



breakaway

**BREAKAWAY RESOURCES LIMITED**

ABN 16 061595 051

**FINANCIAL REPORT**

**For the Year Ended**

**30 June 2009**

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## **DIRECTOR'S REPORT**

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The Directors present their report together with the financial report of Breakaway Resources Limited ("Breakaway or the Company") and the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2009 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. John is the Chairman, Western Australia for ANZ. He is currently a Director of Pearlstreet Limited, Australian Finance Group Ltd, Lions Eye Institute Ltd, Committee for Perth Ltd and the Chamber of Commerce and Industry of Western Australia.

#### **PETER STANLEY BUCK – MANAGING DIRECTOR (RESIGNED)**

(Appointed Managing Director 15 May 2006, resigned 20 February 2009)

Peter Buck is a geologist of some 37 years experience who gained his Bachelor of Science in Australia and his Masters of Science in Canada.

Peter worked for 23 years for WMC in a variety of senior exploration and production roles both in Australia and Brazil. His experience covers a range of commodities covering gold, nickel and base metals and has been associated with a number of new discoveries and their development.

In 1994, Peter joined Forrestania Gold which later became LionOre. Peter was the Exploration Director for LionOre and managed a highly successful team which discovered the Maggie Hays, Emily Ann, Waterloo/Amorac Nickel Deposits, and the two million ounce Thunderbox Gold Deposit in Western Australia, the majority of which have been successfully brought into production.

#### **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 Jon 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, Jon 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. Jon continues as the Non-Executive Chairman of FMR Investments Pty Ltd (formerly Barmenco Investments Pty Ltd), a major shareholder of Breakaway Resources Limited.

## **DIRECTOR'S REPORT**

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### **DIRECTORS (CONTINUED)**

#### **GARRY PATRICK CONNELL - DIRECTOR**

(Director since 1999)

Garry Connell has gained valuable experience in the mining industry through his successful involvement in substantial fuel supply and earthmoving businesses. From 1984 to 1998 he was Managing Director of the Kalgoorlie Fuel Company, one of BP Australia Limited's largest independent fuel distributors in Australia and supplier to many of the leading mining and industrial companies in the Kalgoorlie/Goldfields region.

He also has extensive experience in the earthmoving business and has undertaken many large and complex projects. He has a 'hands on' approach to management and is well-known in both the Perth and Kalgoorlie business communities.

#### **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 and General Manager Exploration at Homestake Gold of Australia Ltd (1998 - 2001). In more recent years, he has held the positions of Managing Director of Titan Resources Limited (July 2004 - September 2006), Non-Executive Director of View Resources (from April 2007), and is currently the Chairman of Rox Resources Ltd (since October 2006).

### **CHIEF EXECUTIVE OFFICER**

#### **DAVID JAMES HUTTON**

(Appointed 20 February 2009)

Graduating with a Bachelor of Science (Honours) degree from Monash University in 1989, Mr 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 position of Exploration Manager since joining Breakaway Resources Limited in August 2006, and recently accepted the dual position of CEO and Exploration Manager in February 2009. Prior to joining Breakaway, he held a number of senior exploration roles with Forrestania 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 seven years with the MIM Group both in underground mining and exploration roles. Mr Hutton has a strong and successful track record as an explorer, having been involved with near-surface gold discoveries in the North-Eastern Goldfields leading directly to the discovery of the world-class 2 million ounce Thunderbox Deposit, which remains one of the last major gold discoveries in Western Australia in the past decade.

## DIRECTOR'S REPORT

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### COMPANY SECRETARY

#### TREVOR GRAHAM HART

(Appointed 16 October 2007)

Trevor Hart is a Certified Practising Accountant (CPA) with a Bachelor of Accounting from Edith Cowan University and is a Chartered Secretary (ACIS). Prior to his appointment as Company Secretary, Mr Hart has held the position of Financial Controller of Breakaway Resources Limited since 2003, and has over 17 years experience including over 13 years in the resources and mining services industry. Prior to joining Breakaway he held a number of senior financial positions in other ASX Listed companies.

### DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

Name of Director	Company	Period of Directorship
John Atkins	Pearlstreet Limited	Since November 2006
	Alinta Infrastructure Holdings Limited	August 2005 – February 2007
Garry Connell	Ausdrill Limited	1999 – November 2007
Jeff Gresham	Giants Reef Mining Limited	July 2004 – January 2006
	Rox Resources Limited	Since October 2006
	View Resources Limited	Since April 2007

### DIRECTORS' INTERESTS AND MEETINGS OF DIRECTORS

The following tables sets 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	Number of Options Granted
John Atkins	200,000 *	-
Peter Buck**	472,000	-
Jon Young	1,598,003 *	-
Garry Connell	6,775,710 *	-
Jeff Gresham	115,000	-

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

\*\* Peter Buck resigned as Company Director February 2009

## DIRECTOR'S REPORT

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### DIRECTORS' MEETINGS

Name of Director	Board Meetings		Audit Committee Meeting		Remuneration Committee Meeting	
	A	B	A	B	A	B
John Atkins	10	10	-	-	1	1
Peter Buck	5	5	-	-	-	-
Jon Young	10	10	2	2	-	-
Garry Connell	9	10	2	2	-	-
Jeff Gresham	10	10	-	-	1	1

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 \$5.972 million (2008: Loss of \$5.857 million).

### DIVIDENDS

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

### REVIEW OF OPERATIONS

The consolidated entity predominately explored and evaluated base and precious metals projects through the year. A full review of the operations is set out in the 2009 Annual Report.

## DIRECTOR'S REPORT

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### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

1. On 30 July 2008, the Company issued 1,125,000 employee options pursuant to the Company's Employee Option Scheme, excisable at 58 cents within 3 years from the date of issue, but commencing not before the relevant vesting dates as follows:

- 50% vesting 12 months from date of issue; and
- 50% vesting 24 months from date of issue.

2. On 4 December 2008, the Eloise Copper Mine (30% net profit royalty interest), which is owned by FMR Investments Pty Ltd, was placed on care and maintenance in response to falls in the copper price, to preserve the future value of the deposit for improvements in the copper price.

3. Fully paid ordinary share capital increased during the year as follows:	2009 \$'000
29 September 2008, Placement of 10 million share to Abbotsleigh Pty Ltd at 20 cents per share	2,000
Increase in share capital	<u>2,000</u>

### EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 16 July 2009, the Company sold its earn-in rights to the Mt Finnerty Joint Venture to Reed Resources Ltd for a total consideration of 500,000 fully-paid ordinary, non-escrowed shares in Reed Resources Ltd.

### LIKELY DEVELOPMENTS

Information as to likely developments in the operations of the Company 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 Company'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.

## DIRECTOR'S REPORT

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### SHARE OPTIONS

#### OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

During or since the end of 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:

Director	Number of Options Granted	Grant Date	Fair Value per Option \$	Exercise Price	Expiry Date	Number of Options Vested During the Year
<b>2009</b>						
<b>Officers</b>						
David Hutton	250,000	30 July 2008	8.04 cents	58 cents	28 July 2011	200,000
Trevor Hart	250,000	30 July 2008	8.04 cents	58 cents	28 July 2011	200,000
Director	Number of Options Granted	Grant Date	Fair Value per Option \$	Exercise Price	Expiry Date	Number of Options Vested During the Year
<b>2008</b>						
Peter Buck	750,000	21 Nov 2007	15.5 cents	85 cents	21 Nov 2010	666,666
<b>Officers</b>						
David Hutton	250,000	30 July 2007	19.5 cents	85 cents	28 July 2010	375,000
Trevor Hart	600,000	30 July 2007	19.5 cents	85 cents	28 July 2010	200,000

All options granted during the financial year were provided at no cost to the recipients.

