

**ACTIVITY REPORT  
FOR THE QUARTER ENDED 30 JUNE 2009**

**HIGHLIGHTS**

**Gold Exploration – Western Australia**

- Two previously identified high quality gold targets (Spargos Reward and Scotia), were selected for drill testing. Both targets are located within major, regionally endowed gold corridors and offer significant discovery upside.
- A first pass 2,200 metre Reverse Circulation drilling programme to test both targets was underway at the end of the Quarter with all results expected by early August.

**Nickel Exploration – Western Australia**

- A JORC Code compliant Inferred Resource of 142,000 tonnes @ 2.0% Ni (2,900t Ni metal) has been calculated for extensions to the Company's previously mined 1A Nickel Deposit using a 0.8% Ni cut-off grade. There is considerable potential to increase both the size (being open in all directions) and the grade (current drill density being insufficient to test for small scale remobilised high-grade positions) of the resource.
- The resource reinforces the prospectivity of the West Kambalda Project and enables the Company to plan the next phase of activity on the 1A Nickel Deposit.
- The Saints Nickel Target (Scotia Project) where Breakaway intersected thickened nickel sulphides in 2007 (i.e. 27.45m @ 1.80% Ni, 4.80m @ 2.81% Ni, and 2.30m @ 2.64% Ni) represents another priority opportunity for the Company to delineate additional potentially significant nickel sulphides. A drilling programme is being developed ahead of anticipated commencement during the December Quarter 2009.
- Following development of the Saints drilling programme, activities will focus on the Wildara Project, where the Company has previously identified the Horn – Revolution Trend as the best opportunity for the discovery of significant nickel sulphide mineralisation within the project.

**Project Divestment**

- The Company has sold its Earn-In Rights for the Mt Finnerty Joint Venture to Reed Resources Ltd for a total consideration of 500,000 fully paid ordinary Reed shares.
- To ensure that future exploration efforts remain focussed and that shareholder value is maximised, the Company is currently evaluating other divestment and strategic joint venture options for non-core nickel and base metal projects in Western Australia and Queensland.

**Cash Position**

- The Company's cash position at the end of the Quarter was \$3.1 million.

## OVERVIEW

Breakaway has a quality portfolio of projects which are highly prospective for nickel, gold and base metals, and are strategically located within several highly endowed mineral districts in Western Australia and Queensland (Figure 1). While a large number of targets have been identified on all of the projects, Breakaway has adopted a focussed, pragmatic approach to its ongoing exploration activities.

The Company has focussed its short term activities on two high quality gold targets within the North Eastern Goldfields of Western Australia. The gold focus reflects the Board's view of the assets considered most likely to drive shareholder value for the Company in the current economic and commodity price environment. However this does not change the Company's commitment to its long-term corporate objective of discovering a high quality nickel resource base of at least 30,000 tonnes of contained nickel metal at an average grade of +3% Ni, and development of priority nickel targets will continue concurrently with the gold work.

The fact that our projects are prospective for nickel as well as gold allows us to proactively manage our exploration efforts in response to the prevailing commodity price and economic environment.

As part of our strategic focus moving forward, the Company is also currently evaluating divestment and strategic joint venture options for non-core nickel and base metal projects in Western Australia and Queensland in order to increase value for Breakaway shareholders.

During the Quarter, Breakaway commenced a first pass Reverse Circulation drilling programme to test the Spargos Reward and Scotia Gold Targets, completed a resource estimation for extensions to the 1A Nickel Deposit, and carried out a geological modelling of the Saints Nickel Target.

The Company's cash position at the end of the Quarter totalled circa \$3.1 million.

## GOLD EXPLORATION ACTIVITIES – WESTERN AUSTRALIA

Two previously identified high-quality gold targets were selected for drilling testing. As previously announced on 11 June 2009, both targets offer significant discovery upside and are located within major, regionally endowed gold corridors. A first pass 2,200 metre Reverse Circulation drilling programme to test both targets was underway at the end of the Quarter with all results expected by early August.

### **Spargos Reward Gold Target – West Kambalda Project (Breakaway 100%)**

The Spargos Reward Gold Target comprises the historic Spargos Reward Gold Mine and surrounding areas and is located within the northern half of Breakaway's 100%-owned West Kambalda Exploration Project, 25 kilometres southwest of Kambalda, and immediately west of the sealed Coolgardie – Esperance Highway (Figure 2).



