

**ACTIVITY REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

HIGHLIGHTS

Corporate

- Fully underwritten 1-3 non-renounceable Rights Issue commenced to increase Company's cash position to \$4.86 million upon completion.
- Strengthened cash position to underpin immediate and ongoing drill testing of exciting priority nickel targets on the Company's Wildara Project Group, Leinster District, WA. Drilling to commence early February 2010.

Nickel Exploration – Western Australia

- Diamond drilling on the Western Contact (Saints Nickel Target) did not extend existing mineralisation, but reinforced the structurally complex nature and sporadic distribution of nickel sulphides at the Saints. Existing Western Contact mineralisation remains open vertically and potential for further nickel mineralisation at depth beneath the area drilled exists.
- Wildara priority targets for February 2010 drill testing comprise existing bedrock +1% nickel intercepts, nickel-copper regolith geochemical anomalies and surface geophysical conductors. All of the targets lie directly along strike from existing nickel deposits, and include the Horn Deposit (JORC Code compliant Inferred Resource of 600,000 tonnes at 1.39% Ni and 0.30% Cu for 8,300 tonnes of contained nickel and 1,800 tonnes of contained copper).

Base Metal Exploration – Queensland

- Altia Joint Venture announced with BHP Billiton Minerals earning 70% of silver-lead-zinc rights in Breakaway's Altia Joint Venture Project by spending A\$10 million over 5 years.
- Altia Joint Venture Project hosts the Altia Silver-Lead-Zinc Deposit with Inferred Resources of 5.78Mt @ 40.3g/t silver, 3.96% lead and 0.49% zinc (7.5Moz of contained silver and 229Kt contained lead) which remains open both down dip and along strike.
- Minimum A\$1 million expenditure by BHP Billiton Minerals in first year with up to 5,000 metres diamond drilling to commence at the end of the wet season in early 2010.
- Drilling by Aditya Birla on the Mt Osprey Joint Venture, located 30 kilometres south east of the Mt Gordon Copper Mine intersects zones of low grade copper mineralisation, ie 8.0m @ 0.38% Cu from 56 metres in 09MOSRC007 including 1.0m @ 1.17% Cu from 56 metres.

Cash Position

- The Company's cash position at the end of the December Quarter was \$1.26 million.

OVERVIEW

Breakaway has a quality portfolio of projects which are highly prospective for nickel, gold and base metals, and are strategically located within several highly endowed mineral districts in Western Australia and Queensland (Figure 1). While a large number of targets have been identified on all of the projects, Breakaway has adopted a focussed, pragmatic approach to its ongoing exploration activities.

During the Quarter, the Company completed a 2,193 metre diamond drilling programme to further test the Saints Nickel Target, located on the 100%-owned Scotia Project, 60 kilometres north of Kalgoorlie WA, within the North Eastern Goldfields of Western Australia. The drilling programme marked the recommencement of nickel exploration activities after a 12 month hiatus triggered by the decline in commodity prices following the Global Economic Crisis of late 2008.



Figure 1: Breakaway Project Locations

The Company's commitment to its long-term corporate objective of discovering a high quality stand-alone nickel sulphide deposit of no less than 30Kt Ni metal @ 3% Ni (in Reserve) remains unchanged. Consistent with this objective, the Company entered into a Farm-in and Joint Venture Agreement with BHP Billiton Minerals during the Quarter over its Altia Silver-Lead-Zinc Deposit which lies within the Eloise Exploration Project in Queensland. The agreement has the potential to add considerable value to this asset, without distracting the Company from its nickel activities and Breakaway looks forward to BHP Billiton commencing an aggressive drilling programme at Altia in early 2010.

To underpin exploration efforts, the Company announced a fully underwritten Rights Issue to raise \$3.6 million during the Quarter. To be concluded during the March Quarter 2010, the funds raised will increase the Company's cash position to approximately \$4.86 million and will be applied to immediate and ongoing drill testing of a number of exciting priority nickel targets on the Wildara Project Group, further drilling of the Saints Nickel Target, and pursuing other opportunities to realise full value from Breakaway's extensive portfolio of nickel and base metal assets.

The Company's cash position at the end of the Quarter was \$1.26 million.

CORPORATE ACTIVITIES

Rights Issue

As advised on 15 December 2009, Breakaway commenced a 1-for-3 non-renounceable Rights Issue during the Quarter. Outlined below is a timetable of relevant events and dates relating to the rights issue:

Rights Issue Timetable Event	Date
Lodgement of Prospectus with ASIC and ASX and announcement of Rights Issue	15 December 2009
Mail notice to Shareholders	17 December 2009
Record Date to determine entitlement to New Shares	29 December 2009
Prospectus with Entitlement and Acceptance Form dispatched to Shareholders	5 January 2010

Last day for acceptance and payment in full (Closing Date)	22 January 2010
Last day for allotment of New Shares and dispatch of shareholding statements for New Shares	2 February 2010
Trading commences for New Shares no later than this date	3 February 2010

With an issue price of 6.0 cents per share, and fully underwritten by Patersons Securities Limited, the Rights Issue will raise a total of approximately \$3.6 million. Following completion of the rights issue, Breakaway will have approximately 239.3 million shares on issue, with cash resources totalling approximately \$4.86 million including existing cash at bank.

