



breakaway

28 November 2008

CHAIRMAN'S ADDRESS 2008 ANNUAL GENERAL MEETING

Ladies and Gentlemen, again welcome to Breakaway's 2008 Annual General Meeting.

As indicated earlier I will now provide an overview of the Company's achievements over the past 12 months before turning to the current challenging economic climate confronting all mining and exploration companies. I will then update shareholders on our response to the global economic crisis so far and outline our strategy moving forward. Our Managing Director will, after the conclusion of the meeting, provide a more detailed technical presentation of the Company's activities.

Year in Review

Breakaway's focus during the 2008 financial year was on exploration of more advanced opportunities within our outstanding portfolio of brownfields nickel and base metal projects which are strategically located within the Kambalda-Mount Keith nickel corridor in the Eastern Goldfields of Western Australia and the Cloncurry Base Metal District in Queensland, respectively. Both districts are highly endowed, world-class mineral provinces where we have commanding ground positions on mineralised corridors flanked by the tenements of major companies.

Our primary focus has been on nickel exploration in the Eastern Goldfields and in particular at Wildara in the north and Kambalda West in the south.

At Wildara, our efforts were rewarded with the discovery of the Horn Deposit at the Wildara Project, for which an initial Inferred Resource of 600,000 tonnes at 1.4% nickel for 8,300 tonnes of contained nickel.

At the Kambalda West Project, recent drilling by the Company confirmed that down-plunge extensions extend beneath the lowest levels of previous mining at both deposits. Further scoping studies are being undertaken at 1A. There is additional potential for significant extensions at both deposits, beyond Breakaway's drilling, and the Company is considering options, including partnering, for continuing the evaluation of the project in accord with its overall priorities.

Also, during the year additional nickel sulphide zones were drilled at Scotia in the Eastern Goldfields. RC drilling at our 60%-owned East Kimberley Nickel Project intersected additional nickel sulphides in the Keller Creek intrusion, indicating that it is a broadly mineralised system with excellent potential for a major nickel-copper discovery.

One of the strategic challenges facing Breakaway is its large number of quality nickel projects, the majority of which contain nickel mines and numerous nickel occurrences indicating excellent discovery potential. Of particular note is the Company's large strategic tenement position, which stands alongside Xstrata and BHP Billiton's interests, in the Mt Keith-Perserverence nickel belt of the Northeastern Goldfields. This belt hosts Australia's largest nickel occurrences, has excellent infrastructure, including three nickel processing plants close to our projects, and demonstrated its ongoing potential with a number of recent discoveries, such as the Cosmos group of deposits (Xstrata), the Sinclair deposit (Xstrata) and Waterloo deposit (Norilsk). The Company's recent discovery of the Horn Deposit at Wildara further highlights the importance of its projects in this region which cover a multiple series of nickel-bearing belts which are poorly explored and known to extend over strike distances of up to 60 kilometres.

Our future strategy therefore will be focussed on this region where a number of nickel targets have been identified for evaluation. In the future strategy a key objective will be to focus on delineating new resources containing >30,000 tonnes of recoverable nickel and having a head grade of >3% nickel which would have a major impact on the future growth of the Company. Our Managing Director, Mr Peter Buck will elaborate on the strategy in his presentation.

At our 100%-owned Eloise Base Metal Exploration Project in Queensland, the most significant development during the year was the estimation of an initial Inferred Resource comprising 5.8 million tonnes at 3.96% Pb, 43g/t Ag and 0.49% Zn for the Altia Deposit, located 4 kilometres south west of the Eloise Mine.

This is significant accumulation of base metal mineralisation which remains open in all directions and has strong geological similarities to BHP Billiton's world-class Cannington silver-lead deposit, 100 kilometres to the south.

Recent exploration was directed at a series of copper targets located on 100%-owned ground surrounding the Eloise Copper Mine. However, as a consequence of the downturn this work was curtailed. We are investigating partnership options for advancing this important exploration project.

A number of positive developments occurred at the Eloise Copper Mine, in which Breakaway holds a 30% net profit interest. These included the completion of a major capital development programme and the introduction of new mining methods to improve production and profitability. Production at Eloise has continued to perform strongly with ore production exceeding the current plant processing capacity (600,000 tonnes of ore pa).