Figure 1: Breakaway Project Locations

The Spargos Reward Deposit is located on the general trend of the Kunanalling Shear, a regional shear zone that hosts significant mineralisation 20 kilometres to the north at Ghost Crab (1999 Total Resources of 1.2Mozs Au @ 4.7g/t Au), and 16 kilometres to the south at Wattle Dam (2008 Total Resources of 83,200 ozs @ 4.8g/t Au). The deposit was previously mined to a vertical depth of 120 metres (underground and open pit) with reported total production of approximately 125,897t @ 8g/t Au (~ 29, 257 ounces).

Breakaway has completed a detailed review resulting in the delineation of a number of priority targets within the immediate deposit environs. There is excellent potential to **extend the deposit both at depth and along strike**, with only broad spaced drilling completed by previous explorers (see Figures 3 and 4). The following significant intersections were returned down plunge of the existing workings:

- KWDD007 – **3.3m @ 9.8g/t Au** from 196.7 metres including **2.8m @ 11.45g/t Au** from 197.2 metres
- SRD005 – **5.7m @ 6.16g/t Au** from 342 metres
- SRD002 – **7.0m @ 4.93 g/t Au** from 476 metres

Additionally, shallow historical drilling immediately along strike from the existing open pit has returned a number of intersections that potentially represent the upper portions of parallel plunging mineralised positions, including SNR007 – **3m @ 3.01g/t Au** from 26 metres, SNR009 – **3m @ 1.57g/t Au** from 21 metres, and SNR003 – **2m @ 3.15g/t Au** from 28 metres.

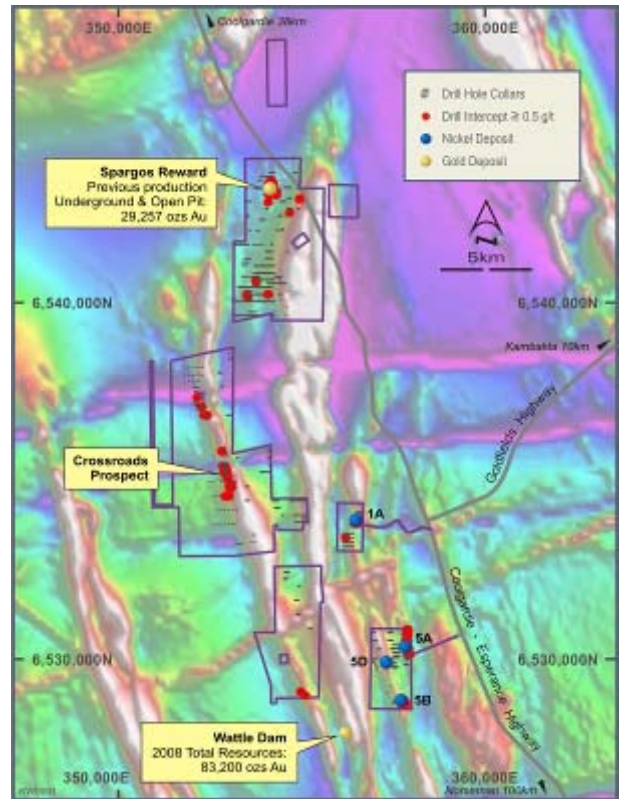


Figure 2: West Kambalda Project showing location of Spargos Reward Gold Target.