The funds raised will be applied to:

- Immediate and ongoing drill testing of a number of exciting priority nickel targets on the Wildara Project Group including the Revolution-Horn Trend, Fly Bore-Hill Top Trend, Firefly, Sinclair Trend, and Yillaree North;
- Further drilling and exploration activities at the Saints Nickel Target (Scotia Project), where drilling recently tested potential down-plunge extensions to mineralisation previously identified on the Western Contact; and
- Pursuing other opportunities to realise full value from Breakaway's extensive portfolio of nickel and base metal assets in Western Australia and Queensland.

Drilling on the Wildara Project Group will commence in early February 2010.

NICKEL EXPLORATION ACTIVITIES – WESTERN AUSTRALIA

Saints Nickel Target – Scotia Project (Breakaway 100%)

The Saints Nickel Target is located within the northern half of Breakaway's 100%-owned Scotia Exploration Project, 60 kilometres north of Kalgoorlie within the North Eastern Goldfields of Western Australia (Figure 2).

Nickel sulphide mineralisation at the Saints is present as a series of sub-parallel planar zones developed along a strongly sheared eastern and western ultramafic/basalt contact (Figure 3) termed the Eastern and Western Contact respectively. On the Eastern Contact, previous exploration has located two mineralised zones located 400 metres apart – St Andrews and St Patricks (A Mineral Resource of 135,600t @ 3.70% Ni for 5,000t Ni metal and categorised as an Inferred Resource was reported for St Patricks in accordance to the JORC Code guidelines in 2006).

The Western Contact was discovered by Breakaway in 2007 following up anomalous aircore geochemistry. Subsequent drilling over 600 metres strike extent located +1% nickel sulphides in a large number of holes with grades up to 6.29% Ni. A zone of higher grade matrix sulphides with an interpreted north plunging geometry, was defined by Breakaway, at the southern end of the Western Contact (Figure 4). The zone has been previously drilled on nominal 50 metre centres over approximately 150 metres strike length to a vertical depth of 180 metres.

A 9 hole diamond drilling programme for 2,193 metres was completed during the Quarter to test for potential down plunge extensions. Drilling tested the zone for a further 100 metres along strike, and 150 metres down plunge to a vertical depth of 280 metres.

