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31 July 2008

ELOISE COPPER MINE PERFORMING STRONGLY WITH PLAN TO EXPAND FOLLOWING DEVELOPMENT AND RESOURCE UPGRADES

HIGHLIGHTS

- Major capital development initiatives at Eloise completed.
- Production rapidly returns to nameplate 600,000tpa throughput and expected to increase further.
- A\$3M plant expansion initiated to increase throughput to about 740,000tpa.
- Substantial increase in Indicated and Inferred Resources to 3.5Mt @ 3.1% Cu including a fully developed Probable Ore Reserve of 2.4Mt @ 2.6% Cu with excellent potential for further increases.
- Current life-of-mine base case value of about A\$40M estimated for future accumulated royalty earnings from Breakaway's 30% net profit interest, with earnings expected to resume in mid-calendar 2009.

Breakaway Resources Limited (ASX: **BRW** – “Breakaway”) is pleased to update the market on a number of positive developments at the **Eloise Copper Mine** located in North Queensland, in which Breakaway has a 30% net profit interest. These developments, which will reinvigorate the operation and better position it to benefit from current high copper prices, include the completion of major capital developments, increased ore production to exceed the current plant processing capacity, approval for a 23% expansion of the plant throughput and a substantial increase in Indicated and Inferred Mineral Resources to **3.5M tonnes @ 3.1% Cu** increasing the potential mine life beyond five years.

As a consequence of these advances, **current life-of-mine, future accumulated earnings from Breakaway's 30% net profit royalty interest in the operation are estimated to have a base case value of about A\$40M** EBITDA (undiscounted) based on a production forecast of 3.3M tonnes @ 2.6% Cu and an average copper price of US\$6,200/tonne Cu (US\$2.80/lb Cu = A\$3.16/lb Cu *using forward price estimates of Macquarie Research Commodities, 14 July 2008*). At the current copper price of about US\$8,000/tonne the estimated accumulated royalty earnings would total about A\$80M. Based on the mine's production forecasts, the expectation is that royalty earnings will resume in about mid-calendar 2009, after all capital costs have been offset against profits in the 2008-09 financial year.

The base case estimate including the Company's cash reserves at 30 June 2008 are approximately equivalent to the current market capitalisation of the Company, without consideration of the Company's extensive nickel and base metal assets and recent discoveries.



Capital Development and Production Expansions

Breakaway has been advised by the mine owner, FMR Investments Pty Ltd (“FMR”) that all previously announced capital development initiatives at Eloise are complete, including the establishment of additional ventilation capacity and importantly the full development of a substantial number of new ore blocks – including the first major stoping block of the Eloise Deeps ore zone – and expansion of the tailings dam.

These initiatives underpin the longevity and future profitability of the operation. Production has ramped-up rapidly since May 2008 to a rate equivalent to 600,000 tonnes per annum representing the current throughput capacity of the processing plant.

Stope production, adopting a bulk mining approach utilising a modified shrink stoping technique, has commenced on the upper portion of the Eloise Deeps ore block (1.3M tonnes of the Ore Reserve) and is expected to provide further improvements in ore production with associated reductions in waste dilution and operating costs.

As a consequence of predicted production increases, it is planned to expand the processing plant to treat approximately 740,000 ore tonnes per annum at a modest capital cost of about \$3.0M. At current copper prices this cost would be paid back in about one month. The expansion will be carried out without compromising the current plant throughput, with completion expected in early calendar 2009.

Resource and Reserve Upgrade

Breakaway is also pleased to advise that the objective of increasing the Mineral Resource (including the Ore Reserve) to 3.5M tonnes at 2.5% to 2.8% Cu by mid-2008 has been achieved with further in-mine exploration success. This represents a substantial change from the Indicated/Inferred Resource of 2.18M tonnes announced previously in 2007. The updated Mineral Resource and Ore Reserve statement for the Eloise Mine as at 30 June 2008 is summarised below:

| Category | Tonnes ('000) | Cu (%) | Ag (g/t) | Au (g/t) |
|--|---------------|--------|----------|----------|
| Mineral Resource (inclusive of the Ore Reserve) | | | | |
| Indicated | 3,100 | 3.1 | 9.8 | 0.8 |
| Inferred | 400 | 3.0 | 10.9 | 1.0 |
| TOTAL | 3,500 | 3.1 | 10 | 0.8 |
| Ore Reserve | | | | |
| Probable | 2,400 | 2.6 | 9.3 | 0.7 |

Note: The Mineral Resource and Ore Reserve are based on estimates carried out by FMR mine staff. The estimates were reviewed by Breakaway who concluded that they satisfy the 2004 Guidelines of the Australasian Joint Ore Resource Committee (JORC, 2004) Code.



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The upgraded resource/reserve position underpins an increased mine life, with the current reserves representing approximately 3.5 years of future production. The mine life could extend beyond five years, based on the high conversion of resources to reserves and the fact that the Indicated and Inferred Resource occurs as extensions directly down-plunge of the Eloise Deeps Ore Reserves, which are currently being mined.

Additional in-fill drilling on the Eloise Deeps depth extensions is planned in the second half of this calendar year to extend and upgrade the down-plunge Indicated and Inferred Resource. FMR has also recently commenced underground drilling to evaluate several nearby geological targets with the objective of delineating new, shallower zones of mineralisation.

The establishment of the increased Ore Reserve and production forecast have enabled Breakaway to establish a robust estimate of the base case for life of mine accumulated royalty earnings of about A\$40 million for its 30% net profit interest, based on an average copper price of A\$3.16 per pound using published forward price trends.

This estimate ignores further additions to the Mineral Resource/Ore Reserve. It is expected that royalty earnings should resume in about mid-calendar 2009 after all capital costs have been offset against operating profits, subject to the mine achieving production and cost forecasts and the copper price.

Breakaway Regional Exploration Update

Breakaway has recently commenced a 6,000 metre diamond drilling programme on its 100%-owned Eloise exploration tenements surrounding the Eloise Copper Mine.

This programme is designed to explore the strike continuation of the favourable horizon immediately south of the mine property and will investigate a series of copper targets represented by surface and downhole TEM conductors and anomalous historical drill results that have not been followed up. Historical drilling intercepts include **10m @ 1.0% Cu from 100m, including 0.7 @ 4.6% Cu, 6m @ 0.45% Cu from 140m, 2m @ 1.32g/t Au from 41m and 12m @ 0.4% Cu from 46m**. Other targets have been identified elsewhere on Breakaway's tenements and they will be investigated in the future.

Commenting on the announcement, Breakaway's Managing Director, Mr Peter Buck, said: "The Eloise Copper Mine has achieved a number of consolidating milestones which position the operation extremely well in the current favourable price environment. The commitment to investment in capital development in 2007-08 has resulted in productivity improvements, operating economies and improved management of operating and market risks. As a result of these advances, together with the recent increase to the Mineral Resource and Ore Reserve, the value of Breakaway's 30% royalty interest now has a strong foundation with improved prospects for longevity and opportunities to take advantage of improvements in the copper price".



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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.