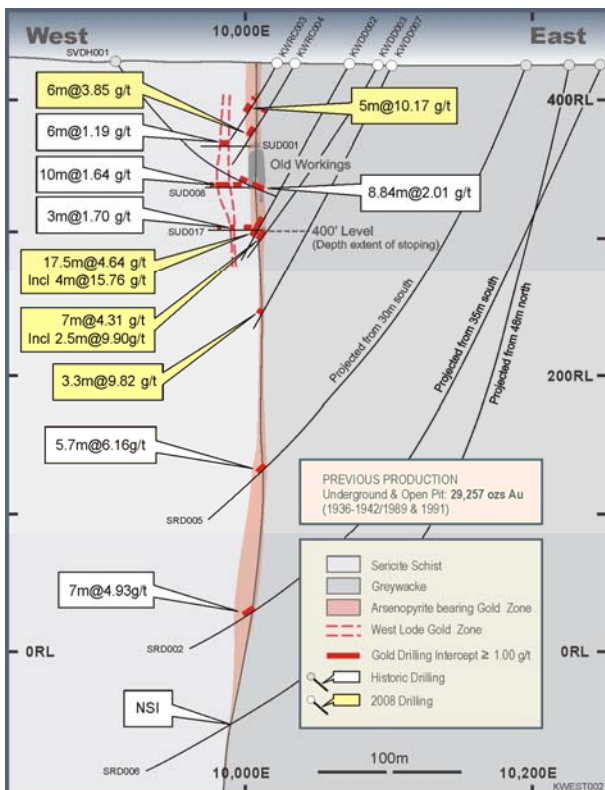


Figure 3: Spargos Reward Deposit Cross Section – 10060N.

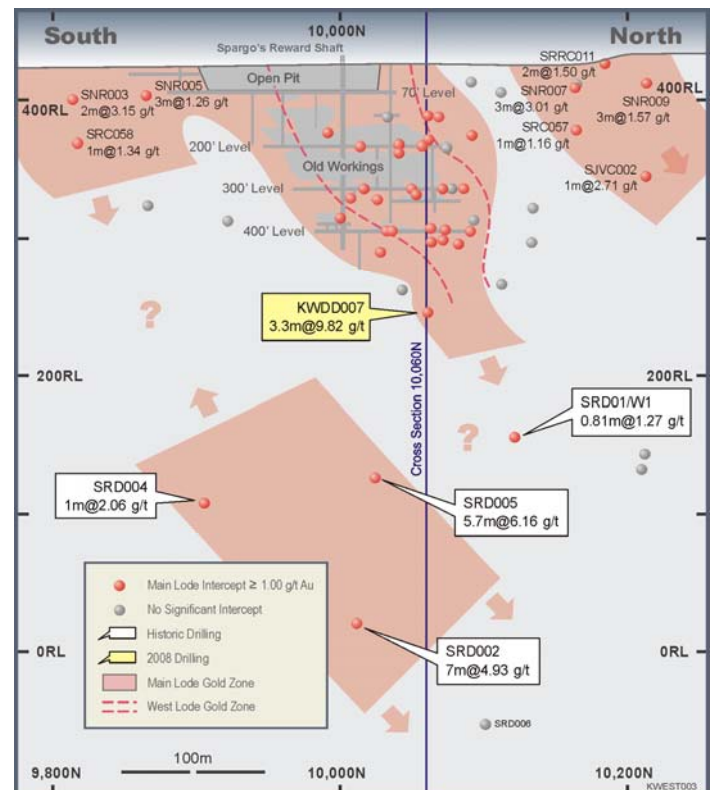


Figure 4: Spargos Reward Deposit Long Section.

Breakaway's Board approved an 800 metre first pass, Reverse Circulation (RC) drilling programme which will test near surface positions over a total strike length of 500 metres, centred on the existing open pit and to a vertical depth of approximately 50 metres.

**Scotia Gold Target – Scotia Project (Breakaway 100%)**

The target forms part of Breakaway's 100%-owned Scotia Exploration Project, and is located on two granted Mining Leases approximately 70 kilometres northwest of Kalgoorlie and 10 kilometres from the sealed Goldfields Highway (Figure 5).

The target covers an approximate 9 kilometre strike length of the Bardoc Shear Zone, a significant regional structure which hosts numerous deposits including the major +5Moz Paddington Gold Mine approximately 20 kilometres to the south (which includes a 3Mtpa treatment facility).

While exploration activities in the area have focused primarily on nickel sulphides over the past ten to fifteen years, numerous gold prospects were also discovered during this period, some of which have never been fully evaluated. These include three discrete surface geochemical anomalies known as "Nova Scotia", "British Columbia" and "South Scotia" (Figure 6).

