

# Breakwater Resources Ltd.'s Second Quarter 2010 Financial And Operating Results

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## **Net Earnings Strong Due to Improved Metal Prices, Increased Production and Price Protection Strategy**

TORONTO, ONTARIO -- (Marketwire) -- 08/05/10 -- [Breakwater Resources Ltd.](#) (TSX: BWR) (TSX: BWR.WT.A) realized net earnings of \$24.6 million or \$0.35 per share in the second quarter of 2010 compared with a net loss of \$4.5 million or \$0.07 per share in the second quarter of 2009.

Breakwater realized net earnings of \$49.4 million during the first six months of 2010, which is the highest six-month net earnings Breakwater has realized since mid-2007.

## Revenues and Production Higher

Gross sales revenue was 124% higher at \$91.8 million primarily due to significantly higher metal prices, more concentrate sold and price protection gains partially offset by a stronger C\$. Concentrate produced in the second quarter of 2010 increased 32% to 64,160 tonnes compared with the second quarter of 2009 due to 66%, 21% and 15% increases at Myra Falls, Toqui and Mochito respectively.

## Cash

Cash and cash equivalents increased to \$76.0 million at June 30, 2010, up by \$10.3 million from March 31, 2010.

## Net Cash Provided By (Used In) Operating Activities

Net cash provided by operating activities was \$21.8 million for the three month period ended June 30, 2010 compared with cash used of \$7.1 million in the same period in 2010.

## Capital Expenditures

The Company invested \$28.8 million in mineral properties and fixed assets in first six months of 2010. At mining operations, \$11.0 million, \$13.4 million, \$2.2 million and \$1.9 million were spent at Mochito, Toqui, Myra Falls and Langlois respectively. Corporate capital expenditures were \$0.3 million primarily related to joint venture exploration payments.

## Operations

#### Mochito

- Rehabilitation of the 2100 level, which will improve the movement of men and materials, is on time and budget with completion expected in the fourth quarter of 2010

#### Toqui

- The installation of the wind farm has been completed with all six wind turbines commissioned by the first week of July
- The paste backfill facility, which will allow for paste tailings deposition and enhanced ore extraction through greater recovery of current and future pillars, is expected to be complete in the third quarter of 2010. Currently, the construction program is approximately ten weeks behind schedule due to various issues, including those related to the movement of materials and the availability of skilled people following the February 2010 earthquake in Chile; and inclement weather throughout the construction period
- The installation of a primary ball mill will allow 15% greater throughput and is proceeding according to plan with an expected completion date in the fourth quarter of 2010

#### Myra Falls

- Work continues to improve metallurgical recoveries in the mill with favourable preliminary results
- Development necessary to properly delineate the Marshall deposit is advancing well with the first drill station expected to be established in the fourth quarter of 2010
- Tailings disposal facility seismic berm upgrade is on schedule and is expected to be completed in the fourth quarter of 2010

#### Langlois

- Development plans at Langlois expanded modestly for the balance of 2010 from advancing two ramps - one from surface to the top of zone 4 and one internal to zone 3 - to including selective development of production headings.

David M. Petroff, President and Chief Executive Officer, stated that, 'Capital expenditure programs, operating costs per tonne milled (on a production basis) and production of zinc, copper and gold are in line with 2010 guidance while production of lead and silver are ahead of 2010 guidance. We are maintaining our guidance for production, capital expenditures and costs for all of our sites with the possible exception of Toqui. At Toqui, the paste plant facility construction delay combined with the fatality in May, which temporarily closed a portion of the Estatuas mine, has resulted in the need to modify the 2010 mine plan. We have revised the Toqui mine plan for 2010, which is not expected to affect 2010 production guidance for Toqui; however, operating costs are likely to be at the top end of/or modestly above the range of US\$51 to US\$56 per tonne milled guidance previously provided.'

Mr. Petroff went on to say, 'Early this year, after reviewing the Company's assets, assessing its strengths and weaknesses and identifying risks and opportunities, management developed a strategic plan, which can be summed up as follows: First, the Company's existing operations will be optimized. A range of projects have been undertaken to increase productivity, reduce costs and extend mine lives. Second, resources at each site will be delineated to enable increased annual throughput - where excess mill capacity exists - and extend the life of each mine, thus benefiting from the attractive exploration targets at each of the Company's mines. Third, targets for selective acquisitions will be assessed and pursued to increase shareholder value. Principal ones include poly-metallic ore bodies with the potential to have a ten year mine life or longer. The primary area of focus for the Company is the Americas, Europe and North Africa. In the next two to four years, the goal is to become a leading base metal producer based on the Company's superior leverage to zinc, with profitable, well managed operations, and a consistent record of meeting targets. The Company intends to add one or more additional mines in that time frame and maintain an appropriate cash balance, to

underpin its financial strength to weather the risks inherent in the mining industry.'

## GROSS SALES REVENUE - THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

A breakdown of gross sales revenue for the three month periods ended June 30, 2010 and 2009 is set forth in the following table.

