



breakaway

BREAKAWAY RESOURCES LIMITED

ABN 16 061 595 051

FINANCIAL REPORT

For the Half-Year Ended

31 December 2007

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DIRECTORS' REPORT

The Directors of Breakaway Resources Limited ("Breakaway" or the "Company") present their report together with the consolidated financial report for the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2007 and the review opinion thereon.

DIRECTORS

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

<i>Name</i>	<i>Period of Directorship</i>
John King Atkins - Chairman	Director and Chairman since November 2006
Jonathan Alister Young - Non-Executive Director	Director since March 2003
Garry Patrick Connell – Non-Executive Director	Director since 1999
Peter Stanley Buck – Managing Director	Director since June 2004
Jeffery John Gresham - Non-Executive Director	Director since October 2006

PRINCIPAL ACTIVITIES

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

RESULT

The loss from ordinary activities after income tax for the financial period was \$1.741 million (2006: loss of \$95,000).

REVIEW OF OPERATIONS

The consolidated entity recorded an after tax loss of \$1.741 million for the six months ended 31 December 2007.

On 3 September 2007 the Company announced a mine resources estimate and update at the Eloise Copper Mine in which the Company has a 30% Net Profit Royalty.

On the 20 December 2007 the Company announced that it had reached a farm-in agreement with Barra Resources Limited to evaluate the gold potential of a portion of the West Kambalda project through a joint venture. Under the terms of the agreement Barra has the right to earn 70% interest by issuing shares to the value of \$300,000 to Breakaway and spending \$2.5 million on exploration over a total period of two and half years, of which \$750,000 must be spent within the first 12 months.

DIRECTORS' REPORT

Auditor's Independence Declaration

The copy of the auditor's Independence Declaration as required under sections 307C of the Corporations Act 2001 is set out on page 3.

ROUNDING OFF

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

Signed on this 4th day of March 2008 in accordance with resolution of the directors made pursuant to s306(3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Peter Stanley Buck', with a stylized flourish at the end.

Peter Stanley Buck
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF BREAKAWAY RESOURCES LIMITED

As lead auditor for the review of Breakaway Resources Limited for the half year ended 31 December 2007, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia on this 4th day of March 2008

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BREAKAWAY RESOURCES LIMITED
CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	Half Year Ended 31 Dec-07 \$'000	Half Year Ended 31-Dec-06 \$'000
Revenue from Royalties	-	1,761
Finance Revenue	569	313
Other revenues	310	-
Total revenue from continuing operations	<u>879</u>	<u>2,074</u>
Expenses from continuing operations:		
Employee benefit expense	951	785
Administration expenses	419	847
Exploration expenses written off	-	53
Depreciation and amortisation expense	69	18
Occupancy expenses	126	159
Consultants expense	38	131
Other expenses from ordinary activities	9	16
Total expenses from ordinary activities	<u>1,612</u>	<u>2,009</u>
(Loss)/Profit from continuing operations before tax and finance costs	(733)	65
Finance costs	(1,008)	(33)
(Loss)/Profit before income tax relating to continuing operations	<u>(1,741)</u>	<u>32</u>
Income tax expense relating to continuing operations	-	(127)
(Loss) from continuing operations after related income tax	<u>(1,741)</u>	<u>(95)</u>
Basic earnings (Loss) per share (cents per share)	(1.02)	(0.06)
Diluted earnings (Loss) per share (cents per share)	(0.98)	(0.06)

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

BREAKAWAY RESOURCES LIMITED
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	Consolidated	
		31 Dec-07 \$'000	30 Jun 07 \$'000
Current Assets			
Cash and cash equivalents		13,471	18,483
Trade and other receivables		786	528
Prepayments		23	-
Total Current Assets		14,280	19,011
Non Current Assets			
Trade and other receivables		222	745
Property, plant and equipment		719	788
Exploration, evaluation and development expenditure		29,628	25,033
Available for sale financial assets		413	67
Deferred tax assets		8,964	7,236
Total Non Current Assets		39,946	33,869
Total Assets		54,226	52,880
Current Liabilities			
Trade and other payables		794	955
Loans and borrowings		-	37
Provisions		99	87
Total Current Liabilities		893	1,079
Non Current Liabilities			
Loans and borrowings		8,884	7,881
Deferred tax liability		8,964	7,236
Provisions		623	623
Total Non Current Liabilities		18,471	15,740
Total Liabilities		19,364	16,819
NET ASSETS		34,862	36,061
Equity			
Issued capital		77,390	77,184
Converting notes (Equity)		2,731	2,731
Reserves		878	542
Accumulated losses		(46,137)	(44,396)
TOTAL EQUITY		34,862	36,061

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

BREAKAWAY RESOURCES LIMITED
CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	Half Year Ended 31 Dec-07 \$'000	Half Year Ended 31 Dec-06 \$'000
Notes		
Cash flows from operating activities		
Cash receipts in the course of operations	-	4,481
Cash payments in the course of operations	(1,294)	(1,633)
Interest received	666	299
Borrowing costs paid	(4)	(5)
	<u>(632)</u>	<u>3,142</u>
Cash flows from investing activities		
Payments for exploration and development	(4,586)	(4,062)
Payments for property, plant and equipment	-	(496)
Payment for investment	-	(30)
Proceeds from sale assets	-	12
	<u>(4,586)</u>	<u>(4,576)</u>
Cash flow from financing activities		
Proceeds from share issue	206	12,745
	<u>206</u>	<u>12,745</u>
Net (decrease) / increase in cash held	(5,012)	11,311
Cash at the beginning of the financial period	18,483	8,814
	<u>13,471</u>	<u>20,125</u>
Cash at the end of the financial period	<u>13,471</u>	<u>20,125</u>

The cash flow statement should be read in conjunction with the accompanying notes.