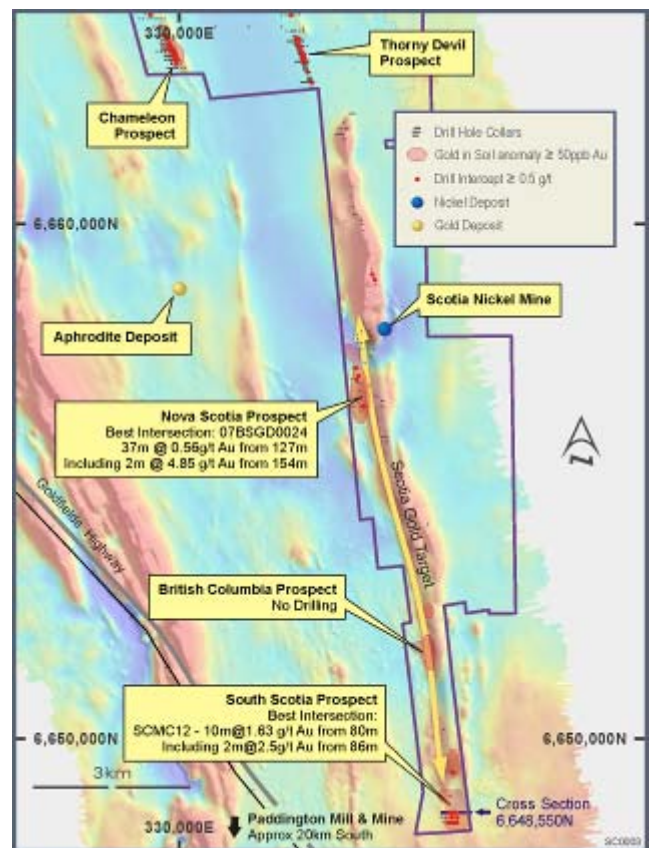
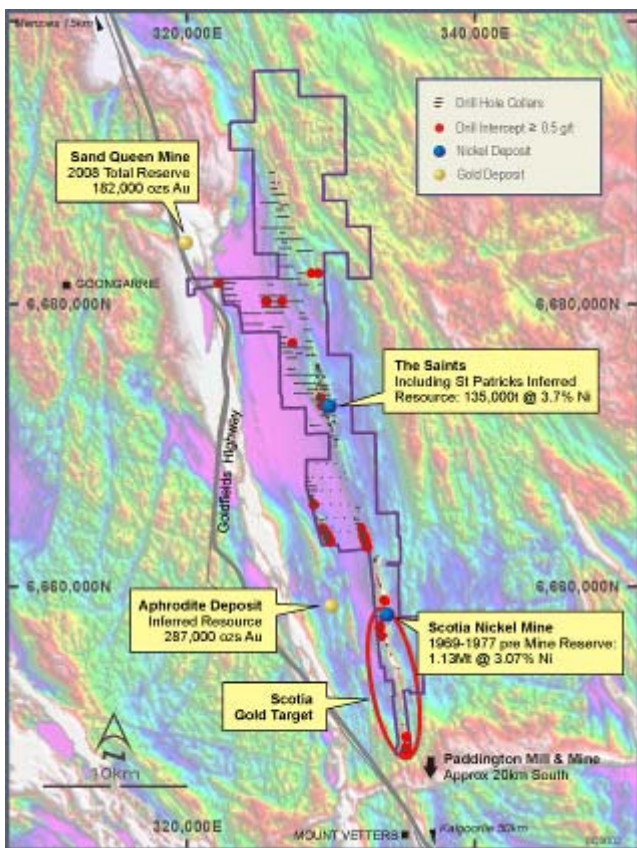


Figure 5: Scotia Project showing location of Scotia Gold Target.

Figure 6: Scotia Gold Target Surface Anomalies.

The anomalies are all considered to be in-situ and, where previously drilled, have been shown to directly overlie bedrock gold mineralisation. Examples of significant intersections include:

**Nova Scotia:**

- 07BSGD0024 – **37m @ 0.56 g/t Au** from 127 metres, including **1m @ 2.41 g/t Au** from 150 metres, **2m @ 4.85g/t Au** from 154 metres, and **1m @ 1.25g/t Au** from 163 metres

**South Scotia:**

- SCMC10 – **5m @ 1.27g/t Au** from 21 metres including **1m @ 2.94g/t Au** from 21 metres.
- SCMC12 – **13m @ 0.6g/t** from 46 metres and **10m @ 1.63g/t Au** from 80 metres including **2m @ 2.5g/t Au** from 86 metres.
- SCMR44 – **6m @ 1.49g/t Au** from 40 metres including **2m @ 2.71g/t Au** from 42 metres.

