



breakaway

20 November 2009

## **CHAIRMAN'S ADDRESS 2009 ANNUAL GENERAL MEETING**

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I am pleased to say that, as the year draws to a close, shareholders in junior resource companies – including Breakaway – are enjoying much more favourable times.

Following the tumultuous events of 2008, since March this year we have seen a strong rebound in commodity prices and a resurgence in global equity markets thanks to the combination of massive fiscal stimulus packages, encouraging signs of economic recovery in the United States, and the resilience of economies like China and Australia.

That said, I think it's fair to say that we all learned some sobering lessons during the Global Financial Crisis, and I'm confident that the steps which Breakaway took to rationalise and improve its business will stand us in good stead for the future.

In our case, the early part of the year saw the Company react quickly and decisively to the worsening global economic environment by temporarily suspending all high-cost activities – including drilling – and conducting a strategic review of our extensive project portfolio with a view to rationalising and streamlining our asset base.

Our monthly cash burn was dramatically reduced and our available resources were directed towards projects with the best potential to deliver a direct and significant benefit to our shareholders. In particular I would like to thank our staff for accepting the need for salary cuts to preserve cash.

The review of our project portfolio in Western Australia and Queensland enabled us to prioritise our projects into Tier 1, Tier 2 and Tier 3 opportunities in terms of their prospectivity, scale and required exploration spend.

In summary, some of the key steps undertaken during the year included:

- the Company's withdrawal from the Kalgoorlie Nickel Project, where we were earning into a 60% interest in the nickel rights;
- the transfer of our 60% interest in most of the large East Kimberley Nickel Joint Venture area to our partner, Thundelarra Exploration Ltd, leaving us with the prospective Keller Creek Nickel prospect, adjacent the Savannah Nickel Mine;
- the termination of the gold farm-in agreement with Barra Resources covering the gold rights at the West Kambalda Project;

- the sale of our earn-in rights to the Mt Finnerty Nickel Joint Venture to Reed Resources Limited for 500,000, un-escrowed Reed Resources shares;
- a reduction in our technical and corporate staff to reduce overheads while at the same time retaining the core of our highly skilled geological team;
- the relocation of the Company's West Perth head office to a much smaller, lower cost and more functional premises in Ventnor Avenue, resulting in a significant reduction in monthly overheads; and
- the appointment of leading Australian financial services and stockbroking group, Patersons Securities Limited, as our corporate adviser to assist with our corporate strategy moving forward.

I believe that this process has also served to underline the quality of our asset base and the enormous upside potential for increases in shareholder value as these assets are brought to account. With improved market conditions I am confident about our prospects of realising value from our assets.

I am also very pleased to report that, last week we took the first significant step towards realising value from our extensive Eloise Exploration Project in northwest Queensland with the announcement of a landmark \$10 million farm-in and joint venture with BHP Billiton Minerals Pty Ltd on the Altia Silver-Lead-Zinc Deposit.

Securing a joint venture with the world's largest mining company represents a major coup for Breakaway, and I would like to take this opportunity to congratulate David Hutton and his team on achieving this outcome.

The Altia deposit, which is located 4 kilometres south west of the Eloise Copper Mine, and 100 kilometres north of BHP's Cannington Silver Mine, currently has a JORC Code compliant Inferred Resource of 5.78 million tonnes @ 3.96% lead, 40.3 grams per tonne silver and 0.49% zinc for 229,000 tonnes of contained lead and 7.5 million ounces of contained silver.

Under the joint venture, BHP Billiton can earn a 70% interest in the silver-lead-zinc rights at Altia by completing expenditure of \$10 million over five years, with a minimum first year commitment of \$1 million.

BHP is planning to commence an initial programme of up to 5,000 metres of diamond drilling at Altia to test for extensions of the known mineralisation in early 2010. We look forward to this work with great anticipation.

In terms of the next stage of value realisation for the Eloise Exploration Project, I think it is worth highlighting that this large tenement package includes a number of outstanding exploration opportunities in copper-gold, uranium and gold.