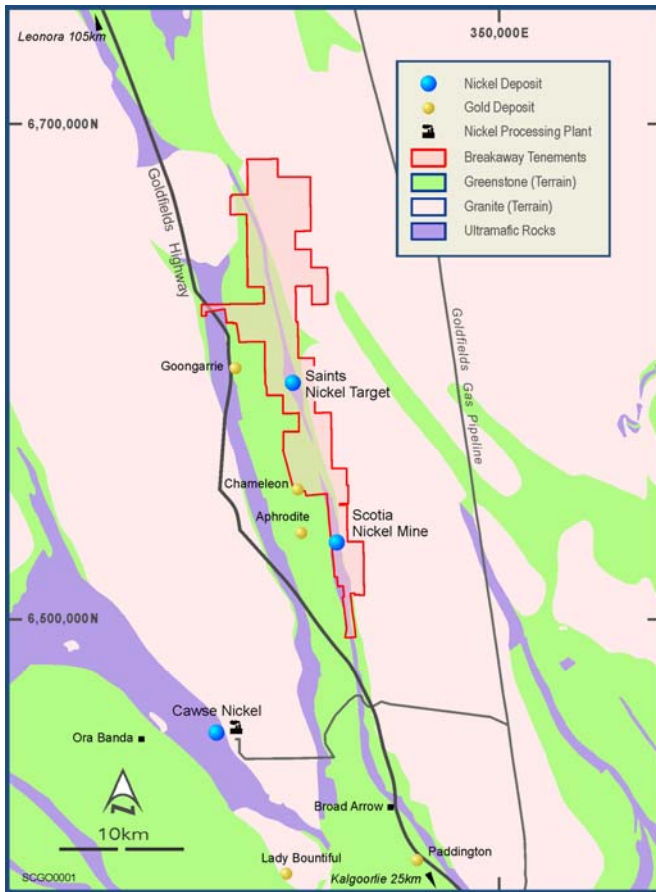


Figure 2: Scotia Project – Saints Nickel Target Location Plan

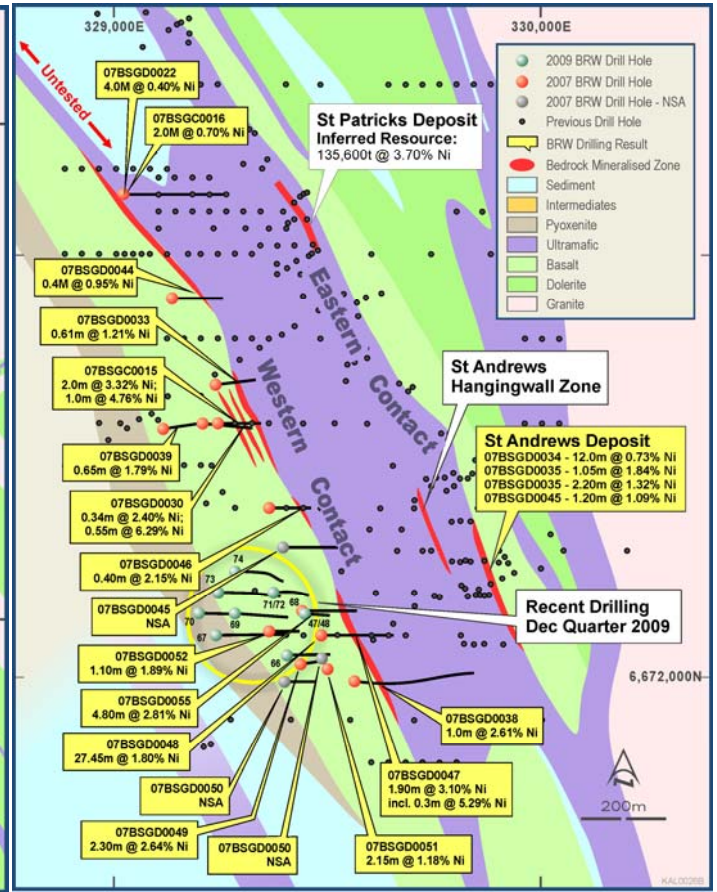


Figure 3: Saints Nickel Target Drill Hole Location Plan showing Geology, Mineralised Zones and December Quarter 2009 Drilling

With the exception of the northern most hole drilled, all holes successfully intersected a series of sub parallel shear zones (+/- associated sulphidic black shales) within the host ultramafic unit immediately adjacent to the Western Contact. These discrete shear zones appear to control the distribution of nickel sulphide mineralisation at this location. As shown on Figure 4, anomalous nickel mineralisation was intersected in one drillhole – 0.3 metres @ 0.65% Ni from 182.5 metres in 09BSGD0066.

While the analytical results are disappointing and do not extend the known mineralisation down plunge, the drilling has reinforced the structurally complex nature and sporadic distribution of nickel sulphides at the Saints. While the drilling downgrades the likelihood of a northerly plunge to the existing mineralised body, the mineralisation remains open in a vertical direction and suggests that potential exists for further nickel mineralisation at depth beneath the area drilled.

Regionally, the Western Contact remains highly prospective with the drilled area representing only one of several nickel sulphide occurrences present along its strike. Notably moderate to high grade nickel intersections including 2.0 metres @ 3.32% Ni from 67 metres and 1.0 metre @ 4.76% Ni from 87 metres in 07BSGC0015 and 0.55 metres @ 6.29% Ni from 98.9 metres in 07BSGD0030 are present 400 metres north along strike from the 2009 drilling and require follow up drill testing.

Similarly, a 200 metre long zone of strongly anomalous nickel regolith geochemistry obtained from 2006 Breakaway aircore drilling lies 1,000 metres south along strike from the 2009 drilling. Better aircore intersections include 5.0 metres @ 0.67% Ni in 06BSGA013 and 8.0 metres @ 0.52% Ni in 06BSGA096.

These intersections reinforce the prospectivity of both the Western Contact and the Saints Nickel Target as a whole. While further drilling of both the Western and Eastern Contacts at the Saints Nickel Target is warranted, no further work will be undertaken until a thorough structural geology review of the target area is completed.