The intersections are significant as they confirm the presence of a well developed zone of bedrock gold mineralisation and associated alteration over a considerable strike length that displays variability both in terms of thickness and grade with **indications from the existing data suggesting that the mineralisation is increasing in grade at depth and to the north at all of the prospects**. Significantly, at South Scotia, no drilling has taken place for 300 metres north of the best drilling results on the 6648550N section. Given the broad and incomplete nature of the drilling undertaken to date on each of the anomalies, Breakaway believes that there is significant potential at each location to delineate further moderate to high grade gold mineralisation within structurally controlled positions.

Breakaway's Board has approved a 1,400 metre first pass, Reverse Circulation (RC) drilling programme to further test the South Scotia and Nova Scotia anomalies. The drilling will infill and extend the existing drilling both down dip (to a vertical depth of 120 metres) and along strike.

**Regional Gold Targets**

In addition to the priority gold targets, the Company has also identified a number of additional zones of coherent bedrock gold anomalism ( $\geq 0.5\text{g/t Au}$ ) present throughout the 100% owned projects that may also represent significant opportunities for follow up. These targets provide an attractive pipeline of gold exploration opportunities in addition to the priority targets identified at West Kambalda and Scotia.

**NICKEL EXPLORATION ACTIVITIES – WESTERN AUSTRALIA**

During the Quarter, Breakaway completed resource estimation for extensions to the 1A Nickel Deposit, and carried out a geological modelling and review exercise of the Saints Nickel Target.

**1A Nickel Deposit – West Kambalda Project (Breakaway 100%)**

A JORC Code compliant Inferred Resource of **142,000 tonnes @ 2.0% Ni (2,900t Ni metal)** has been calculated for the extensions to the Company's previously mined 1A Nickel Deposit based on the results of successful diamond drilling undertaken by Breakaway during 2008. Optiro Pty Ltd calculated the resource using a 0.8% Ni cut-off grade (See Appendix One for notes on the resource estimation methodology).

At 1A, massive and disseminated nickel sulphide mineralisation occurs within an overturned, thrust-repeated mafic/ultramafic sequence. Locally, mineralisation is present as a series of gently west to northwest plunging ribbon-like shoots or surfaces that have been locally offset, remobilised and upgraded by small scale faulting and folding. Underground mining took place during the early 1990's with 112,000 tonnes at 3.80% Ni (4,286t Ni metal) produced from the middle ultramafic horizon ("Surface 2") to a vertical depth of 175 metres.

A shown on Figure 7, the majority of the 2009 resource lies within the Surface 2 horizon and extends from the base of weathering (50 metres vertical) to approximately 100 metres vertically beneath the base of the existing mine workings (275 metres vertical). A number of single hole resource “pods” exist within the lowermost drillholes.

There is considerable potential to increase both the size (being open both down plunge and along strike) and the grade (given that the existing drill density of approximately 30 x 30 metres is insufficient to test for areas of small scale structural complication, which have been demonstrated to exist within the mined portions of the deposit, and contain internal zones of higher grade mineralisation) of the resource.

The work reinforces the prospectivity of the West Kambalda Project and will enable the Company to plan the next phase of activity on the 1A Nickel Deposit.

