



9 September 2008

ELOISE COPPER MINE PRODUCTION RAMP-UP POSITIONS OPERATION FOR FUTURE GROWTH AND PROFITABILITY

SUMMARY

- **Production ramp-up consistently exceeds nameplate capacity of 600,000tpa (50,000 tonnes per month) for past three months.**
- **Recent production approaching 60,000 tonnes per month, enabling Eloise to take full advantage of current favourable market conditions.**
- **First steps underway towards \$3.0M expansion of Eloise processing plant to 740,000tpa.**
- **Increased Mineral Resource and Ore Reserve provides a 4 to 5 year mine life.**
- **Improvements support Breakaway's base case estimate of \$40M for future accumulated earnings under its 30% net profit interest in the operation.**

Further to its announcement of 31 July 2008, Breakaway Resources Limited (ASX: **BRW** – “Breakaway”) is pleased to advise that the **ore production ramp-up at the Eloise Copper Mine (Mt Isa Block, North Queensland)** has **consistently exceeded the nameplate capacity of 50,000 tonnes per month (600,000tpa)** for the past three months, since the completion of the 2007-08 capital development programme.

The recent improvements in the operation, which are well timed to take advantage of the current favourable market conditions in terms of strong copper prices and a lower Australian Dollar exchange rate, are summarised as follows:

Production Improvements: Production over the period has moved closer to **60,000 tonnes per month** following the establishment of new production blocks and, in particular, the Eloise Deeps Block. The latter is particularly important as the developed portion of the block contains some 18 months of planned production (1.3M tonnes in Ore Reserves) that should offer a number of benefits associated with the bulk mining method, in particular **an overall increased production rate and lower operating costs.**

Production Supports Capital Expansion Plans: With the increase in production and strong cash generation, the mine owner, FMR Investments Pty Ltd, has initiated the first steps to expand the processing plant to treat approximately 740,000tpa for a modest cost of \$3.0M. This expansion will be implemented in stages so as not to disrupt the productivity of the plant.



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Increased Mineral Resource and Ore Reserve: As previously announced, the Indicated and Inferred Mineral Resource has increased to **3.5 million tonnes at 3.1% Cu, 10g/t Ag and 0.8g/t Au**, including an **increased Probable Ore Reserve of 2.4 million tonnes at 2.6% Cu, 9.3g/t Ag and 0.7g/t Au**. A large portion of the Resource that exists outside of the Reserve occurs as immediate extensions. Based on drilling information and operational experience, the mine owner (FMR) has advised that there is a high probability that the bulk of these resources will progressively convert to reserves as mining progresses. This indicates that the mine currently has a **mine life of 4 to 5 years**, with ongoing potential to add to the Mineral Resource and Ore Reserve.

Estimated Value of Breakaway's 30% Net Profit Interest: As a result of the improvements, Breakaway has been able to estimate that future accumulated earnings from its 30% net profit interest have a **base case value of \$40 million EBITDA** (undiscounted). This estimate is based on a total production of 3.3Mt @ 2.6% Cu and an average copper price of US\$6,200/tonne Cu (US\$2.80/lb = A\$3.16/lb Cu using forward price estimates Macquarie Research Commodities). At a copper price of US\$8,000/tonne the estimated accumulated earnings would be A\$80 million. With the continuation of the recent productivity increases, Breakaway expects that earnings from its 30% net profit interest will resume in the June 2009 Quarter, after the 2007-2008 capital costs have been offset against profits for the 2008-09 financial year, subject to the copper price.

Commenting on the announcement, Breakaway's Managing Director, Mr Peter Buck, said: "Having a 30% net profit interest in a profitable copper operation with a strongly growing production profile sets Breakaway apart from other exploration companies. The value of this asset to Breakaway in terms of future earnings is considerable, particularly considering the current difficult market environment."

"It is worth noting that this royalty delivered some A\$15 million in earnings between September 2005 and September 2006, before the recent capital development initiatives were undertaken," he added. "The future earnings will be important in terms of future funding for our aggressive nickel exploration and development programme in Western Australia, where we are having excellent success with the current resource drill-outs of the Horn Deposit at Wildara and the 1A Deposit at Kambalda."

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Competent Persons Statement:

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Peter Buck (Managing Director) and Mr David Hutton (Exploration Manager), both full time employees of the Company. Mr Buck and Mr Hutton are members of the Australasian Institute of Mining and Metallurgy (AusIMM) and have sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.