



BREAKAWAY RESOURCES LIMITED

ABN 16 061 595 051

FINANCIAL REPORT

For the Half-Year Ended

31 December 2008

CONTENTS

	Page
Director's Report.....	1
Auditor Independence Declaration.....	3
Condensed Income Statement.....	4
Condensed Balance Sheet.....	5
Condensed Statement of Cash Flow.....	6
Condensed Statement of Changes in Equity	7
Notes to the Financial Statements	8
Directors' Declaration	10
Independent Review Report	11

DIRECTOR'S 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 2008.

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 (Resigned 20 February 2009)	Director since June 2004
Jeffrey 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 \$5.558 million (2007: Loss of \$1.741 million).

REVIEW OF OPERATIONS

The consolidated entity recorded an after tax Loss of \$5.558 million for the six months ended 31 December 2008.

During the half year ending 31 December 2008, the Group undertook the following activities:

- The Company continued to explore and evaluate its base and precious metals projects.
- On the 2 October 2008, the Company completed a capital raising of \$2 million with Abbotsleigh Pty Ltd.

DIRECTOR'S 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 9th day of March 2009 in accordance with resolution of the Directors made pursuant to s306(3) of the Corporations Act 2001.

A handwritten signature in black ink that reads "John Atkins". The signature is written in a cursive style with a large, looping initial "J".

John Atkins
Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Breakaway Resources Limited for the half year ended 31 December 2008, 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 this 9th day of March 2009

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BREAKAWAY RESOURCES LIMITED
CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated	
		Half Year Ended 31 Dec-08 \$'000	Half Year Ended 31 Dec-07 \$'000
Finance Revenue		217	569
Other revenues		2	310
Total revenue from continuing operations		<u>219</u>	<u>879</u>
Expenses from continuing operations:			
Employee benefit expense		669	951
Administration expenses		319	419
Impairment of assets available for sale		297	-
Exploration expenses written off		38	-
Capitalised exploration costs written off	4	4,829	-
Depreciation and amortisation expense		72	69
Occupancy expenses		174	126
Reversal of rehabilitation provision		(245)	-
Consultants expense		47	38
Other expenses from ordinary activities		27	9
Total expenses from ordinary activities		<u>6,227</u>	<u>1,612</u>
Loss from continuing operations before tax and finance costs		(6,008)	(733)
Finance income/(costs)		450	(1,008)
Loss before income tax relating to continuing operations		<u>(5,558)</u>	<u>(1,741)</u>
Income tax expense relating to continuing operations		-	-
Loss from continuing operations after related income tax		<u>(5,558)</u>	<u>(1,741)</u>
Basic earnings (Loss) per share (cents per share)		(3.23)	(1.02)
Diluted earnings (Loss) per share (cents per share)		(3.23)	(0.98)

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

BREAKAWAY RESOURCES LIMITED
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	Consolidated	
		31 Dec-08 \$'000	30 Jun 08 \$'000
Current Assets			
Cash and cash equivalents		4,016	8,507
Trade and other receivables		71	365
Prepayments		21	-
Total Current Assets		4,108	8,872
Non Current Assets			
Trade and other receivables		228	226
Property, plant and equipment		660	709
Exploration, evaluation and development expenditure	4	31,936	32,677
Available for sale financial assets		45	187
Deferred tax assets		9,589	9,808
Total Non Current Assets		42,458	43,607
Total Assets		46,566	52,479
Current Liabilities			
Trade and other payables		167	1,722
Loans and borrowings		17	-
Provisions		80	98
Total Current Liabilities		264	1,820
Non Current Liabilities			
Loans and borrowings		9,008	9,461
Deferred tax liability		9,589	9,808
Provisions		390	625
Total Non Current Liabilities		18,987	19,894
Total Liabilities		19,251	21,714
NET ASSETS		27,315	30,765
Equity			
Issued capital		79,290	77,390
Converting notes (Equity)		2,731	2,731
Reserves		1,105	897
Accumulated losses		(55,811)	(50,253)
TOTAL EQUITY		27,315	30,765