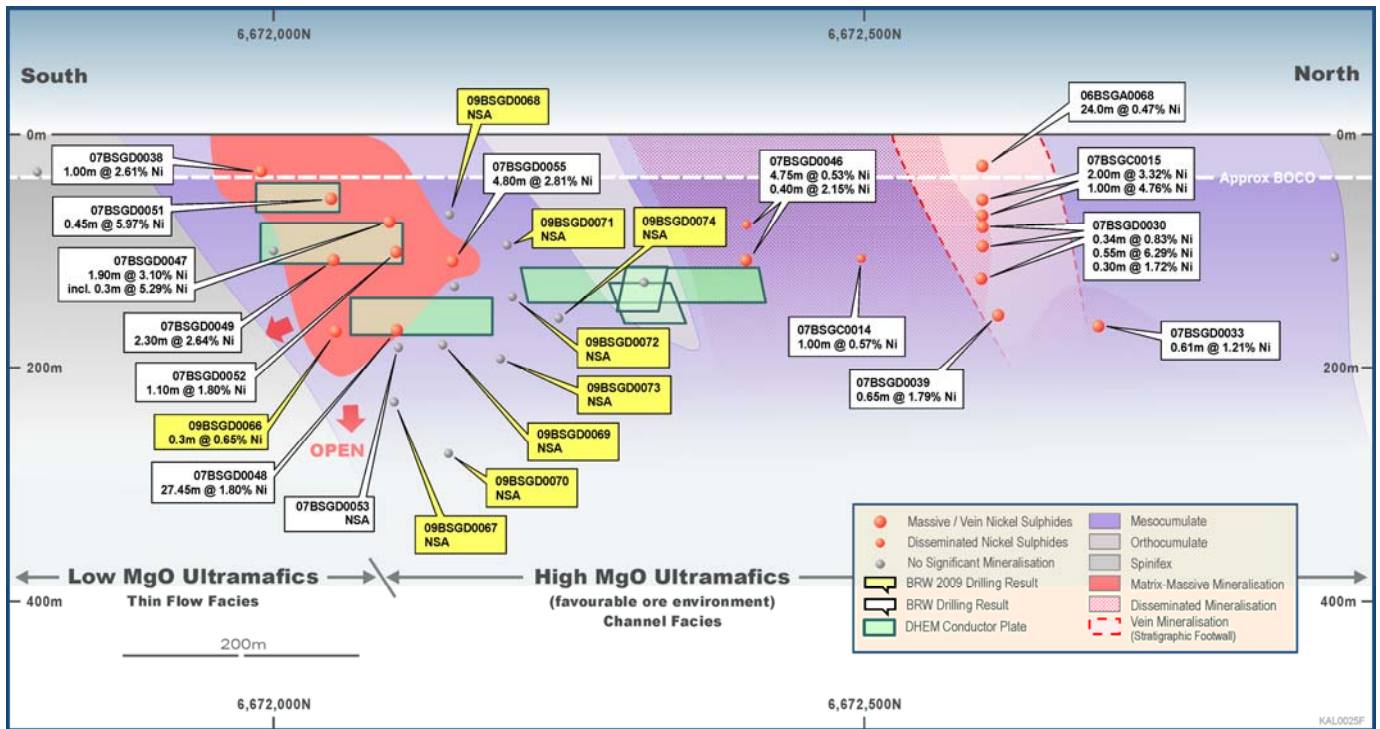


Figure 4: Western Contact Long Section showing 2009 Drilling and +0.5%Ni Mineralisation

Wildara Project Group – (Breakaway 100% except for Yillaree Project – Breakaway 81.27% / Hampden Hill 18.73%)

Located 15 kilometres south along strike from BHP Nickel West’s Leinster Nickel Deposits (+2.5Mt nickel metal), Breakaway’s Wildara Project Group offers the best opportunity for the discovery of a stand-alone nickel deposit. Accordingly, the primary focus of the Company’s exploration activities during the March Quarter will be directed towards drill testing of selected high-priority targets that lie within the Wildara Project Group.

The Wildara Project Group comprises the 100%-owned Wildara and Mt Clifford Projects and the 81.27%-owned Yillaree Project, with Breakaway’s joint venture partner Hampton Hill Mining (ASX:HHM) holding the balance of 18.73%. Hampton Hill contributes to Yillaree Project expenditure on a pro rata basis.

During the Quarter, planning of drilling programmes for the Revolution-Horn Trend, Firefly, Sinclair Trend, and Yillaree North targets continued (Figure 5). The targets variously consist of existing bedrock +1% nickel intercepts, nickel-copper regolith geochemical anomalies and surface geophysical conductors. All of the targets lie directly along strike from existing nickel deposits, and in the case of the Revolution-Horn Trend contains the Horn Deposit (JORC Code compliant Inferred Resource of 600,000 tonnes at 1.39% Ni and 0.30% Cu for 8,300 tonnes of contained nickel and 1,800 tonnes of contained copper), announced by the Company in April 2008.

Statutory approvals for commencement of exploration activities were also applied for and had been received for Yillaree North and the northern portion of the Revolution-Horn Trend target. The remaining approvals are expected early during the March 2010 Quarter.

Following receipt of the remaining statutory approvals, site preparation for a major Reverse Circulation (RC) drilling programme to test the priority targets will be undertaken ahead of an anticipated mid-February 2010 drilling commencement date.