Second Quarter 2010				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1)(US\$)	Gross sales revenue (\$'000's)
Zinc	51,583	22,493	2,179	49,018
Copper	2,820	674	6,935	4,671
Lead	7,946	4,871	2,060	10,035
Gold(2)	1,443	12,231	1,183	14,465
Silver	n.a.	510,203	18.45	9,411
Price protection gain (loss)	n.a.			1,363
Other(3)	n.a.			48
	63,792			
Gross sales revenue in US\$				89,011
Exchange rate				1.0314
Gross sales revenue in C\$				91,809

Second Quarter 2009				
	Concentrate sold(tonnes)	Payable metal(1)	Realized price(1)(US\$)	Gross sales revenue (\$'000's)
Zinc	36,205	15,801	1,413	22,319
Copper	n.a.	(70)	n.a.	(247)
Lead	5,364	3,293	1,383	4,554
Gold(2)	2,101	8,797	931	8,192
Silver	n.a.	119,588	12.54	1,500
Price protection gain (loss)	n.a.	n.a.	n.a.	(1,061)
Other(3)	n.a.			41
	43,670			
Gross sales revenue in US\$				35,298
Exchange rate				1.1599
Gross sales revenue in C\$				40,942

(1) Payable metal and realized prices for zinc, copper and lead are per tonne and for gold and silver are per ounce.

(2) Gold concentrate sales are principally from Toqui while payable gold is from all operations except Mochito.

(3) Other gross sales revenue represents revaluations of prior period concentrate receivables.

## PRICE PROTECTION STRATEGY

As at August 5, 2010 the Company's hedge position consisted of:

Puts Bought	Quantity	Average Price (US\$)	Maturity
Zinc	2,000 tonnes	\$2,205 per tonne	August 2010 - September 2010
Copper	2,000 tonnes	\$6,283 per tonne	September 2010 - October 2010
Lead	4,200 tonnes	\$1,669 per tonne	August 2010 - October 2010
Silver	710,000 ounces	\$16 per ounce	September 2010 - December 2010
Gold	17,500 ounces	\$1,100 per ounce	July 2010 - December 2010

As at August 5, 2010, the Company had locked in pricing for payable zinc of 9,538 tonnes with certain customers for the second half of 2010 at a weighted average price of US\$2,228 per tonne.

## CONCENTRATE SALES - BREAKDOWN BY MINE

Concentrate Sold (tonnes)	Second Quarter		First Six Months	
	2010	2009	2010	2009
<b>Zinc:</b>				
Mochito	18,366	13,860	36,679	27,745
Toqui	13,685	10,985	27,439	27,007
Myra Falls	19,532	11,360	39,505	27,943
Langlois(1)	n.a.	n.a.	n.a.	3,618
	51,583	36,205	103,623	86,313
<b>Copper</b>				
Myra Falls	2,820	-	9,588	9,235
Langlois(1)	n.a.	n.a.	n.a.	321
	2,820	-	9,588	9,556
<b>Lead</b>				
Mochito	7,528	4,941	15,951	10,408
Toqui	418	423	884	423
	7,946	5,364	16,835	10,831
<b>Gold</b>				
Toqui	1,376	2,093	4,451	3,011
Myra Falls	67	8	76	9
	1,443	2,101	4,527	3,020
<b>All Metals</b>	<b>63,792</b>	<b>43,670</b>	<b>134,573</b>	<b>109,720</b>

(1) Due to the Company's revenue recognition policy, certain concentrate produced prior to the temporary suspension of Langlois on November 2, 2008 was not recognized in revenue until the first quarter of 2009.

## PRODUCTION RESULTS

The table below summarizes, on a production basis, the Company's metal contained in concentrate, before smelting deductions, for the periods presented.

Metal in Concentrate	Second Quarter			First Six Months		
	2010	2009	%	2010	2009	%
<b>Zinc (tonnes)</b>						
Mochito	9,426	8,697	8.4	17,932	16,402	9.3
Toqui	6,589	4,651	41.7	11,312	9,743	16.1
Myra Falls	9,824	6,126	60.4	19,387	13,312	45.6
	25,839	19,474	32.7	48,631	39,457	23.3
<b>Copper (tonnes)</b>						
Myra Falls	1,534	846	81.3	2,862	1,667	71.7
	1,534	846	81.3	2,862	1,667	71.7
<b>Lead (tonnes)</b>						
Mochito	4,592	3,251	41.2	9,120	6,527	39.7
Toqui	193	356	-45.8	387	630	-38.6
	4,785	3,607	32.6	9,507	7,157	32.8
<b>Gold (ounces)</b>						
Toqui	6,352	9,685	-34.4	17,330	20,785	-16.6
Myra Falls	6,281	3,041	106.5	11,714	5,634	107.9
	12,633	12,726	-0.7	29,044	26,419	9.9
<b>Silver (ounces)</b>						
Mochito	502,584	422,875	18.8	976,035	852,021	14.6
Toqui	34,107	59,745	-42.9	73,423	130,586	-43.8
Myra Falls	202,504	95,929	111.1	424,015	199,255	112.8
	739,195	578,549	27.8	1,473,473	1,181,862	24.7

The complete unaudited consolidated interim financial statements for the periods ended June 30, 2010, with the comparative figures for the periods ended June 30, 2009, the related notes, and management's discussion and analysis of the financial and operating results have been filed on [www.sedar.com](http://www.sedar.com). Additionally, the documents have been made available on our website at <http://www.breakwater.ca/Investors/AnnualandQuarterlyReports/default.aspx>.

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