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

Number of Options	Exercise Price	Expiry Date
1,525,000	55 cents	18 October 2009
1,175,000	85 cents	30 July 2010
1,025,000	58 cents	30 July 2011

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.

## **DIRECTOR'S REPORT**

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### **REMUNERATION REPORT**

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 appropriate qualified and experience Directors and Executives. The Remuneration Committee 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 Binomial 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.

#### **NON-EXECUTIVE DIRECTORS**

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

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. Directors' base fees are presently up to \$44,145 per annum.

The Chairman receives up to \$63,000 per annum. 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.

# DIRECTOR'S REPORT

## DIRECTORS AND EXECUTIVE OFFICERS REMUNERATION

Directors and Key Management Remuneration for the Year Ended 30 June 2009

Name	Year	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 \$		%
<b>Executive Directors</b>								
Peter S Buck - Managing Director	2009	140,703	-	92,412	78,951	-	312,066	-
(Resigned 20/02/2009)	2008	293,750	-	100,000	-	159,818	553,568	29%
<b>Non Executive Directors</b>								
John K Atkins - Non-Executive Chairman	2009	66,500	-	5,985	-	-	72,485	-
	2008	-	-	70,849	-	-	70,849	-
Jon A Young - Non-Executive Director	2009	-	-	46,598	-	-	46,598	-
	2008	-	-	46,322	-	-	46,322	-
Garry P Connell - Non-Executive Director	2009	-	-	46,598	-	-	46,598	-
	2008	-	-	46,322	-	-	46,322	-
Jeffery J Gresham - Non-Executive Director	2009	42,750	-	3,848	-	-	46,598	-
	2008	34,999	-	11,323	-	-	46,322	-
Grant J Mooney - Company Secretary	2009	-	-	-	-	-	-	-
(Resigned 22/11/2007)	2008	40,000	-	-	-	-	40,000	-
<b>Total</b>	<b>2009</b>	<b>249,953</b>	<b>-</b>	<b>195,441</b>	<b>78,951</b>	<b>-</b>	<b>524,345</b>	
<b>Total</b>	<b>2008</b>	<b>368,749</b>	<b>-</b>	<b>274,816</b>	<b>-</b>	<b>159,818</b>	<b>803,383</b>	
<b>Key Management Personnel</b>								
Trevor G Hart - Financial Controller and Company Secretary	2009	166,982	-	21,477	-	59,436	247,895	24%
	2008	183,028	-	16,473	-	109,185	308,686	35%
David J Hutton - CEO and Exploration Manager	2009	206,335	-	27,096	-	47,221	280,651	17%
	2008	165,618	3	39,894	-	98,616	304,131	32%
David N Castleden - Manager Nickel Geology and Exploration	2009	-	-	-	-	-	-	-
(Resigned 30/11/2007)	2008	82,947	-	7,465	-	-	90,412	-
<b>Total</b>	<b>2009</b>	<b>373,317</b>	<b>-</b>	<b>48,573</b>	<b>-</b>	<b>106,657</b>	<b>528,547</b>	
<b>Total</b>	<b>2008</b>	<b>431,593</b>	<b>3</b>	<b>63,832</b>	<b>-</b>	<b>207,801</b>	<b>703,229</b>	

## DIRECTOR'S REPORT

### SERVICE AGREEMENTS

Remuneration and other terms of employment for the CEO and other key management personnel named are formalised in individual open common law employment contracts with no set terms of agreement. Each of these agreements provide for the participation in the Company's Incentive Option Schemes. 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.

### EQUITY INSTRUMENTS

#### OPTION HOLDINGS

The movement 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 is as follows:

<b>Specified Directors</b>	<b>Held at 1 July 2008</b>	<b>Granted as Remuneration</b>	<b>Exercised</b>	<b>Cancelled/Lapsed</b>	<b>Held at 30 June 2009</b>
John Atkins	-	-	-	-	-
Jon Young	-	-	-	-	-
Garry Connell	-	-	-	-	-
Jeffery Gresham	-	-	-	-	-
<b>Specified Officers</b>					
Trevor Hart	1,000,000	250,000	-	-	1,250,000
David Hutton	1,000,000	250,000	-	-	1,250,000

#### 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:

<b>Specified Directors</b>	<b>Held at 1 July 2008</b>	<b>Purchases or held at date of employment</b>	<b>Received on Exercise of Options</b>	<b>Sales</b>	<b>Held at 30 June 2009</b>
John Atkins	200,000	-	-	-	200,000
Jon Young	1,498,003	-	-	-	1,498,003
Garry Connell	6,775,710	-	-	-	6,775,710
Jeffery Gresham	115,000	-	-	-	115,000
<b>Specified Officers</b>					
Trevor Hart	50,000	300,000	-	-	350,000
David Hutton	66,667	200,000	-	-	266,667

## DIRECTOR'S REPORT

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### INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts, 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.

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>REMUNERATION OF AUDITORS – NON AUDIT SERVICES</b>		
Amounts received, or due and receivable, for taxation and other services by:		
<i>Auditors of the Company – PKF</i>	25,882	52,404

### AUDITORS INDEPENDENCE DECLARATION

The copy of the Auditors Independence Declaration as required under sections 307c of the Corporation Act 2001 is set out on page 17.

### ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts stated in the Financial Report and Director's Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been signed in accordance with a resolution of the Directors made at Perth on 17 September 2009.



**John Atkins**  
Chairman

## CORPORATE GOVERNANCE STATEMENT

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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. 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](http://www.breakawayresources.com.au).

- Risk Management Policy;
- Securities Trading Policy;
- Audit Committee Charter;
- Non-Executive Remuneration Policy;
- Remuneration Committee Charter;
- Board and Senior Executive Evaluation Policy;
- Continuous Disclosure Policy;
- Code of Conduct Policy;
- Shareholder Communication Policy; and
- Matter Requiring Board Approval.

### BOARD OF DIRECTORS

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

The Board operates in accordance with Breakaway Resources Limited's Constitution, ASX Listing Rules, the Corporations Act, various Mining Acts and other applicable laws while achieving these goals.

At commencement of the financial year, the Board of Directors comprised four Non-Executive Directors including the Chairman, and one Executive Director, Mr Peter Buck, who held the role of Managing Director. The Managing Director resigned from the Board on the 20 February 2009 and Mr David Hutton was appointed to the position of Chief Executive Officer. Full details of the Company's Directors and their relevant experience and skills are detailed in the Director's Report.

No new Directors were appointed during the last financial year. The Board (subjected to members voting rights in a general meeting) is responsible for selection of new members and succession planning. During the year the Board of Directors had a majority of independent Directors for the purposes of the Australian Securities Exchange Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations". Details of the Directors (including details of their skills, experience, expertise and term of office) are set out in the Director's Report.

## CORPORATE GOVERNANCE STATEMENT

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With the exception of an Audit Committee and Remuneration Committee, the consolidated entity is not considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate committees. Accordingly all matters, which may be capable of delegation to a committee, are dealt with by the full Board.

In addition to formal Board meetings, the Board regularly meets informally to retain full and effective control over the consolidated entity and monitor the executive management. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company's Constitution and the Listing Rules of the Australian Securities Exchange Limited govern the procedures for election and retirement of Directors.