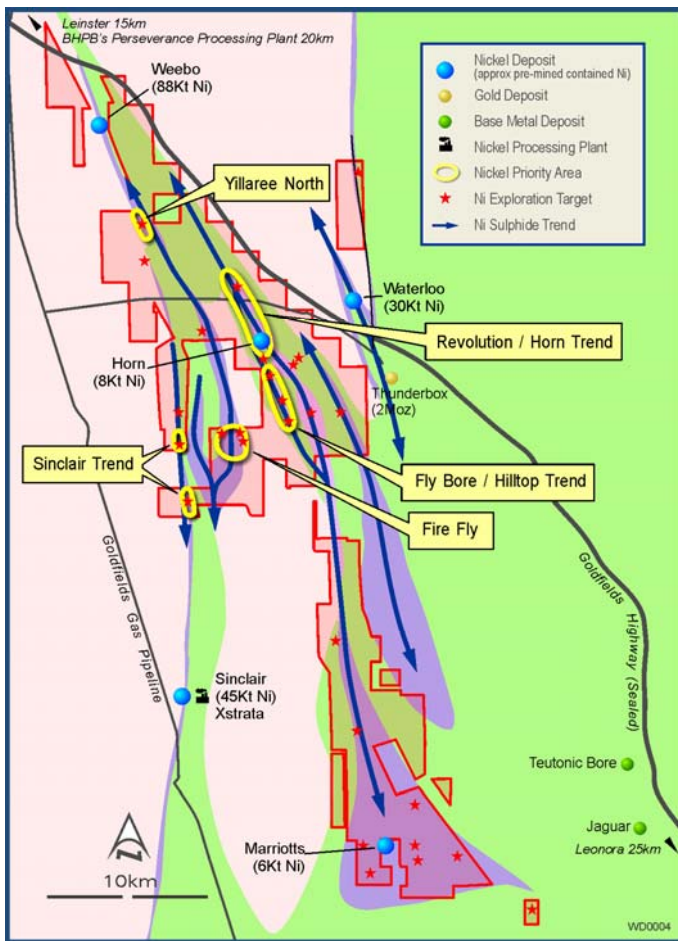


Figure 5: Wildara Project Group Priority Areas

BASE METAL EXPLORATION ACTIVITIES – QUEENSLAND

Altia Joint Venture Project – BHP Billiton earning 70%

As announced on 11 November 2009, the Company entered into a Farmin and Joint Venture, termed the Altia Joint Venture Project ("Altia"), with BHP Billiton Minerals Pty Ltd (ASX: BHP – "BHP Billiton"), on the 100%-owned Eloise Regional Exploration Project, located 4 kilometres south west of the Eloise Copper Mine in the Cloncurry district of Queensland (Figures 6 and 7). The joint venture project covers an area of approximately 8km² and hosts the Altia Silver-Lead-Zinc Deposit where Breakaway has previously announced a JORC Code compliant Inferred Resource of 5.78Mt @ 40.3g/t silver, 3.96% lead and 0.49% zinc (7.5Moz of contained silver and 229Kt of contained lead).

Under the agreement, BHP Billiton can earn a 70% interest in the silver-lead-zinc rights at Altia by completing expenditure of A\$10 million over five years. BHP Billiton must spend a minimum of A\$1 million within the first year of the Joint Venture. On BHP Billiton reaching its 70% interest, Breakaway's 30% interest may be sold to BHP Billiton. If Breakaway elects not to sell its interest, it must contribute on a pro rata basis to the cost of ongoing exploration and a Bankable Feasibility Study. BHP Billiton retains a right to purchase Breakaway's 30% interest following completion of a Bankable Feasibility Study and before a decision to mine is taken.

The value of Breakaway's 30% interest for sale purposes following completion of a Bankable Feasibility Study is to be determined by negotiation with BHP Billiton at the time, or failing that, by an Independent Expert engaged by both companies.

Breakaway retains 100% of copper-gold rights within the Altia Joint Venture Project and the rights to 100% of all minerals within the broader Eloise Exploration Project. Breakaway can explore for copper-gold on the Altia ground under a mutually convenient cooperative arrangement with BHP Billiton.

Under the agreement, BHP Billiton on behalf of Breakaway has applied for two Mineral Development Licences over the project area. Upon BHP Billiton completing the A\$10 million earn in, the Mineral Development Licences will be held 70% / 30% by the joint venture partners. Queensland Mines and Energy advised on 22 December 2009, that the applications had been accepted (MDL Applications Nos. 431 and 432) over the project area.

The Joint Venture agreement is consistent with Breakaway's previously announced strategy of rationalising its extensive Australian minerals portfolio to enable it to focus on its core nickel sulphide exploration projects in Western Australia, while at the same time ensuring that expenditure is secured to progress high-potential assets such as Altia.

BHP Billiton is expected to commence a programme of deep drilling in early 2010, following the wet season, targeting the potential for a world-scale Cannington-style silver-lead-zinc deposit at Altia.

