



ACN 092 471 513

29 January 2018

ASX RELEASE

Amendments to Financing Arrangements Penny's Find Mine

Empire Resources Ltd ('Empire', 'Company', ASX code: ERL) holds a 60% interest in and acts as Manager for the Penny's Find Joint Venture ("PFJV") that owns and operates the Penny's Find gold mine, located 50km northeast of Kalgoorlie in Western Australia. The remaining 40% interest is held by unlisted Brimstone Resources Ltd.

Open pit mining commenced at Penny's Find in the June quarter 2017 with the provision of mining services at the Penny's Find mine being provided by Blue Cap Mining Pty Ltd ("Blue Cap"). First gold production commenced during the December 2017 quarter.

Under the terms of the funding agreement, originally announced 21 March 2017, Blue Cap would fund mining and related costs at the Penny's Find project to a maximum of A\$7.5 million until the operation became cash flow positive. Costs of the funding, dependent on the amount of draw down, was pro rata up to a maximum of A\$2.3 million payable from free cash flow. The loan was to be paid back in full by the end of January 2018.

By mid-January 2018 the PFJV had been invoiced approximately \$8.4 million, inclusive of the facility fee, with the PFJV having made repayments to date of over \$5.1 million.

Over the last 6 months the PFJV has experienced a number of mining and toll treatment delays which has now resulted in slower than planned cash flow from operations.

The Company was recently made aware of its next scheduled toll treatment commencement date being delayed to early February 2018, necessitating Empire entering into a Trading Halt and Suspension of its shares whilst it modified the repayment terms of the Blue Cap Agreement.

Unforeseen delays, such as inclement weather and issues with one toll treater used last year (see ASX Announcement on 7 December 2017), resulted in lost opportunities to mill more ore and lower than expected cash inflows.

The Company has therefore entered into an agreement with Blue Cap to reschedule the timing of the remaining debt repayment. The agreement facilitated the payment to Blue Cap of \$600,000 as part of its repayment of outstanding debts on 29 January 2018, and there being a standstill on further calls on the joint venture to pay current invoiced amounts until proceeds of the next treatment campaign are received.

Leading up to this next campaign, the Companies have undertaken to negotiate in good faith the terms of repayment for the amounts owing to Blue Cap on the basis that:-

- Blue Cap will be paid using funds received from the Gold in Circuit still held in the Burbanks Mill;
- All other amounts due are to be paid to Blue Cap from remaining open pit production; and
- The parties renegotiate the terms of the waterfall payment schedule as set out in the original funding agreement, to give Blue Cap access to funds as they become available, subject to adequate funds being made available to the PFJV to meet its ongoing requirements.

Empire is confident the Company can work through this short term funding issue. As at the date of this announcement, the final settlement of Gold in Circuit (GIC) and other matters are not yet complete at Burbanks.

Furthermore, approximately 25,000 tonnes of high grade ore is currently stockpiled at the Lakewood Mill in preparation for the next treatment campaign which is scheduled to commence early in February 2018.

DAVID SARGEANT
MANAGING DIRECTOR

For further information on the Company,
David Sargeant – Managing Director Phone: +61 8 9361 3100
Visit: www.resourcesempire.com.au

For personal use only