All Directors have the right to seek independent legal and accounting advice concerning any aspect of the Company's operations and undertakings.

An independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- Holds less than five percent of the voting shares of the Company and is not an Officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares in the Company;
- Has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member, is not a material supplier or customer of the Company or another group member, or an Officer of or otherwise associated, directly or indirectly, with a material supplier or customer, and has no material contractual relationship with the Company or another group member other than as a Director of the Company; and
- Is free from any interest and business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interest of the Company.

## AUDIT AND AUDIT COMMITTEE

The Company has an Audit Committee with an established Charter. The members of the Audit Committee during the year were:

Mr JA Young (Chairman)	Non-Executive Director
Mr GP Connell	Independent Non-Executive Director

The Audit Committee has met twice this year and the Committee Members Attendance Record is disclosed in the table of Directors' meeting in the Director's Report. The Company's auditors, Chief Executive Officer and Financial Controller are invited to Audit Committee meetings at the discretion of the Committee. The Company in a general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

## CORPORATE GOVERNANCE STATEMENT

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The Company has appointed, with their consent, PKF Chartered Accountants and Business Advisers as its Auditor. The external auditor was appointed in 2004.

### REMUNERATION COMMITTEE

In November 2006, the Company formed a Remuneration Committee with an established Charter.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the senior executives and Directors themselves. It is also responsible for share options schemes.

The members of the Remuneration Committee during the year were:

Mr JJ Gresham (Chairman)	Independent Non-Executive Director
Mr JK Atkins	Independent Non-Executive Director

The CEO is invited to Remuneration Committee meetings, as required, to discuss senior executive performance and remuneration packages.

The Remuneration Committee meets as required. The Committee has met once this year and the Committee Member Attendance Record is disclosed in the table of Directors' Meetings in the Director's Report.

### INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board relies on several internal controls:

- There is a comprehensive monthly management reporting system. Management reports detailing consolidated entity expenditure are prepared and presented to Board members monthly. Results are reported against budget and variations from budget have been discussed with site personnel to ascertain the reasons for the variances each month for each of the consolidated entity's operations. Budgets are revised when management has sufficient historical information to make informed forecasts;
- Procedures are in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure Requirements; and
- The consolidated entity conducts a review of the ability and experience of potential senior employees prior to appointment. Informal appraisals are conducted regularly together with on the job monitoring and training for all employees.

# CORPORATE GOVERNANCE STATEMENT

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## FINANCIAL REPORTS

In accordance with the requirements of the Corporations Act 2001 and Principal 7 of the ASX Principals and Recommendations, the Chief Executive Officer/Managing Director and Chief Financial Officer have provided a declaration in accordance with section 295A of the Corporations Act and have assured the Board that the declaration is founded on sound systems of risk management and internal controls and that the systems are operating effectively in all material respects in relation to financial reporting.

## ETHICAL STANDARDS

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.

## BUSINESS RISKS

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.

# CORPORATE GOVERNANCE STATEMENT

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## SHARE TRADING

The Board has a formal policy which has been adopted to ensure compliance with the “insider trading” provisions of the Corporations Act by Directors and Officers, employees and consultants who may be in possession of sensitive information concerning the Company’s affairs, prior to release to the market. The policy contains a blackout period for Directors and Officers, employees and consultants whereby no trading of securities in Breakaway shall occur five days or less prior to the release of a report by Breakaway or less than two days following the release of a report by Breakaway; and/or at periods advised by the Company.

## PERFORMANCE REVIEW

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 Remuneration Committee as a basis for making recommendations to the Board in relation to remuneration levels of Executives.

## EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

During the reporting period from 1 July 2008 to 30 June 2009 the Company has complied with each of the Eight Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council (“ASX Principles and Recommendations”), other than in relation to the matters specified below.

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
2.4	The Board should establish a Nomination Committee	The Board does not have a Nomination Committee	The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any Nomination Committee are normally undertaken by the full Board.
4.23	The Board should establish an Audit Committee	The Company has a formally constituted Audit Committee that meets on a regular basis to discuss various aspects of the accounting and audit function. However, this function does not entirely comply with Best Practice Recommendations in that a majority of members were not independent Directors.	Although there was not strict compliance with the Best Practice Recommendations at year end, the Board considers that given the composition, qualifications and availability of the Board and its members, the Audit Committee had the best and most suitable composition to efficiently carry out the functions of an audit committee in view of their respective experience in the financial matters of mineral exploration and mining companies.

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of Breakaway Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Breakaway Resources Limited and the entities it controlled during the year.



**PKF**  
Chartered Accountants



**Neil Smith**  
Partner

Dated at Perth, Western Australia this 17<sup>th</sup> day of September 2009

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## BALANCE SHEET AS AT 30 JUNE 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	8	2,864	8,507	2,839	8,436
Trade and other receivables	9	36	365	36	365
<b>Total Current Assets</b>		<b>2,900</b>	<b>8,872</b>	<b>2,875</b>	<b>8,801</b>
<b>Non Current Assets</b>					
Trade and other receivable	9	227	226	186	186
Other financial assets	10	-	-	34,693	32,727
Property, plant and equipment	11	588	709	562	680
Exploration, evaluation and development expenditure	12	32,190	32,677	5,812	4,700
Available for sale financial assets	13	102	187	102	187
Deferred tax assets	7	9,660	9,808	1,746	1,416
<b>Total Non Current Assets</b>		<b>42,767</b>	<b>43,607</b>	<b>43,101</b>	<b>39,896</b>
<b>Total Assets</b>		<b>45,667</b>	<b>52,479</b>	<b>45,976</b>	<b>48,697</b>
<b>Current Liabilities</b>					
Trade and other payables	14	125	1,722	125	1,722
Loans and borrowings	15	11	-	11	-
Provisions	16	72	98	72	98
<b>Total Current Liabilities</b>		<b>208</b>	<b>1,820</b>	<b>208</b>	<b>1,820</b>
<b>Non Current Liabilities</b>					
Loans and borrowings	15	8,705	9,461	8,705	9,461
Deferred tax liability	7	9,660	9,808	1,746	1,416
Provisions	16	626	625	266	255
<b>Total Non Current Liabilities</b>		<b>18,991</b>	<b>19,894</b>	<b>10,717</b>	<b>11,132</b>
<b>Total Liabilities</b>		<b>19,199</b>	<b>21,714</b>	<b>10,925</b>	<b>12,952</b>
<b>NET ASSETS</b>		<b>26,468</b>	<b>30,765</b>	<b>35,051</b>	<b>35,745</b>
<b>Equity</b>					
Issued capital	17	79,290	77,390	79,290	77,390
Converting note	18	2,731	2,731	2,731	2,731
Reserves	19	672	897	672	897
Accumulated losses	20	(56,225)	(50,253)	(47,642)	(45,273)
<b>TOTAL EQUITY</b>		<b>26,468</b>	<b>30,765</b>	<b>35,051</b>	<b>35,745</b>