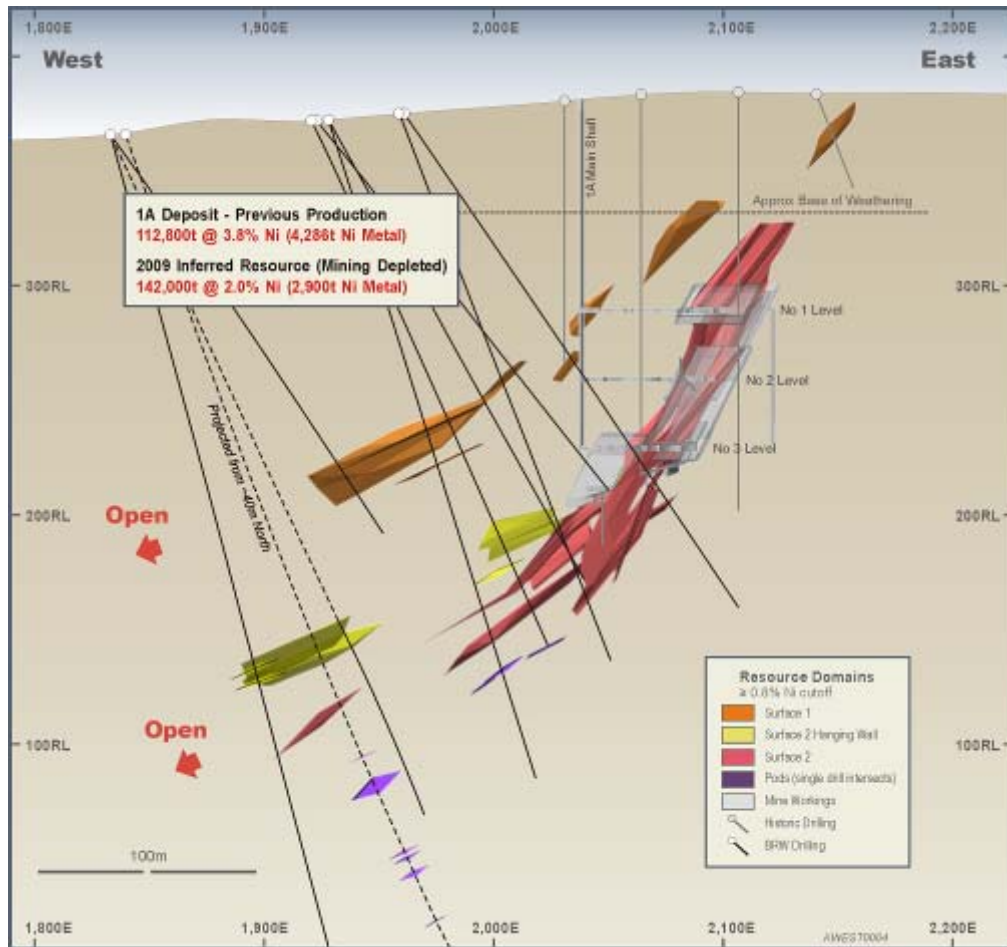


Figure 7: 1A Deposit, West Kambalda Project, showing Inferred Resource domains superimposed over 2050N section drill holes.

## **Saints Nickel Target – Scotia Project (Breakaway 100%)**

At the Saints Nickel Target, 15 kilometres north of the Scotia Mine (14,700 tonnes of nickel produced from ore with an average grade of about 2.2% nickel by underground methods during the 1970's to a depth of about 360 metres), nickel sulphide mineralisation has been discovered on two trends comprising the Eastern Contact Trend and the Western Contact. On the Eastern Trend previous exploration located two mineralised zones, termed St Patricks (Inferred Resource – 135,600t @ 3.70%Ni) and St Andrews, 600 metres apart (Figure 8).

Geological modelling of the Saints Nickel Target has confirmed the prospectivity of the Western Contact zone where drilling by Breakaway in 2007 obtained thickened intersections of nickel sulphide mineralisation (i.e. 07BSGD0048 - 27.45m @ 1.80%Ni from 143.05 metres and 07BSGD0055 – 4.80m @ 2.81%Ni from 114.70 metres).

The Western Contact is completely obscured by cover and was discovered by Breakaway in 2007 following up anomalous aircore geochemistry. Subsequent diamond drilling took place over a 500 metre strike extent and located +1% nickel sulphides in a large number of holes with grades up to 6.29%. Overall, the drilling is wide-spaced with holes typically having a spacing of 50 - 100 metres along strike and only testing down to a maximum depth of 200 metres.

The Western Contact mineralisation remains open down plunge and represents another priority opportunity for the Company to delineate additional nickel sulphides within its exploration portfolio. A drilling programme is being developed ahead of anticipated commencement during the December Quarter.