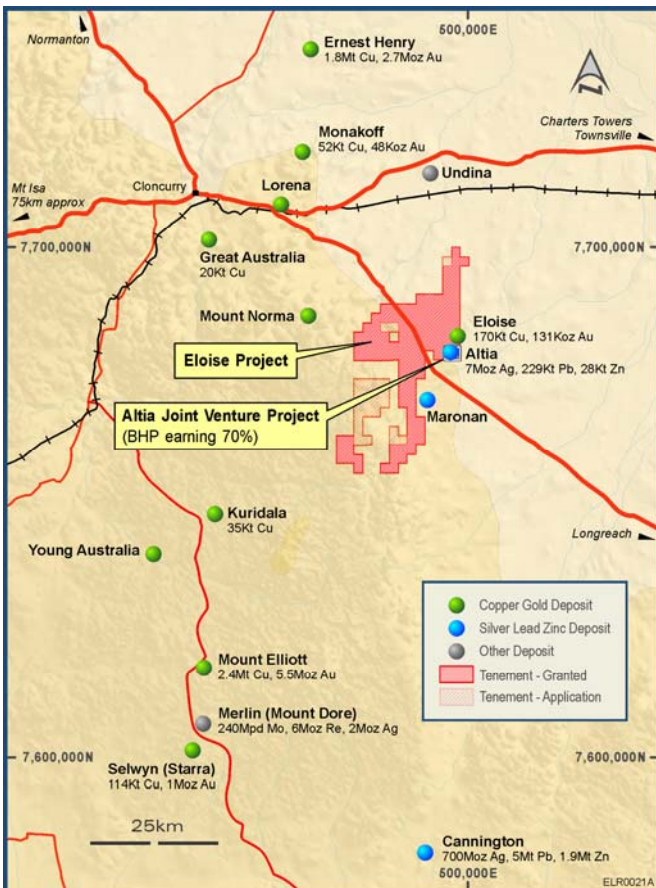


Figure 6: Eloise Regional Exploration Project Location Plan

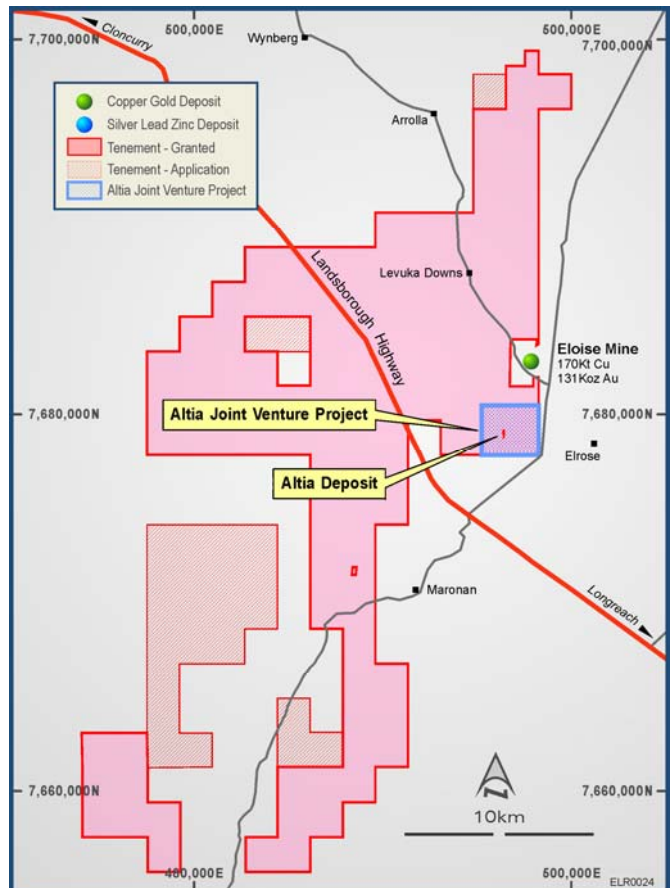


Figure 7: Altia Joint Venture Project Location Plan

Mt Osprey Joint Venture – (Aditya Birla Minerals Limited 69.99% and Breakaway 30.01% diluting)

The Mt Osprey Joint Venture Project is located approximately 30 kilometres south east of Aditya Birla Minerals Limited's (ASX:ABY – “Aditya Birla”) Mt Gordon Copper Mine, approximately 120 kilometres north of Mt Isa, Queensland (Figure 8).

Aditya Birla sole funds exploration on the project and is the current manager and operator of the Joint Venture. Breakaway has previously elected to dilute its interest in the joint venture which currently stands at 30.01%.

The Mt Osprey Project covers the copper-prospective Crystal Creek Fault, an east-west trending regional scale fault zone that separates Proterozoic age mafic units of the Eastern Creek Volcanics to the north from sedimentary sequences of the Mt Isa Group to the south. Previous work has shown that the Mount Isa Group units within the area exhibit widespread lead-zinc anomalism with strong copper anomalism along bounding faults such as the Crystal Creek Fault.

The Project area is considered prospective for both stratiform sediment-hosted lead-zinc deposits and Mt Isa / Mammoth-style breccia copper deposits and exploration by Aditya Birla has focussed on delineating copper deposits that can be economically treated at their nearby Mt Gordon Copper Mine.

Wide spaced historical reconnaissance drilling over 4 kilometres of the Crystal Creek Fault Zone (Figure 9) has returned a number of low to moderate grade intersections including:

- 2.0m @ 2.36% Cu from 258.2 metres in MO-001 drilled by Carpentaria Exploration Company in 1976
- 3.0m @ 1.6% Cu from 180 metres in CC-007 drilled by Esso in 1980
- 10.0m @ 1.08% Cu from 204 metres in MO-008 drilled by Aberfoyle in 1996
- 2.0m @ 1.49% Cu from 20 metres in MORC02 drilled by Western Metals in 2001
- 6.0m @ 1.11% Cu from 19 metres in MORC03 drilled by Western Metals in 2001

During the Quarter, Aditya Birla drilled 4 Reverse Circulation (RC) drill holes for 696 metres to further test the Crystal Creek Fault Zone, and the following significant intercepts were returned:

- 4.0m @ 0.43% Cu from 96 metres in 09MOSRC006
- 8.0m @ 0.38% Cu from 56 metres in 09MOSRC007 including 1.0m @ 1.17%Cu from 56 metres
- 5.0m @ 0.48% Cu from 100 metres in 09MOSRC008 including 1.0m @ 0.72%Cu from 103 metres