As a result of these improvements, the future life-of-mine accumulated earnings from our 30% net profit royalty interest were estimated during the year to have a base case value of A\$40 million EBITDA on an undiscounted basis. This estimate was based on an average copper price of US\$6,200/tonne.

Since then with the continued deterioration in world markets and the prospect of a global economic slowdown, the copper price has almost halved to around US\$3,700/tonne or around US\$1.70/lb. Base metal forecasts are very uncertain and influenced by volatile economic conditions the consequences and duration of which are yet to be known. On the other hand we must remember that the recent sharp fall in commodity prices has been partially offset by the fall in the \$A/US\$ exchange rate and planned reductions in operating costs at Eloise. Nonetheless, while a few months ago we announced that expected earnings from the 30% net profit interest might resume in the June 2009 Quarter, this prediction was subject to the copper price, the

exchange rate and operating costs. We are continuing to monitor the situation very closely; however, in the absence of economic stability, it is difficult for us to predict with any certainty when earnings will resume.

Corporate and Market Update

I don't need to remind shareholders of the impact of the current economic environment.

As a Company however, we stand by the positive comments on the future of the nickel industry made in the Annual Report. We believe that underlying demand for nickel will remain strong and that the supply/demand equation will ultimately shift sharply in favour of low-cost nickel sulphide producers as higher cost laterite operations and older mines are effectively squeezed out of business.

Having said this, as responsible corporate managers we must take heed of the current commodity price and economic environment.

Under the leadership of our Managing Director, Peter Buck, Breakaway has moved quickly to respond to this crisis to ensure that the Company is able to weather the storm and reposition for the future. In summary, the following key steps have been taken:

- all drilling activities have been suspended while we conduct a review of all projects to determine our priorities moving forward and assess the optimum strategy for adding value to the Company in this changed environment;
- our exploration group has been reduced to a core team based here in Perth which has the capability to progress and manage all programmes and, if required, quickly gear up depending on our exploration priorities;
- all staff from the Managing Director down have taken a voluntary reduction in remuneration to help reduce our overheads;
- all non-essential expenditures and corporate overheads have been reduced; and
- we have initiated a review of non-core projects to assess opportunities for joint venture or sale in order to streamline our portfolio and reduce our annual commitments.

I would like to take this opportunity to thank Peter and his team for the magnificent way they have responded to the current challenges. It is testament to the experience of our team that they have always been a step ahead of the market and, as a result, Breakaway is well positioned for the future.

An excellent example of this was the strategic \$2 million share placement announced on 23 September to Abbotsleigh Pty Ltd, a mining investment company associated with Melbourne-based businessman, Mr Ian Gandel. The placement comprised 10 million shares at 20 cents and has resulted in Abbotsleigh holding a fully diluted 5.6% stake in Breakaway. This brings another strategic industry player onto our register alongside Norilsk Nickel and I believe represents a significant vote of confidence in Breakaway. I would like to take this opportunity to welcome Mr Gandel to the register and to this meeting; we look forward to working closely with him to enhance the value of the Company.

Peter and his team are continuing to develop and implement plans to ensure that we are best positioned for the future.

At the end of the September quarter, Breakaway had cash reserves and receivables of approximately \$5.9 million. Following the restructuring of our exploration activities, this is sufficient to ensure that we can weather the difficult market conditions that lie ahead.

However, we are continuing to closely monitor the situation on a real time basis and we will update the market in due course on our exploration and corporate strategy with respect to both core and non-core projects.

With our current assets, our experience and our outstanding, high quality management team, I believe that Breakaway is well placed to benefit from the current environment which will unlock opportunities and result in new and innovative strategies for securing funding, developing assets and potentially realising synergies between different projects and companies.

In conclusion, I would like to take this opportunity to thank my fellow Board members and, in particular, Peter Buck, for his vision and strong leadership during the year. Finally, I would like to thank you our shareholders for your support of the Company during these troubled times.

We are looking forward to the challenges of next year with as much enthusiasm and energy as ever. Thank you for your attention.



John Atkins
Chairman

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