

Breakaway Resources Limited (ASX: BRW)

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ELOISE COPPER MINE RESOURCE ESTIMATE AND UPDATE

key points

- **JORC compliant resource of 2.1 million tonnes @ 2.9% Cu (refer page 2) estimated for Eloise Deeps which represents a significant strengthening in the resource position of the Eloise Copper Mine.**
- **Production planned to commence in the December Quarter from the upper portion of the Eloise Deeps ore block and is expected to provide improvements in operating costs and production.**
- **Royalty payments from Eloise expected to resume during calendar 2008, subject to the copper price and the mine achieving its production targets.**

Breakaway Resources Limited (ASX: **BRW**) is pleased to advise that there have been a number of positive developments at the **Eloise Copper Mine** in North Queensland, including the estimation of a JORC compliant resource totalling **2.1 million tonnes at 2.9% Cu** for the Eloise Deeps (150mRL to -50mRL equivalent of 200 vertical metres) and a positive operating outlook received from the mine owner, FMR Investments Pty Ltd ("FMR") (formerly Barmenco Investments Pty Ltd). This represents a significant advance on the last estimate of the Eloise Deeps resource in 2005 which only extended down to the 80mRL (equivalent of 70 vertical metres below the 150mRL).

Following an estimation of the Eloise Deeps mineral resource by FMR, below the current stoping block (base located at the 150mRL), Breakaway contracted Snowden Mining Industry Consultants ("Snowden") to provide an independent re-estimate of the final resource in accordance with the 2004 Guidelines of the Australasian Joint Ore Reserves Committee Code for reporting of Mineral Resources and Ore Reserves (JORC, 2004). Snowden's estimate of the global mineral resource, which is globally similar to the FMR estimate, and based on data and domain interpretations supplied by FMR, is summarised in the table below:

Category

**Tonnes
(‘000)**

**Copper
(%)**

**Gold
(ppm)**

**Silver
(ppm)**

Contained Copper (tonnes)

Indicated

1,510

2.8

0.7

7.8

42,280

Inferred

673

3.1

0.9

10.1

20,863

TOTAL

2,183

2.9

0.7

8.5

63,143

Note: The resource estimate was developed from underground drill core data, by delineating mineralised zones within a 1.5% copper cut-off grade threshold. Dry bulk

densities have been determined for each sample using a stoichiometric equation based on copper and iron contents rather than laboratory measurements. Snowden considers the estimated values to be appropriate for the Eloise style of mineralisation. The Ordinary Kriging interpolation technique was used to estimate grades and dry bulk density values into parent cell blocks of 5mE by 15mN by 15mRL.

With the completion of the resource update, the Eloise Mine now has a stronger foundation for developing the future production plan to extend the mine life.

Underground drilling has indicated that the Eloise mineralisation continues at depth below the current resource boundary. Deeper drilling will continue, to delineate extensions below the current resource, as development advances and drill positions become available.

Eloise Update

As outlined to the market earlier this year, FMR implemented a series of initiatives during the second half of calendar 2006, to establish a longer term production future for the Eloise Mine. These included the appointment of additional experienced personnel, the continued delineation of depth extensions to the deposit, improvements in future mining methods and the establishment of improved infrastructure and ventilation to enable mining to proceed to increasing depths. FMR advised that the costs related to the establishment of a new ventilation rise and a decline to access to the Eloise Deeps would adversely affect the mine's profitability and therefore Breakaway's 30% net profit royalty for calendar 2007. Also, profitability during the year has been adversely affected by unplanned dilution and reduced production from current stoping blocks above the 150mRL.

FMR has advised that many of the mine improvement initiatives have either been completed or are nearing completion, including the development of the decline to provide access to the upper portion of the Eloise Deeps block and a new \$13 million ventilation rise and associated infrastructure to provide a major increase in the ventilation capacity for mining to continue to at least 400 vertical metres below the current stoping levels, subject to the continuation of the deposit at those depths.

With the development of the decline down to the 50mRL horizontal development has commenced to provide access to the upper portion of the Eloise Deeps block.

FMR has also advised Breakaway that there are other potential future ore sources within the mine, including additional material within the upper levels of the mine which is being evaluated.

With the estimation of a JORC compliant resource and the commencement of the new production plan, the Eloise Mine now has the basis for developing a longer-term production outlook for the first time in a number of years.

Future Royalty Payments

Further to its announcement regarding the Eloise royalty in February this year, the improved resource position and information advised by FMR provide positive indications that royalty payments could resume during calendar 2008, subject to the copper price and the mine achieving its production targets.

Since September 2005, Breakaway has received a total of \$15.5 million in earnings under the royalty, which has made an important contribution to its net cash position and strengthened its financial capacity to pursue its exploration objectives. The Company has been supportive of FMR's longer-term mine planning initiatives to underpin planned productivity enhancements at Eloise. The Eloise operation represents a strategically located production asset in close proximity to Breakaway's 100%-owned Eloise exploration asset.

"We are very encouraged by the latest information provided by FMR, which really highlights how much progress has been made over the past 12 months towards securing the longer term future of the Eloise Mine," commented Breakaway's Managing Director, Mr Peter Buck.

"We view the Eloise royalty as a strategic asset, not just because of its earnings potential but also because of the strategic location of the Eloise plant in this highly prospective exploration district," he said. "Our view is that with a longer term production outlook and resource base, the mine will be better positioned to take advantage of future opportunities in the region."

"We have provided as much support as possible to FMR in implementing the new production plan and exploration strategy, which we believe will ultimately deliver significant benefits both to FMR and Breakaway via its royalty interest," Mr Buck concluded.

ENDS

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Competent Persons Statement

The information in this report as it relates to Mineral Resources was compiled by Mr. Jason Hosken and Mr. Stefan Mujdrica, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hosken and Mr Mujdrica are full time employees of Snowden Mining Industry Consultants. Mr Mujdrica has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mujdrica consent to the inclusion of the matters based on information provided and in the form and context in which it appears.

The information in this report has been compiled by Mr Peter Buck (Managing Director), a full time employee of the Company. Mr Buck is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has 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.

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