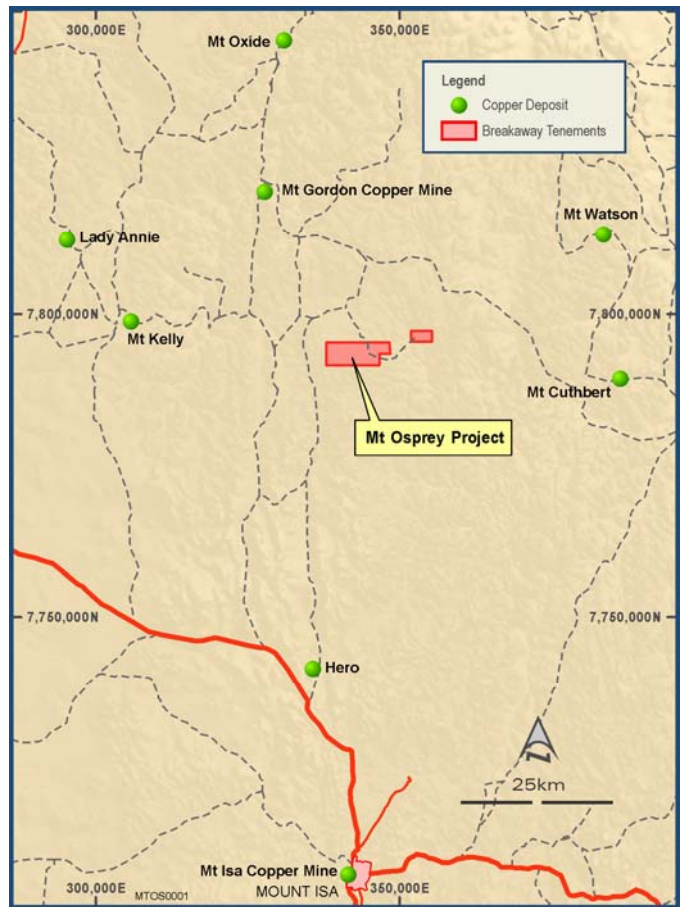


Figure 8: Mt Osprey Joint Venture Project Location Plan

Aditya Birla consider the intercepts to be consistent with those intersections previously returned for the Crystal Creek Fault Zone and is to undertake a review of the Project targets before proceeding with future work programmes.

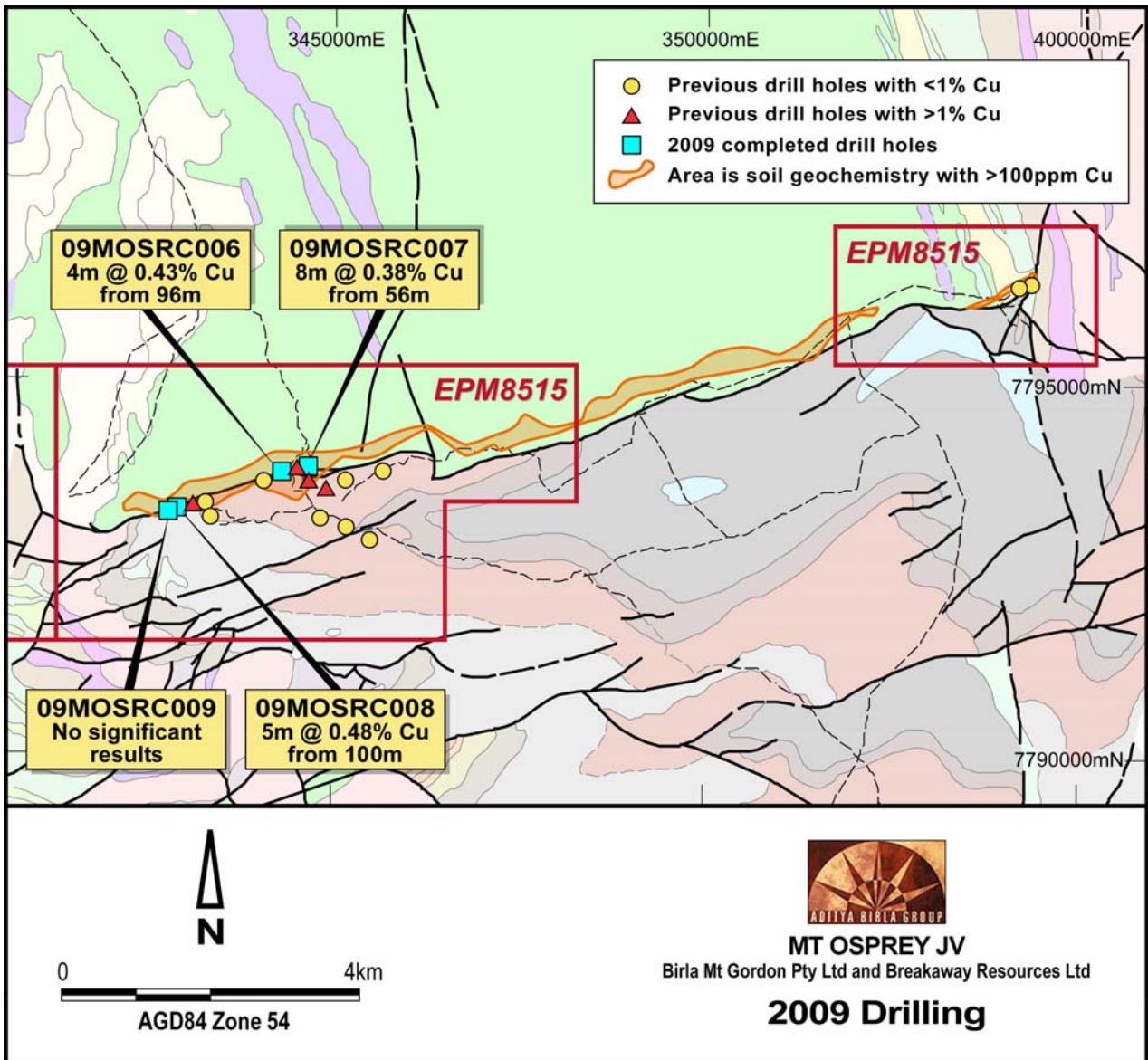


Figure 9: Crystal Creek Fault Zone Collar Location and Geology Plan (mafic and sedimentary units shown in green and grey/brown respectively).

