickel upon completion of the sale process.

Other than this, no matter or circumstance has arisen since the end of the half year that has significantly affected or may significantly affect the Company's operations, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s303 (5) of the Corporations Act 2001.



John Atkins
Director

Dated in Perth this 6th day of March 2012

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Breakaway Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes 1 to 6, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Breakaway Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

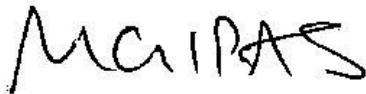
Independence

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



MGI Perth Audit Services Pty Ltd



TJ Spooner CA, FCA (UK) ACIS
Director

Perth

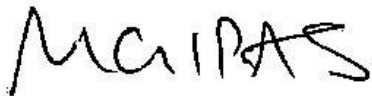
6 March 2012

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

To the directors of Breakaway Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2011 there have been:

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



MGI Perth Audit Services Pty Ltd



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

Perth

6 March 2012