The balance sheet should be read in conjunction with the accompanying notes

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Revenue from royalty		-	-	-	-
Finance revenue		290	996	1,641	2,087
<b>Total revenue from continuing operations</b>	<b>4</b>	<b>290</b>	<b>996</b>	<b>1,641</b>	<b>2,087</b>
Other revenue	4	2	319	2	319
Employee benefit expenses	5a	(726)	(1,779)	(726)	(1,779)
Exploration Expenditure written off		(72)	(104)	(72)	-
Capitalised Exploration written off		(4,865)	(2,267)	(395)	-
Depreciation and amortisation costs	5a	(145)	(138)	(142)	(133)
Administration expense		(549)	(940)	(530)	(838)
Consultants expense		(69)	(64)	(63)	(47)
Occupancy expense	5a	(315)	(247)	(315)	(247)
Impairment of assets available for sale	13	(239)	-	(239)	-
Impairment of Investments		-	-	(2,236)	-
Reversal of rehabilitation provision		10	-	-	-
Other expenses from ordinary activities		(45)	(48)	(45)	(48)
<b>(Loss) / Profit from continuing operations before tax and finance costs</b>		<b>(6,723)</b>	<b>(4,272)</b>	<b>(3,120)</b>	<b>(686)</b>
Finance Income/(Cost)	5a	751	(1,585)	751	(1,584)
<b>(Loss) / Profit before income tax relating to continuing operations</b>		<b>(5,972)</b>	<b>(5,857)</b>	<b>(2,369)</b>	<b>(2,270)</b>
Income tax benefit/(expense)	7	-	-	-	(3,506)
<b>(Loss) after tax from continuing operations</b>		<b>(5,972)</b>	<b>(5,857)</b>	<b>(2,369)</b>	<b>(5,776)</b>
Basic (loss)/profit per share (cents per share)	27	(3.37)	(3.45)		
Diluted (loss)/profit per share (cents per share)	27	(3.37)	(3.35)		

The income statement should be read in conjunction with the accompanying notes

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Ordinary Shares \$'000	Converting Notes \$'000	Reserves \$'000	Accumulated losses \$'000	Total attributed to equity holders \$'000
<b>CONSOLIDATED</b>					
Balance 01/07/2008	77,184	2,731	542	(44,396)	36,061
Exercised Options 375,000 shares at 55 cents each	206	-	-	-	206
	77,390	2,731	542	(44,396)	36,267
Profit/(Loss) for year				(5,857)	(5,857)
	77,390	2,731	542	(50,253)	30,410
Financial Asset Revaluation	-	-	(181)	-	(181)
Employee Equity-Settle benefit reserve	-	-	536	-	536
Balance 30/06/2008	77,390	2,731	897	(50,253)	30,765
Share Issue 10,000,000 @ 20cents	2,000	-	-	-	2,000
Cost of Share Issue	(100)	-	-	-	(100)
	79,290	2,731	897	(50,253)	32,665
Profit/(Loss) for year				(5,972)	(5,972)
	79,290	2,731	897	(56,225)	26,693
Financial Asset Revaluation	-	-	154	-	154
Employee Equity-Settle benefit reserve	-	-	(379)	-	(379)
Balance 30/06/2009	79,290	2,731	672	(56,225)	26,468
<b>THE COMPANY</b>					
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance 01/07/2008	77,184	2,731	542	(39,497)	40,960
Exercised Options 375,000 shares at 55 cents each	206	-	-	-	206
	77,390	2,731	542	(39,497)	41,166
Profit/(Loss) for year	-	-	-	(5,776)	(5,776)
	77,390	2,731	542	(45,273)	35,390
Financial Asset Revaluation	-	-	(181)	-	(181)
Employee Equity-Settle benefit reserve	-	-	536	-	536
Balance 30/06/2008	77,390	2,731	897	(45,273)	35,745
Share Issue 10,000,000 @ 20cents	2,000	-	-	-	2,000
Cost of Share Issue	(100)	-	-	-	(100)
	79,290	2,731	897	(45,273)	37,645
Profit/(Loss) for year	-	-	-	(2,369)	(2,369)
	79,290	2,731	897	(47,642)	35,276
Financial Asset Revaluation	-	-	154	-	154
Employee Equity-Settle benefit reserve	-	-	(379)	-	(379)
Balance 30/06/2009	79,290	2,731	672	(47,642)	35,051

The statement in the change in equity should be read in conjunction with the accompanying notes

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash Flows from Operating Activities</b>					
Cash receipts in the course of operations		-	-	-	-
Cash payments in the course of operations		(2,009)	(1,956)	(1,991)	(1,098)
Interest received		279	976	288	974
Borrowing costs paid		(4)	(6)	(4)	(5)
<b>Net Cash provided by/(used in) Operating Activities</b>	25b	(1,734)	(986)	(1,707)	(129)
<b>Cash Flows from Investing Activities</b>					
Payments for exploration and development		(5,736)	(9,137)	(2,867)	(2,631)
Payments for property, plant and equipment		(23)	(59)	(24)	(57)
Proceeds from sale of property, plant and equipment		-	-	-	-
Payments for tenements		(50)	-	(50)	-
Loans to controlled entity		-	-	(2,849)	(7,375)
<b>Net Cash used in Investing Activities</b>		(5,809)	(9,196)	(5,790)	(10,063)
<b>Cash Flow from Financing Activities</b>					
Proceeds from share issue (net of transaction costs)		1,900	206	1,900	206
<b>Net Cash provided by/(used in) Financing Activities</b>		1,900	206	1,900	206
Net increase/(decrease) in cash held		(5,643)	(9,976)	(5,597)	(9,986)
Cash at the beginning of the financial year		8,507	18,483	8,436	18,422
<b>Cash at the End of the Financial Year</b>	25a	2,864	8,507	2,839	8,436

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 17 September 2009.

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.

## 2. GOING CONCERN

The directors' have prepared a cash flow forecast for a period of 12 months from the date of this financial report, which assumes a reduction in exploration spend from prior years below the minimum spend commitments as disclosed in Note 31. As cumulative spend incurred on the areas of interest exceeds the minimum cumulative spend requirements, the Directors have determined that a reduction in spending for the ensuing 12 months will not compromise the tenure of the exploration assets within that period and rights to tenure will be maintained.

Based on this forecast, the financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. In addition, the Directors are currently actively reviewing capital raising, joint venture and other alternatives available to the Company.

Should the consolidated entity and the parent entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent be unable to continue as a going concern

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Statement of Compliance

The financial report complies with Australian Accounting Standards, International financial reporting standards and Corporation Act 2001.

### (b) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

#### (c) 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.

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.

#### (d) 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.

#### (e) 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.

## NOTES TO THE FINANCIAL STATEMENTS

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (f) 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.

#### (g) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible asset 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 flows 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.

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.

#### (h) 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).

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 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.

#### 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 'separate taxpayer within group' 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).

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

#### (i) 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.

#### (j) 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.

#### (k) 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 revalue 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### (l) 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.

#### Restoration and Rehabilitation Provision

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.

#### (m) 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.

#### (n) Share-Based Payments

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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.

#### (o) Exploration and Evaluation

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

#### (p) 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.

#### (q) Investments

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

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.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

#### (r) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

#### (s) Converting Note

The component of the converting note that exhibits characteristics of a liability is recognised as a liability in the balance sheet.

On the issue of the converting note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders equity. The value of the conversion option is not changed in subsequent years.

The component of the converting note that exhibits characteristics of an embedded derivative is recognised as a liability in the balance sheet. On issue the embedded derivative component is measured at fair value and revalued at fair value at the balance date and the movement is recorded through the profit and loss as a finance cost.