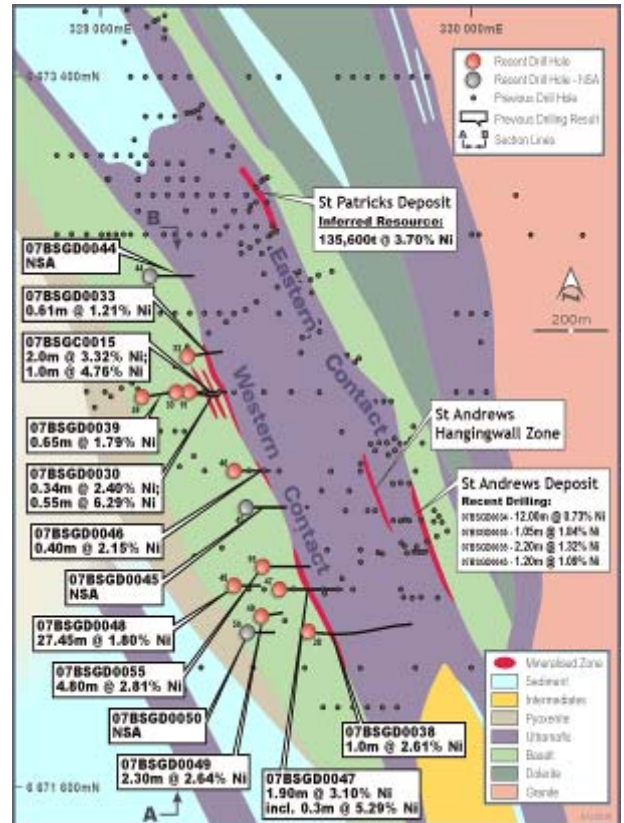


Figure 8: Saints Nickel Target, Scotia Project.

## **OTHER PROJECTS**

### **ELOISE COPPER MINE – (BREAKAWAY 30% NET PROFIT INTEREST)**

As previously reported in the March Quarterly, the mine owner, FMR Investments Pty Ltd (FMR) informed Breakaway of its decision to place the mine on temporary care and maintenance from the end of December 2008. FMR continues to monitor market conditions and will only reopen the mine once they have confidence in a sustained higher AU\$ copper price.

## PROJECT DIVESTMENT

### Mt Finnerty (Breakaway earning 60%)

As announced on 16 July 2009, Breakaway has sold its Earn-In Rights for the Mt Finnerty Joint Venture to Reed Resources Ltd (ASX:RDR) for a total consideration of 500,000 fully paid ordinary Reed Resources shares in. The shares are not escrowed.

In 2006, Breakaway entered into the Mt Finnerty Joint Venture with privately listed Barranco Resources NL to earn a 60% interest in the project by spending \$2 million over 4 years. Located 400 kilometres east-northeast of Perth, between the towns of Coolgardie and Southern Cross, the project, while possessing nickel prospectivity, is considered to be of a greenfields nature.

Given Breakaway's previously announced strategy of focussing its future exploration activities on its priority projects, and maximising shareholder value for non – core assets, the decision was made to dispose of its interest in the project, whilst retaining exposure to any future upside through a shareholding in Reed Resources.

## OUTLOOK

Exploration activities for the September Quarter will focus primarily on assessing the results of the Spargos Reward and Scotia Gold Target drilling as well as development of future work programmes for the 1A Nickel Deposit, Saints Nickel Target, and the Horn – Revolution Trend nickel target.



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The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by David Hutton who is a Member of The Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy (AusIMM). David Hutton is a fulltime employee of the Company and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. David Hutton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources or Ore Reserves for the 1A Nickel Deposit is based on information compiled by Mark Drabble and Ian Glacken who are both Members of The Australian Institute of Geoscientists. Mark Drabble and Ian Glacken are both full time employee of Optiro Pty Ltd and have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Both Mark Drabble and Ian Glacken consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# Appendix 1: 1A Nickel Deposit JORC Compliant Inferred Resource by Optiro Pty Ltd



1A Nickel Resource Estimate

## JORC RESOURCE SUMMARY – 1A NICKEL APRIL 2009 ESTIMATE

APRIL 2009 1A NICKEL RESOURCE TABLE (REPORTED AT 0.8% NI C.O.G., DEPLETED FOR MINING)

