



breakaway

4 December 2008

## ELOISE COPPER MINE – FURTHER UPDATE

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Further to the announcement of 3 December regarding the rock failure in a portion of the main production stope at the Eloise Copper Mine in Queensland, Breakaway Resources Limited (ASX: **BRW** – “Breakaway”) has received a further update from the mine owner, FMR Investments Pty Ltd (FMR).

After investigating the area of failure, FMR’s management have determined that it has had a localised impact on the Eloise Deeps shrink stope and the contained ore block but will require standard practice remedial action to ensure that the problem remains isolated in the future. The investigation concluded that any ore losses that could be directly related to the failure and the remedial actions required to quarantine the area can be minimised. FMR has estimated that this remedial work would take 2-3 months to complete before full production could resume.

After taking into consideration a number of factors but in particular the substantial recent reductions in the copper price, which have impacted on all copper producers, FMR has advised that the most commercial approach for managing the Eloise Mine and maximising its future value, is to cease mining activities and place it on temporary care and maintenance. Accordingly, FMR has today terminated its mining contract with Barmenco Limited with effect from 2 January 2009. FMR believes that keeping the mine on care and maintenance can be achieved at a manageable cost to FMR and that, subject to an adequate improvement in the copper price, it may become economically feasible to recommence mining in the short to medium term.

As a result of past exploration success in extending the mine’s resources and the substantial development initiatives successfully completed at Eloise during 2007 and 2008, to improve the economics and mine life of the operation, Eloise is well positioned to provide increased cash flows on a resumption of operations under more favourable economic conditions. The fact that the operation is debt free provides flexibility to select the optimal strategy to manage the operation and take full advantage of future economic improvements for maximising returns from the operation.

The decision to cease mining and place the operation on temporary care and maintenance does not impose any capital or operating liabilities for Breakaway. The Company supports FMR’s decision on the basis that it is commercially responsible under the current economic circumstances. However, it will defer future possible payments to Breakaway under its 30% net profit royalty interest in the operation. Due to future uncertainties, Breakaway has not factored royalty receipts into its cash flow forecasts.

**ENDS**

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