### 4. PROFIT FROM OPERATIONS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
From Operating Activities				
Interest: Other parties	290	996	290	994
Interest: Related parties	-	-	1,351	1,093
From Outside Operating Activities				
Farmin income	-	300	-	300
Sundry – Other	2	19	2	19
Total Revenue from Ordinary Activities	292	1,315	1,643	2,406

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Profit /(Loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Finance Costs:				
Interest on Performance Bonds	2	3	2	2
ATO General Interest Charge	-	-	-	-
Converting Note Interest	534	501	534	501
Fair Value Movement on Embedded Derivate	(1,290)	1,077	(1,290)	1,077
Other	3	4	3	4
<b>Total Finance Costs</b>	<b>(751)</b>	<b>1,585</b>	<b>(751)</b>	<b>1,584</b>
Depreciation and Amortisation:				
Plant and equipment	145	138	142	133
<b>Total Depreciation and Amortisation</b>	<b>145</b>	<b>138</b>	<b>142</b>	<b>133</b>
Amounts set aside/(credited) to provision for:				
Employee entitlements	101	136	101	136
<b>Total amounts set aside/(credited) to provisions</b>	<b>101</b>	<b>136</b>	<b>101</b>	<b>136</b>
Lease rental expense – operating lease	315	247	315	247

### 6. REMUNERATION OF AUDITORS

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Audit Services				
Auditors of the Company – PKF	39,175	54,829	39,175	54,829
Amounts received, or due and receivable, for taxation and other services by:				
Auditors of the Company – PKF	25,822	52,404	25,822	52,404

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
A reconciliation of income tax expense (benefit) applicable to accounting profit 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 2009 and 2008 is as follows:				
Accounting profit (loss) before tax from continuing operations	(5,972)	(5,857)	(2,369)	(2,270)
Loss before tax from discontinued operations	-	-	-	-
Accounting profit (loss) before income tax	(5,972)	(5,857)	(2,369)	(2,270)
At the statutory income tax rate of 30% (2008 30%)	(1,791)	(1,757)	(710)	(680)
Non-deductible expenses	19	496	19	496
Utilisation of prior year tax losses not previously brought to account as a DTA	-	-	-	-
Tax Losses and temporary differences not brought to account as a DTA	1,772	1,261	691	184
Adjustments in respect of deferred income tax of previous years				
Income tax (benefit)/expense	-	-	-	-
Effective tax rate	-	-	-	-

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.



## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX (CONTINUED)

#### Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributed to the following:

	Assets		Liabilities		Net	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>THE COMPANY</b>						
Interest receivable	-	-	3	6	3	6
Exploration costs	-	-	1,743	1,410	1,743	1,410
Tax losses	(1,746)	(1,416)	-	-	(1,746)	(1,416)
Tax (assets) liabilities	(1,746)	(1,416)	1,746	1,416	-	-
Set off of tax	-	-	-	-	-	-
Net tax (assets) liabilities	(1,746)	(1,416)	1,746	1,416	-	-

	Balance 1 July 2007 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2008 \$'000
<b>Movement in temporary differences during the year</b>				
Exploration		522	888	-
Interest receivable		106	(100)	-
Expenses not yet deductible for taxation purposes		(628)	(788)	-
		-	-	-

	Balance 1 July 2008 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2008 \$'000
<b>Movement in temporary differences during the year</b>				
Exploration		1,410	333	-
Interest receivable		6	(3)	-
Expenses not yet deductible for taxation purposes		(1,416)	(330)	-
		-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX (CONTINUED)

	2009 Consolidated	2009 The Company	2008 Consolidated	2008 The Company
<b>Unrecognised temporary difference</b>				
Provision annual leave	21,550	21,550	29,513	29,513
Provision for long services leave	1,911	1,911	1,522	1,522
Provision for rehabilitation	186,000	78,000	186,000	75,000
Audit Fees	900	900	6,000	6,000
Tax losses	8,427,371	2,508,745	4,118,342	3,341,482
Capital losses	844,272	468,294	772,948	396,970
	<u>9,482,004</u>	<u>3,079,400</u>	<u>5,114,325</u>	<u>3,850,487</u>

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.

### 8. CASH AND CASH EQUIVALENTS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	94	277	69	206
Short-term deposits	2,770	8,230	2,770	8,230
	<u>2,864</u>	<u>8,507</u>	<u>2,839</u>	<u>8,436</u>

### 9. TRADE AND OTHER RECEIVABLES

<b>Current</b>				
Other	26	345	26	345
Interest Receivable	10	20	10	20
	<u>36</u>	<u>365</u>	<u>36</u>	<u>365</u>
<b>Non-Current</b>				
Other – mining tenement bonds	227	226	186	186
	<u>227</u>	<u>226</u>	<u>186</u>	<u>186</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. OTHER FINANCIAL ASSETS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Non-Current</b>				
Investment in controlled entity – unlisted shares at cost	-	-	6,713	6,713
Loans to controlled entity at amortised cost (a)	-	-	30,216	26,014
Less Impairment	-	-	(2,236)	-
	-	-	34,693	32,727

(a) The receivables from the Company's wholly-owned group include amounts arising under the Groups tax funding arrangement loans to controlled entities have no formal repayment arrangements, are payable on demand and interest is charged on the outstanding balance at market rates. However the Company will not call for payment prior to 1 July 2010 except to the extent that the controlled entity has surplus funds available.

### 11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – at cost	1,034	1,010	995	971
Less: Accumulated depreciation	(446)	(301)	(433)	(291)
Total property, plant and equipment at net book value	588	709	562	680

#### Reconciliations

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

#### Plant and Equipment

Carrying amount at beginning of year	709	788	680	756
Additions	24	61	24	59
Disposals	-	(2)	-	(2)
Depreciation	(145)	(138)	(142)	(133)
Carrying amount at end of year	588	709	562	680

### 12. EXPLORATION, EVALUATION AND DEVELOPMENT

Costs carried forward in respect of areas of interest in:

#### Exploration and/or Evaluation Phase

Balance at beginning of year	32,677	25,033	4,700	1,744
Acquisitions of tenements	50	-	50	-
Exploration, evaluation and development expenditure	4,565	10,265	1,457	2,956
Exploration, evaluation and development expenditure written-off	(2,470)	(114)	-	-
Re-Imbursements from JV partners	(237)	(239)	-	-
Capitalised Exploration Impairment	(2,395)	(2,268)	(395)	-
Total exploration, evaluation and development expenditure	32,190	32,677	5,812	4,700

The ultimate recovery of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

Impairment losses recognised as the carrying amount is in excess of any recoverable amount for the companies regional area of interest for the Kalgoorlie Nickel joint venture project where the Company is still to earn its 60% interest in the project.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. AVAILABLE FOR SALE FINANCIAL ASSETS

Note	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Non-Current</b>				
Shares listed on a prescribed stock exchange - at market value	102	187	102	187

### 14. TRADE AND OTHER PAYABLES

<b>Current</b>				
Trade creditors	102	1,444	102	1,444
Other accrued expenses	23	278	23	278
	125	1,722	125	1,722

### 15. LOANS AND BORROWINGS

<b>Current</b>				
Insurance Premium Funding	-	-	-	-
Converting Notes	-	-	-	-
Lease/hire purchase liability	11	-	11	-
	11	-	11	-
<b>Non-Current</b>				
Converting Notes	7,712	7,178	7,712	7,178
Call Option – Embedded Derivative	993	2,283	993	2,283
	8,705	9,461	8,705	9,461
Proceeds from issue of Converting Notes	9,000	9,000	9,000	9,000
Less transaction costs	-	-	-	-
Amount classified as equity	18	(2,731)	(2,731)	(2,731)
Accredited interest capitalised	1,471	937	1,471	937
Accredited interest transferred to equity	(28)	(28)	(28)	(28)
Carrying amount of liability at 30 June 2009	7,712	7,178	7,712	7,178

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 shares within 5 years after issue,
- Redeemable by Breakaway at any time, and
- Notes automatically converted on the maturity date by Breakaway either electing to the payment of cash or the conversion into shares at 12.5 cents per share.