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 2008

	Consolidated	
	Half Year Ended 31 Dec-08 \$'000	Half Year Ended 31 Dec-07 \$'000
Notes		
Cash flows from operating activities		
Cash payments in the course of operations	(1,122)	(1,294)
Interest received	181	666
Borrowing costs paid	(2)	(4)
Net cash provided/(used in) by operating activities	<u>(943)</u>	<u>(632)</u>
Cash flows from investing activities		
Payments for exploration and development	(5,424)	(4,586)
Payments for property, plant and equipment	(24)	-
Net cash (used in) investing activities	<u>(5,448)</u>	<u>(4,586)</u>
Cash flow from financing activities		
Proceeds from share issue	1,900	206
Net cash provided by financing activities	<u>1,900</u>	<u>206</u>
Net (decrease) in cash held	(4,491)	(5,012)
Cash at the beginning of the financial period	8,507	18,483
Cash at the end of the financial period	<u>4,016</u>	<u>13,471</u>

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

BREAKAWAY RESOURCES LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Ordinary Shares \$'000	Converting Notes \$'000	Reserves \$'000	Accumulated losses \$'000	Total attributed to equity holders \$'000
Consolidated					
Balance 01/07/2007	77,184	2,731	542	(44,396)	36,061
Exercised Options 375,000 @ 55 Cents	206	-	-	-	206
	77,390	2,731	542	(44,396)	36,267
Profit/(Loss) for year				(1,741)	(1,741)
	77,390	2,731	542	(46,137)	34,526
Financial Asset Revaluation	-	-	47	-	47
Employee Equity-Settle Benefits Reserve	-	-	289	-	289
Balance 31/12/2007	77,390	2,731	878	(46,137)	34,862
Balance 01/07/2008	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				(5,558)	(5,558)
	79,290	2,731	897	(55,811)	27,107
Financial Asset Revaluation			153		153
Employee Equity-Settle Benefits Reserve			55		55
	79,290	2,731	1,105	(55,811)	27,315

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Breakaway Resources Limited for the half-year ended 31 December 2008 was authorised for issue in accordance with a circular resolution of the Directors on 9th March 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 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 report and shall be read in conjunction with the most recent annual financial report.

Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008

Basis 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.

3. SEGMENT INFORMATION

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

4. IMPAIRMENT AND DISPOSAL OF EXPLORATION ASSETS

An assessment is made of the carrying value of capitalised exploration, evaluation and development expenditure. This assessment is done on a half yearly basis and has resulted in \$4.8 million write off for the half year period ending 31 December 2008, of which \$2.7 million was a result of impairment of the carrying values in capitalised exploration assets and the remaining \$2.1 million was a result of the loss on the disposal of tenements.

5. SUBSEQUENT EVENTS

On 20 February 2009, the Company announced a management restructure whereby Managing Director and CEO, Mr Peter Buck stepped down from his position and Mr David Hutton has assumed the position of CEO.

A gold farm-in agreement, in which Barra Resources Ltd had the opportunity to earn a 70% interest in the gold rights over a part of Breakaway's 100% owned West Kambalda Project, was terminated in January 2009.

6. COMMITMENTS

Expenditure commitment per the terms and conditions of exploration/mining tenements over the next 12 months is approximately \$2.739 million. These obligations may be varied from time to time subject to statutory approval and are not provided for in the financial report.

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 2008 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

A handwritten signature in black ink that reads "John Atkins". The signature is written in a cursive style with a large, looping initial 'J'.

John Atkins
Director

Dated in Perth this 9th day of March 2009



Chartered Accountants
& Business Advisers

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 2008, 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 2008 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 2008 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 the entity 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 2008 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 at Perth, Western Australia this 9th day of March 2009