OTHER PROJECTS

ELOISE COPPER MINE – (BREAKAWAY 30% NET PROFIT INTEREST)

The Eloise Copper Mine remains on temporary care and maintenance awaiting a decision by the mine owner, FMR Investments Pty Ltd (FMR) to reopen the mine. FMR have advised that they continue to monitor market conditions.

OUTLOOK

The primary focus of activity for the March Quarter will be the completion of the Rights Issue and the commencement of a major drilling programme to test high priority nickel targets on the Wildara Project Group. Additionally the Company looks forward to the commencement of an aggressive drilling programme on the Altia Joint Venture Project by BHP Billiton in early 2010 following the completion of the wet season. The Company looks forward to informing the market of each activities' progress.



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The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by David Hutton who is a Member of The Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy (AusIMM). David Hutton is a fulltime employee of Breakaway Resources Limited and 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 Mineral Resources and Ore Reserves'. David Hutton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results or Mineral Resources for the Mt Osprey Joint Venture is based on information compiled by Steven Oxenburgh who is a Member of The Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy (AusIMM). Steven Oxenburgh is a fulltime employee of Aditya Birla Minerals Limited and 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 Mineral Resources and Ore Reserves'. Steven Oxenburgh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Table 1: Scotia Project - Saints Diamond Drill Hole Intercepts and Collar Details

Hole id	Northing	Easting	Azi ^o Mag	Dip ^o	From	Downhole Width (m)	Ni
09BSGD0066	6672050	329400	90	-60	182.5	0.3	0.65
09BSGD0067	6672100	329235	90	-60			NSA
09BSGD0068	6672150	329443	90	-60			NSA
09BSGD0069	6672150	329280	90	-60			NSA
09BSGD0070	6672150	329195	90	-60			NSA
09BSGD0071	6672200	329370	90	-60			NSA
09BSGD0072	6672200	329370	90	-81			NSA
09BSGD0073	6672200	329240	90	-60			NSA
09BSGD0074	6672250	329280	90	-60			NSA

Table 2: Mt Osprey Project – RC Drill Hole Intercepts and Collar Details

Hole id	Northing	Easting	Azi ^o Mag	Dip ^o	From	Downhole Width (m)	Cu%
09MOSRC006	7793768	344296	360	-60	96.0	4.0	0.43
09MOSRC007	7793845	344667	360	-70	56.0	8.0	0.38
			including		56.0	1.0	1.17
09MOSRC008	7793301	342920	360	-65	100.0	5.0	0.48
			including		103.0	1.0	0.72
09MOSRC009	7793246	342772	360	-65			NSA

Calculation of Drill Hole Results:**Saints Nickel Target**

All diamond drill hole results were obtained from analysis of ½ core samples whose sample intervals were determined initially by logging of geological boundaries within the drill hole. Maximum sample length was typically 1 metre. All samples were prepared at Genalysis Laboratory Services Pty Ltd's Kalgoorlie Sample Preparation facility using a dual stage crush and pulverisation technique. Nickel analysis (1ppm detection limit) was carried out at Genalysis' Perth laboratory by subjecting a 50 gram portion of the sample to a multi acid digest and analysing the sample by Inductively Coupled Plasma Optical Emission Spectrometry (ICPOES).

Drill intercepts are typically reported using a 0.5%Ni bottom cut off.

The location of drill holes were determined using a handheld GPS achieving +/- 4 metre accuracy and reading AMG coordinates (Zone 51). End of hole surveys were obtained using an Eastman single shot survey camera.

Mt Osprey Project

Intercepts were calculated using a 2000ppm Cu (0.2%) lower cut and no top cut. Highest assay was 1.17% Cu and up to 2m internal waste was included.

All Reverse Circulation drill hole results were obtained from analysis of 1 metre samples. Sample quality in all cases was good and dry. All samples were prepared at SGS Pty Ltd's Townsville Sample Preparation and Laboratory facility using a LM5 pulveriser to 90% passing minus 90 micrometres.

Copper analysis (2ppm detection limit) was carried out by digesting a 0.4gram portion of the sample in an aqua regia digest and making up a 20ml solution. The solution is then presented to ICPMS for measurement. Any samples grading greater than 5000ppm (0.5% Cu) are re-analysed by a 4 acid ore grade preparation method.

The location of drill holes were determined using a handheld GPS achieving +/- 4 metre accuracy and reading AMG coordinates (AMG84 datum – zone 54).