The Note has been classified into two components: A debt component (a contractual arrangement to deliver cash) and an embedded derivative call option component (a call option granting the holder the right, for a specific period of time, to convert it into a fixed number of ordinary shares of Breakaway).

The value of the call option component has been determined using the Volume Weighted Average Price of Breakaways securities from the date of issue less the conversion price of the notes.

Over the term of the Note, the call option is fair valued at each balance date and the movement of the fair value recorded through the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. PROVISIONS

	Notes	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Employee benefits	23	72	98	72	98
Rehabilitation		-	-	-	-
		<u>72</u>	<u>98</u>	<u>72</u>	<u>98</u>
<b>Non-Current</b>					
Employee benefits	23	6	5	6	5
Rehabilitation		620	620	260	250
		<u>626</u>	<u>625</u>	<u>266</u>	<u>255</u>

### 17. CONTRIBUTED EQUITY

#### Issued and Paid-up Capital

179,454,988 ordinary shares, fully paid  
(2008:169,454,988 pre consolidation)

	79,290	77,390	79,290	77,184
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#### Movements in Ordinary Share Capital

Balance at the beginning of the financial year  
Issue of 375,000 shares at 55 cents each exercised options  
(December 2007)  
Issue of 10,000,000 shares at 20 cents each to  
raise capital (October 2008)  
Less capital raising costs

Balance at the beginning of the financial year	77,390	77,184	77,390	77,184
Issue of 375,000 shares at 55 cents each exercised options (December 2007)	-	206	-	206
Issue of 10,000,000 shares at 20 cents each to raise capital (October 2008)	2,000	-	2,000	-
Less capital raising costs	(100)	-	(100)	-

Issued capital at end of period 169,454,988 Shares

	<u>79,290</u>	<u>77,390</u>	<u>79,290</u>	<u>77,390</u>
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### 18. CONVERTING NOTES

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Equity portion of converting note	2,731	2,731	2,731	2,731
	<u>2,731</u>	<u>2,731</u>	<u>2,731</u>	<u>2,731</u>

### 19. RESERVES

Opening Balance 01/07/2008	897	542	897	542
Net (loss) / gains on available-for-sale financial assets	154	(181)	154	(181)
Employee share based payments	(379)	536	(379)	536
	<u>672</u>	<u>897</u>	<u>672</u>	<u>897</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 20. ACCUMULATED LOSSES

Opening accumulated losses	(50,253)	(44,396)	(45,273)	(39,497)
Profit/(loss) from ordinary activities after related income tax	(5,972)	(5,857)	(2,369)	(5,776)
Accumulated losses at end of the year	(56,225)	(50,253)	(47,642)	(45,273)

### 21. 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

Jon A Young – appointed since 2003

Garry P Connell – appointed since 1999

Peter S Buck – appointed 24 June 2004 (Resigned February 2009)

Jeffery J Gresham – appointed 1 October 2006

Directors Remuneration – Information on Directors Remuneration is disclosed in the Director's 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:

	Consolidated	
	2009	2008
Ordinary shares in Breakaway Resources Limited	27,547,971	27,672,971
Options over ordinary shares	-	2,750,000

Jonathan Alister Young is also the Chairman of FMR Investments Pty Ltd (FMR) and therefore has an indirect interest in 18,502,258 shares held by FMR.

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$

#### Transactions with Directors' Related Entities

Transactions between parties are on normal commercial terms and conditions unless otherwise stated.

(i) Amounts Paid to FMR Investments Pty Ltd, a company in which Mr J A Young is a Director

Gross Payments for Camp Accommodation	-	80,008	-	80,008
Total amounts paid or payable	-	80,008	-	80,008

#### Transactions Wholly Owned Group

The Company performs certain office services and pays for certain items on behalf of controlled entities. These transactions are in the normal course of business and on normal terms and conditions. An interest charge of 5.4% is charged on all loans to controlled entities.

## NOTES TO THE FINANCIAL STATEMENTS

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### 21. RELATED PARTY DISCLOSURES (continued)

	The Company	
	2009	2008
	\$	\$
<b>Transactions with Controlled Entities</b>		
During the financial year the controlled entities were charged an interest rate of 5.4% (2007: 8.4%) on the balance of loans outstanding as at 30 June 2009. The amounts charged from parent entity are as follows:		
Interest charged on loans to controlled entity – BMV Properties Pty Limited	170,319	139,252
Interest charged on loans to controlled entity – Levuka Resources Pty Limited	171,543	138,798
Interest charged on loans to controlled entity – Altia Resources Pty Limited	759,892	618,142
Interest charged on loans to controlled entity – Scotia Nickel Pty Limited	250,548	197,417
	<u>1,352,302</u>	<u>1,093,609</u>

#### Balances With Controlled Entities

The aggregate amounts receivable from other controlled entities by the Company at balance date are:

#### Receivables - Non Current

Loan to controlled entity – BMV Properties Pty Limited	3,793,725	3,525,482
Loan to Controlled entity – Levuka Resources Pty Limited	3,926,858	2,976,187
Loan to controlled entity – Altia Resources Pty Limited	17,018,801	14,371,522
Loan to Controlled entity – Scotia Nickel Pty Limited	5,476,991	5,141,501
	<u>30,216,375</u>	<u>26,014,692</u>

### 22. KEY MANAGEMENT PERSONNEL

#### (a) Details of Specified Directors and Specified Executives

##### (i) Specified Directors

Mr JK Atkins	Chairman (Non-Executive)
Mr PS Buck	Managing Director (Resigned February 2009)
Mr JA Young	Director (Non-Executive)
Mr GP Connell	Director (Non-Executive)
Mr JJ Gresham	Director (Non-Executive)

##### (ii) Specified Executives

Mr DJ Hutton	CEO/Exploration Manager (Appointed CEO February 2009)
Mr TG Hart	Financial Controller and Company Secretary

#### (b) Remuneration of Specified Directors and Specified Executives

Disclosures relating to Directors and Key Management Personnel are included in the Director's Report.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. EMPLOYEE BENEFITS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Aggregate Liability for Employee Benefits including On-Costs</b>				
Current	71	98	71	98
Non-Current	6	5	6	5
	<u>77</u>	<u>103</u>	<u>77</u>	<u>103</u>

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates	3%	3%	3%	3%
Discount rate	5%	5%	5%	5%
Settlement term (years)	10	10	10	10
Number of Employees				
Number of Employees at year end	12	12	12	12

#### (a) Share Base 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 price 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.