Type	Indicated		Inferred		Total		
	Tonnes	% Ni	Tonnes	% Ni	Tonnes	% Ni	NiMT
Oxide			8,000	1.2	8,000	1.2	90
Transition			133,000	2.1	133,000	2.1	2,790
Fresh							
<b>Total</b>			<b>141,800</b>	<b>2.0</b>	<b>141,800</b>	<b>2.0</b>	<b>2,880</b>

The resource estimate was completed using the following parameters:

- The resource area extends over a strike length of 300m (from 1,850mN to 2,150mN, and 1,800mE to 2,250mE) and includes the 730m vertical interval from -350mRL to +380mRL (Natural surface is approximately +380mRL).
- The resources have been compiled using the Mine\_1A local co-ordinate system.
- The resources used surface diamond, RC and underground diamond holes within the resource area, as tabulated below:

Resource	Number of Holes	Metres
Surface DDH	63	21,319.8
Surface RC	1	49.4
U/G DDH	2	39.5
<b>Total</b>	<b>66</b>	<b>21,408.7</b>

- Exploration drillhole density ranged from 20m to 50m strike spacing and 15-30m across strike. The underground drilling consisted of short holes from development.
- Diamond holes were sampled selectively through mineralised zones. Sample intervals inside the resources ranged from 0.12m to 6.62m.
- Intervals for sampling were selected on the basis of geology. Sample preparation involved jaw crushing, riffle splitting to obtain a sub sample then pulverisation.
- Samples were analysed at an external laboratory with an acid digest and analysis by "ICP-OES". Au, Pt and Pd were analysed by 40gram fire assay. Internal QA/QC protocols are carried out by the laboratory.
- The collars for the BRW 2007 and 2008 drillholes appear to have been surveyed by DGPS with sub-meter accuracy. The DGPS surveyed positions of some historic survey stations, historic collars and the shaft position were spatially adjusted with historic collar plans to regenerate the mine grid to pair with MGA-51. The RL's of the surveyed features were used to create a DTM surface and the RL's of historic holes that had no accurate survey were draped to this surface. Gyroscopic downhole surveys were conducted on all recent drillholes during the drilling programme and the results are stored in the Acquire database. Historic drilling with downhole surveys were taken from original logs which used an acid-etch/tropari method. Underground holes were unsurveyed due to their short length.
- Wireframes were constructed based on three dimensional interpretations, and used a nominal 0.8%Ni cut off with no edge dilution and a minimum 0.2m downhole width.
- Geological features were interpreted from drillhole geology logs. Digitised points were snapped to drill holes and interpreted points added to form boundary points, or to define extents.
- Samples within the wireframes were composited downhole to the full width of the mineralisation (seam compositing).



1A Nickel Resource Estimate

- Specific Gravity values were present for 110 of the 248 raw assay samples within the resource. These were used to prepare a linear regression line, and a calculated SG field was added to the database. Existing measured SG values were used to populate the field, and the regression formula used to calculate the remaining SG values based on the nickel raw assay value. These were then used to density weight the nickel composite values.
- A Surpac rotated block model was used for the estimate with a block size of 25m N5 x 25m EW x 5m vertical with sub-cells of 3.125m x 3.125m x 0.3125m. The model was rotated to the orientation of the mineralisation with a dip of -45° to the west and an origin of 1,800mN, 1,900mE and -150mRL.
- The ID2 grade interpolation used ellipsoidal search ellipses. The first pass ellipses had a radius of 30m, with a semi-major and minor factor of 2:6. Second pass interpolations used a radius of 60m, with a 2:6 ratio. A small number of unestimated blocks were assigned the attributes of the nearest samples.
- Bulk density values were interpolated from length weighted SG values, using the same estimation parameters as the grade interpolation.
- Modelling of the porphyry occurrences showed little in the way of clearly continuous zones of intrusive bodies. It is noted that there is an increase in the amount of intrusive logged in the northern drillholes, and this is thought to be related to the late stage E-W fault, manifesting as steep dykes in this area. No mineralisation was intersected by significant porphyry.
- Resource classification codes were assigned to the block model with "3" for Inferred Mineral Resources.
- Mining depletion was flagged with values of "0" for insitu, and "1" for depleted