Non-cash Investing Activities totalling \$10.55m in convertible notes and shares were issued as consideration for the purchase of tenements from LionOre Australia Pty Ltd in August 2006.

BREAKAWAY RESOURCES LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Ordinary Shares	Converting Notes	Reserves	Accumulated losses	Total attributed to equity holders
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance 01/07/2006	59,146	683	9	(45,212)	14,626
Issue of 45,000,000 @ 30 Cents	13,500	-	-	-	13,500
Converting Notes issued to LionOre Australia Pty Ltd	-	2,731	-	-	2,731
Issue of 15,555,555 shares to LionOre on the conversion of Notes	3,057	-	-	-	3,057
Issue of 4,800,000 shares to LionOre as per transaction	1,553	-	-	-	1,553
Less Cost of raising capital	(754)	-	-	-	(754)
Tax benefit arising from capital raising costs	220	-	-	-	220
	<u>76,722</u>	<u>3,414</u>	<u>9</u>	<u>(45,212)</u>	<u>34,933</u>
Profit/(Loss) for year	-	-	-	(95)	(95)
	<u>76,722</u>	<u>3,414</u>	<u>9</u>	<u>(45,307)</u>	<u>34,838</u>
Financial Asset Revaluation	-	-	12	-	12
Employee Equity-Settle Benefits Reserve	-	-	197	-	197
Balance 31/12/2006	<u>76,722</u>	<u>3,414</u>	<u>218</u>	<u>(45,307)</u>	<u>35,047</u>
Balance 01/07/2007	77,184	2,731	542	(44,396)	36,061
Exercised Options 375,000 @ 55 Cents	206	-	-	-	206
	<u>77,390</u>	<u>2,731</u>	<u>542</u>	<u>(44,396)</u>	<u>36,267</u>
Profit/(Loss) for year	-	-	-	(1,741)	(1,741)
	<u>77,390</u>	<u>2,731</u>	<u>542</u>	<u>(46,137)</u>	<u>34,526</u>
Financial Asset Revaluation	-	-	47	-	47
Employee Equity-Settle Benefits Reserve	-	-	289	-	289
Balance 31/12/2007	<u>77,390</u>	<u>2,731</u>	<u>878</u>	<u>(46,137)</u>	<u>34,862</u>

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

On the 13th July 2006 the Company had a consolidation of capital on a 5 for 1 basis. Prior year numbers have been restated for comparative purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the half-year ended 31 December 2007 was authorised for issue in accordance with a circular resolution of the directors on 4th March 2008.

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

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

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation of Half-Year Financial Report

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001 and, AASB 134. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial and shall be read in conjunction with the most recent annual financial report.

Significant accounting policies

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

(a) 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.

(b) 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.

(c) 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.

2. Summary of accounting policies (cont'd)

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.

(d) 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.

(e) Income tax

Current tax

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

Deferred tax

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

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

2. Summary of accounting policies (cont'd)

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.

(f) 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of accounting policies (cont'd)

(h) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(i) Property, plant and equipment

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

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

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

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

2. Summary of accounting policies (cont'd)

(j) 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.

Alternatively, if events result in an increase in the estimated costs, the provision is increased via an expense in the income statement.

(k) 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.

Other revenue

Revenue is recognised for farm-in agreements when it is probable that the economic benefits associated with the transaction will flow to the entity.

(l) Share-based payments

Fair value is measured by using a binomial pricing model. The expected life used in the model has been adjusted, based on management's best estimates, for 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.

2. Summary of accounting policies (cont'd)

(m) 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.

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.

(n) 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.

(o) 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.

2. Summary of accounting policies (cont'd)

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.

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.

3. SEGMENT INFORMATION

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

4. SUBSEQUENT EVENTS

On the 3rd January 2008 Breakaway Resources Limited announced an initial inferred mineral resources for the Alita lead-silver-zinc deposit at its 100%-owned Eloise exploration project.

5. COMMITMENTS

After the Company's successful acquisitions of the LionOre exploration assets, this has increased its minimum expenditure obligations in pursuance of the terms and conditions of exploration/mining tenements in the forthcoming year to approximately \$3.712 million. These obligations are not provided for in the financial report. These obligations may be varied from time to time subject to statutory approval.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

- (i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Directors



Peter Stanley Buck
Managing Director

Dated in Perth this 4th day of March 2008

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF BREAKAWAY RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Breakaway Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2007 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Breakaway Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



Neil Smith
Partner

Dated in Perth, Western Australia, on this 4th day of March 2008