Expiry date	Exercise price	Number of options at beginning of year	Options granted	Options cancelled	Options exercised	Number of options on issue at end of year	
						Vested	Unvested
17 Oct 2009	\$0.55	1,975,000	-	400,000	-	1,575,000	-
30 Jul 2010	\$0.85	1,275,000	-	100,000	-	587,500	587,500
12 Dec 2010	\$0.77	500,000	-	500,000	-	-	-
30 Jul 2011	\$0.58	-	1,125,000	100,000	-	-	1,075,000

### 24. SEGMENT INFORMATION

The Company operates solely in the natural resources exploration and mining industry in Australia.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. NOTES TO STATEMENTS OF CASH FLOWS

#### (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		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash assets	2,864	8,507	2,839	8,436

#### (b) Reconciliation of Profit/ (Loss) from Ordinary Activities after Income Tax to Net Cash provided by Operating Activities

Profit/(Loss) from ordinary activities after income tax	(5,972)	(5,857)	(2,369)	(5,776)
Add/(less) items classified as investing/financing activities				
Exploration costs expensed	72	104	72	-
Add non-cash items				
Exploration, evaluation and development costs written off	4,864	2,267	394	-
Depreciation	145	138	142	133
Converting Notes interest	538	502	538	502
Interest on inter company loans	-	-	(1,352)	(1,094)
Share option expense	(225)	247	(225)	247
Impairment of BMV Investment	-	-	2,236	-
Available for sale assets acquired non cash	-	109	-	109
Net cash provided by operating activities before change in assets and liabilities	(578)	(2,490)	(564)	(5,879)
<b>(Increase)/Decrease in Assets</b>				
Prepayments	-	-	-	-
Receivables	329	163	329	163
Inter company receivables	-	-	-	3,693
Mining and security bonds	-	518	-	518
Available for sale assets	84	(119)	84	(119)
Acquisitions of exploration assets	-	-	-	-
Write of exploration asset	-	(2,255)	-	-
<b>Increase/(Decrease) in Liabilities</b>				
Creditors	(250)	2,107	(247)	405
Provisions	(25)	13	(15)	13
Deferred tax liability	-	-	-	-
Converting Notes	(1,294)	1,077	(1,294)	1,077
Net cash provided by operating activities	(1,734)	(986)	(1,707)	(129)

## NOTES TO THE FINANCIAL STATEMENTS

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### 26. FINANCING ARRANGEMENTS

#### *Performance Guarantees*

- (i) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources 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 as at 30 June 2009.
- (ii) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources 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 as at 30 June 2009.
- (iii) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources 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 \$11,200.
- (iv) Unconditional Performance Bonds have been lodged with the Department of Mineral and Petroleum Resources 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.

#### *Other Guarantees*

- (v) The Company has a \$74,805 performance guarantees in place to secure the payment of rent under the Company's lease of premises at its offices at 15 Rheola Street West Perth. This guarantee is secured by a \$74,805 term deposit with Bankwest.

### 27. (LOSS) PER SHARE

	<b>2009</b>	<b>2008</b>
	<b>Cents</b>	<b>Cents</b>
Basic profit / (loss) per share (cents per share)	(3.37)	(3.45)
Diluted profit / (loss) per share (cents per Share)	(3.37)	(3.35)
Weighted average number of ordinary shares used in the calculation of basic loss per share	177,126,221	169,295,741
Weighted average number of ordinary shares used in the calculation of diluted loss per share	177,126,221	174,651,365
Net profit / (loss) attributed to EPS	(5,973,240)	(5,856,727)

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

##### (a) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

##### *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.

##### (b) 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:

CONSOLIDATED	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest Bearing \$'000	Total \$'000
<b>2009</b>						
<b>Financial Assets</b>						
Cash assets		3.53%	2,863	-	1	2,864
Receivables		2.57%	227	-	26	253
Available- for- sale financial assets		-	-	-	102	102
			3,090	-	129	3,219
<b>Financial Liabilities</b>						
Payables		-	-	-	125	125
Lease Liability		-	-	-	11	11
Converting Note		-	-	-	8,705	8,705
			-	-	8,841	8,841

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CONSOLIDATED	Note	Weighted Average Interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest Bearing \$'000	Total \$'000
<b>2008</b>						
<b>Financial Assets</b>						
Cash assets	8	7.59%	8,505	-	2	8,507
Receivables	9	2.42%	226	-	365	591
Available for sale financial assets	14	-	-	-	186	186
			8,731	-	553	9,284
<b>Financial Liabilities</b>						
Payables	15	-	-	-	1,443	1,443
Lease Liability	16	-	-	-	-	-
Converting Note	16	-	-	-	9,461	9,461
			-	-	10,904	10,904
<b>2009</b>						
<b>Financial Assets</b>						
Cash assets	8	3.28%	2,838	-	1	2,839
Receivables	9	3.96%	182	-	26	208
Available for sale financial assets	11	-	-	-	102	102
Other financial assets	14	4.80%	30,216	-	4,477	34,693
			33,236	0	4,606	32,013
<b>Financial Liabilities</b>						
Payables		-	-	-	125	125
Lease liabilities		-	-	-	11	11
Converting Note		-	-	-	8,705	8,705
			-	-	8,841	8,841
<b>2008</b>						
<b>Financial Assets</b>						
Cash assets	8	7.63%	8,435	-	1	8,436
Receivables	9	8.39%	186	-	365	551
Available for sale financial assets	14	-	-	-	186	186
Other financial assets	11	8.5%	26,014	-	6,713	32,727
			34,635	-	7,242	41,900
<b>Financial Liabilities</b>						
Payables	15	-	-	-	1,443	1,443
Lease liabilities	16	-	-	-	-	-
Converting Note	16	-	-	-	9,460	9,460
			-	-	10,903	10,903

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

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
Cash and cash equivalents	2,864	8,507	2,839	8,436
Related party loans	-	-	30,216	25,300
Net exposure	2,864	8,507	33,055	33,736

At 30 June 2009, 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:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Consolidated</b>				
+ 1% (100 basis points)	28	85	28	85
- 1% (100 basis points)	(28)	(85)	(28)	(85)
<b>Parent</b>				
+ 1% (100 basis points)	308	337	308	337
- 1% (100 basis points)	(308)	(337)	(308)	(337)

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

#### (c) Foreign Currency Risk

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

#### (d) 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.

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, lease liabilities and employee benefits approximate net fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (e) Liquidity Risk

The consolidated entities 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 and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2009. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

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

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
6 months or less	125	1,722	125	1,722
6-12 months	-	-	-	-
1-5 years	8,705	9,460	8,705	9,460
over 5 years	-	-	-	-
	8,830	11,182	8,830	11,182

#### *Maturity Analysis of Financial Assets and Liability based on Management's 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.

	≤6 months \$000	6-12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
Year ended 30 June 2009					
<b>Consolidated Financial Assets</b>					
Cash and cash equivalents	2,864	-	-	-	2,864
Trade and other receivables	35	-	-	-	35
Security Bonds	-	-	-	226	226
Available-for-sale financial assets	102	-	-	-	102
	3,001	-	-	226	3,227
<b>Consolidated Financial Liabilities</b>					
Trade and other payables	(125)	-	-	-	(125)
Convertible Note	-	-	(8,705)	-	(8,705)
	(125)	-	(8,705)	-	(8,830)
<b>Net Maturity</b>	2,876	-	(8,705)	226	(5,603)