It is located in the heart of one of the hottest exploration provinces in Australia right now, with recent discoveries in this region including Ivanhoe Australia's Merlin deposit and their exploration success in the Mt Elliott area.

We have recently applied to amalgamate the Eloise Project Tenements into a single tenement, and this is expected to be approved in the first Quarter of next year.

This will facilitate a number of strategies, including joint venture opportunities, potential spin-off or partial divestment, to progress exploration for copper, copper-gold, uranium and gold at Eloise.

Let me turn now to our core exploration assets in Western Australia which are for good reason occupying centre stage for Breakaway in terms of our current exploration focus.

In Western Australia's Eastern Goldfields alone, Breakaway has an extensive brownfields exploration portfolio which is comparable with some of the majors.

Our tenements cover an area of around 1,000 square kilometres within well endowed mineral provinces, close to known deposits, existing mines and well established infrastructure.

Earlier in the year, we embarked upon a gold exploration initiative which was focused on short-term opportunities to drive shareholder value.

This initiative was based initially on the Spargos Reward Gold Target, 25 kilometres south west of Kambalda, and the Scotia Gold Target, 70 kilometres northwest of Kalgoorlie – both of which offer significant discovery upside and are located within major, regionally endowed gold corridors.

An initial drilling programme at Spargos Reward returned encouraging near-surface intercepts immediately adjacent to the historical open pit and underground mine workings – where approximately 30,000 ounces was extracted.

The results have confirmed that Spargos Reward represents an extensive gold system offering significant potential upside from ongoing exploration.

While these gold assets remain attractive opportunities for the Company, the Board's view is that our extensive nickel sulphide portfolio in Western Australia remains the jewel in the crown of our asset base.

Our core corporate objective remains to discover a high quality nickel deposit of at least 30,000 tonnes of contained nickel metal, in Reserve, at an average grade of plus 3% nickel.

The strategic project review completed during the year confirmed that we have several Tier One nickel exploration opportunities in the Kambalda region and North-eastern Goldfields.

We commenced a new 2,000 metre drilling programme at the Saints Nickel Target on 4 November targeting down-plunge extensions to the mineralisation identified on the so-called Western Contact Zone.

This represents an important step towards accelerating our nickel exploration activities and I look forward to reporting on the progress of these activities in months ahead.

Breakaway has made significant progress at a number of other levels during the year.

The rapid deceleration in active exploration programmes in the short term afforded a unique opportunity to review and improve our internal systems, including our Occupational Health & Safety Programme and Environmental Management Systems.

We also undertook a comprehensive review of our geological database – the core Intellectual Property of the Company – and implemented a number of significant improvements in the way we manage, collate and access our geological data. I am confident that the benefits of this work will flow through in the years ahead.

In conclusion, I would like to take this opportunity once again to warmly thank all the members of our team who have responded marvellously to the challenges and rapid changes that unfolded during the year.

In particular, I would like to thank Peter Buck, who stepped down as Managing Director in February as part of a restructure of the Company's senior executive management in response to the prevailing difficult economic circumstances.

Peter made a significant contribution to Breakaway, initially as a non-executive Director and, from 2006 onwards, as Managing Director of the "new" company following its acquisition of LionOre's nickel exploration portfolio.

He worked tirelessly to build a high quality team and to significantly enhance the value and growth potential of our core nickel and base metal projects.

Today Garry Connell retires as a Director by rotation and has chosen not to renominate. This brings to a close 10 years of active and enthusiastic participation on the Board. On behalf of the Board and shareholders, I would like to thank Garry for his efforts and wish him all the very best for the future.

I would also like to acknowledge the efforts of David Hutton, who succeeded Peter as the Company's CEO having held the position of Exploration Manager for the past few years.

David has shown strong leadership during the year in moving Breakaway to a position where I believe we are very well placed for the future.

In conclusion, I would like to thank all of our shareholders for their continued support and I look forward to your ongoing involvement with the Company into the future.

Thank you for your attention.



**John Atkins**  
Chairman

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