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	≤6 months	6-12 months	1-5 years	>5 years	Total
	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2009					
<b>Parent Financial Assets</b>					
Cash and cash equivalents	2,839	-	-	-	2,839
Trade and other receivables	35	-	-	-	35
Security Bonds	-	-	-	226	226
Other Financial Assets	-	-	-	30,216	30,216
Available-for-sale financial assets	102	-	-	-	102
	2,976	-	-	30,442	33,418
<b>Parent Financial Liabilities</b>					
Trade and other payables	(125)	-	-	-	(125)
Convertible Note	-	-	(8,705)	-	(8,705)
	(125)	-	(8,705)	-	(8,830)
<b>Net Maturity</b>	2,851	-	(8,705)	37,113	31,259
Year ended 30 June 2008					
<b>Consolidated Financial Assets</b>					
Cash and cash equivalents	8,507	-	-	-	8,507
Trade and other receivables	365	-	-	-	365
Security Bonds	-	-	-	226	226
Available-for-sale financial assets	186	-	-	-	186
	9,058	-	-	226	9,284
<b>Consolidated Financial Liabilities</b>					
Trade and other payables	(1,722)	-	-	-	(1,722)
Convertible Note	-	-	(9,460)	-	(9,460)
	(1,722)	-	(9,460)	-	(11,182)
<b>Net Maturity</b>	7,336	-	(9,460)	226	(1,898)
Year ended 30 June 2008					
	\$000	\$000	\$000	\$000	\$000
<b>Parent Financial Assets</b>					
Cash and cash equivalents	8,436	-	-	-	8,436
Trade and other receivables	365	-	-	-	365
Security Bonds	-	-	-	185	185
Other Financial Assets	-	-	-	32,727	32,727
Available-for-sale financial assets	186	-	-	-	186
	8,987	-	-	32,912	41,899
<b>Parent Financial Liabilities</b>					
Trade and other payables	(1,722)	-	-	-	(1,722)
Convertible Note	-	-	(9,460)	-	(9,460)
	(1,722)	-	(9,460)	-	(11,182)
<b>Net Maturity</b>	7,265	-	(9,460)	32,912	30,717

## NOTES TO THE FINANCIAL STATEMENTS

### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (f) 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 consist of cash and cash equivalents, and the equity attributed to equity holders of the parent , comprising issued capital, Converting notes, reserves and accumulated losses as disclosed in notes 17,18,19 and 20 respectively.

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

### 29. CONTROLLED ENTITIES

	Interest Held	Interest Held
	2009 %	2008 %
<b>(a) Particulars in Relation to Controlled Entities</b>		
<b>Parent Entity</b>		
Breakaway Resources Limited		
<b>Controlled Entities</b>		
BMV Properties Pty Ltd	100	100
Levuka Resources Pty Ltd	100	100
Altia Resources Pty Lid	100	100
Scotia Nickel Pty Ltd	100	100
All entities are incorporated in Australia		

### 30. COMMITMENTS

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Lease/Hire Purchase Commitments</b>				
Operating lease repayments are payable as follows:				
not later than one year	288	307	288	307
later than one year but not later than five years	280	544	280	544
	568	851	568	851
<b>Lease/hire Purchase Liabilities provided for in the Financial Statements</b>				
Current	11	-	11	-
Non-current	-	-	-	-
Total lease/hire purchase liability	11	-	11	-

### 31. COMMITMENTS (EXPLORATION)

The consolidated entity has minimum expenditure obligations in pursuance of the terms and conditions of mining tenements in the forthcoming year of approximately \$2,404,240 (2008: \$3,859,257). These obligations are not provided for in the financial report. These obligations may be varied from time to time subject to statutory approval.

## NOTES TO THE FINANCIAL STATEMENTS

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### 32. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 July 2009, the Company sold its earn-in rights to the Mt Finnerty Joint Venture to Reed Resources Ltd for a total consideration of 500,000 fully-paid ordinary, non-escrowed shares in Reed Resources Ltd.

## DIRECTOR'S DECLARATION

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The Directors of Breakaway Resources Limited ("The Company") declare that:

- (a) in the Director's opinion the financial statements and notes on pages 18 to 49, and the remuneration disclosures that are contained in the Remuneration report in the Director's Report, set out on pages 2 to 11 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in note 3a;
- (c) the remuneration disclosures that are contained in the Remuneration Report in the Director's Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors



**John K Atkins**  
Chairman

Dated: 17 September 2009

## 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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Breakaway Resources Limited and its controlled entities. The consolidated entity comprises the entity 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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statement*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *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. These Auditing 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, the auditor considers internal control 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 control. 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.

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*Independence*

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

*Auditor's 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 company's financial position as at 30 June 2009 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*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2a.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year] ended 30 June 2009. 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.

*Auditor's Opinion*

In our opinion the Remuneration Report of Breakaway Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.



**PKF**  
Chartered Accountants



**Neil Smith**  
Partner

Dated at Perth, Western Australia, this day 17<sup>th</sup> of September 2009.

## ASX ADDITIONAL INFORMATION

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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 16 September 2009.

### CAPITAL STRUCTURE

Listed on the Australian Stock Exchange are 179,454,988 fully paid shares. The Company has 4,575,000 unquoted options on issue.

### DISTRIBUTION OF SHAREHOLDINGS

The distribution of shareholdings as at 16 September 2009 was:

Range	No. of Holders	No. of Securities
1 – 1,000	200	120,633
1,001 - 5,000	700	2,088,274
5,001 – 10,000	486	4,024,289
10,001 – 100,000	1,012	36,023,475
100,001 + over	170	137,198,317
Total	2,568	179,454,988
Less than a marketable parcel	6,250	2,786,280

### SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Norilsk Nickel Australia Pty Ltd	33,399,033
FMR Investments Pty Ltd	18,502,258
Abbotsleigh Pty Ltd	10,000,000

### 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

The name of the Company Secretary is Trevor Hart. Mr Hart is a Certified Practising Accountant (CPA) with a Bachelor degree in Accounting from Edith Cowan University and is a Chartered Secretary (ACIS). Prior to his appointment as Company Secretary, Mr Hart has held the position of Financial Controller of Breakaway Resources Limited since 2003, and has over 17 years experience including over 13 years in the resources and mining services industry. Prior to joining Breakaway he held a number of senior financial positions in other ASX Listed companies.

## ASX ADDITIONAL INFORMATION

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### REGISTERED OFFICE

The registered office is at: Level 1, 15 Rheola Street, West Perth WA 6005

Telephone: +61 8 9278 6444

Facsimile: +61 8 9278 6449

### TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

Name	Number of Shares	% of Total Issued Shares
Norilsk Nickel Australia Pty Ltd	33,399,033	18.61
FMR Investments Pty Limited	18,502,258	10.31
Abbotsleigh Pty Ltd	10,000,000	5.57
Sherrifmuir Holdings Pty Ltd	4,815,710	2.68
J P Morgan Nominees Australia Limited	3,171,990	1.77
Leet Investments Pty Ltd <Superannuation Fund A/C>	3,100,000	1.73
Nefco Nominees Pty Ltd	3,008,299	1.68
Leet Investments Pty Limited	2,428,000	1.35
Hanobine Holdings Pty Ltd	2,300,000	1.28
Mr Robert Gemelli	2,000,000	1.11
Holbrook Corporation Pty Ltd	2,000,000	1.11
Societe Generale Australia	1,666,668	0.93
Wythenshawe Pty Ltd	1,573,333	0.88
Mr John Sidney Snell & Mrs Carole Veronica Snell <JCGTS Superfund A/C>	1,500,000	0.84
Warramboe Holdings Pty Ltd	1,281,957	0.71
Citicorp Nominees Pty Limited	1,276,202	0.71
Ragged Holdings Pty Ltd <Ragged Super A/C>	1,230,000	0.69
Gascorp Australia Pty Ltd	1,200,000	0.67
Mr Stephen John Alman	1,133,387	0.63
Redtower Corporation Pty Llted <Sacks Superfund A/C>	1,050,000	0.59
<b>TOTAL</b>	<b>96,636,837</b>	<b>53.85</b>

## ASX ADDITIONAL INFORMATION

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### UNQUOTED SECURITIES (OPTIONS)

The distribution of unquoted option holdings as at 16 September 2009

<b>Range</b>	<b>No. of Holders</b>
1 – 100,000	4
100,001 – 250,000	3
250,001 - 500,000	1
500,000 – 1,000,000	1
1,000,001 + over	2