



## Empire Resources Ltd ERL

### Investment Drivers

- Empire plans potentially significant exploration drilling on its three major projects, with first assay results likely to add knowledge and potentially, shareholder value in October.
- Empire's Yuinmery project has potential to become a significant copper and gold province, based on an identified swarm of VMS style mineral deposits. The project area is just 6 km from to a possible processing plant, offering potential for low cost development.
- Troy Creek represents a first class, copper, gold and platinum exploration target for Empire, with metal values in graphitic shale.
- The company's Yarlarweelor uranium project holds potential to outline significant tonnages of low to medium grade hard rock mineralisation and has immediate exploration appeal for low cost, calcrite mineralisation, identified by a recent radiometric survey.
- The company is well managed by a small team of experienced geologists, backed by a recent, cornerstone investor from Singapore.

### Opinion\*

Empire Resources is a frugal minerals exploration company run by an experienced team of industry veterans. The company's current market capitalisation is more than underpinned by heavily discount, in-ground values for gold and copper Resources, leaving no apparent value for its undoubted exploration appeal. At current copper and gold prices, just 4% of the company's insitu Resource value provides support for a value of \$9 million for Empire.

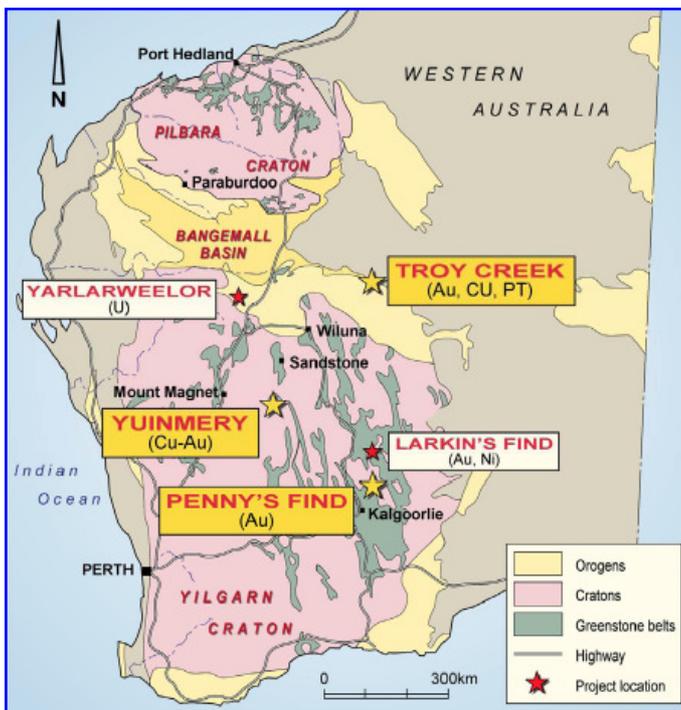
Exploration drilling commencing in September 2009, holds potential to further define the copper/gold potential of its Yuinmery and Troy Creek projects, while the uranium appeal of Yarlarweelor may also be tested, prior to consummating a proposed asset sale agreement

Empire will be keen to seek additional equity support should its upcoming drilling programme show early promise.

Peter Strachan.

\*No recommendation is offered for commissioned research.

### Project Location



Source: Empire

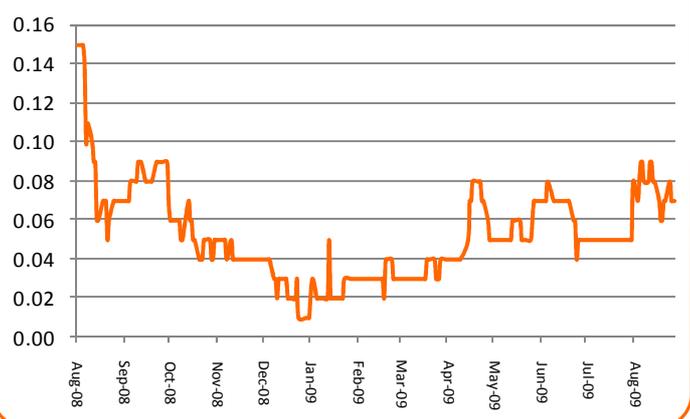
### Capital Structure

Shares	85.2 m.
Options	3.0 @25 cts 12/10
Price	\$ 0.072
Market Cap	\$ 6.1 m.
Cash (est)	\$ 1.4 m.

### Major Shareholders

David Sargeant	7.1%
Mr Lim	5.9%
Apex Minerals	5.9%
Adrian Jessup	2.4%
Top 20	44.2%

### Share Price



## Introduction

Since listing in February 2007, Empire has spent just over \$4.4 million on exploration activities, resulting in three copper or gold discoveries in Western Australia and JORC compliant resources have been estimated at two of these discoveries.

**3 new copper & gold deposits found**

At the **Penny's Find** project near Kalgoorlie, Empire has located a near surface high grade gold deposit which has a JORC compliant Resource estimated at **314,000 tonnes grading 5.2 g/t Au**, containing 52.5koz of gold.

**Significant exploration potential**

At the **Yuinmery** project, the company has estimated a copper/gold Resource of **1.07 million tonnes grading 1.82% Cu and 0.78 g/t Au** at a 1 %Cu cut-off grade at the Just Desserts deposit.

**Funding options**

More recently in the December 2008 quarter, a discovery of high grade copper sulphide mineralisation was made at the **Troy Creek** project, 260km northeast of Wiluna in Western Australia. A drill intersection of **2 metres grading 4.65% Cu and 3 metres grading 1.97% Cu**, within a 36 metre intersection grading 0.76% Cu, shows exploration potential.

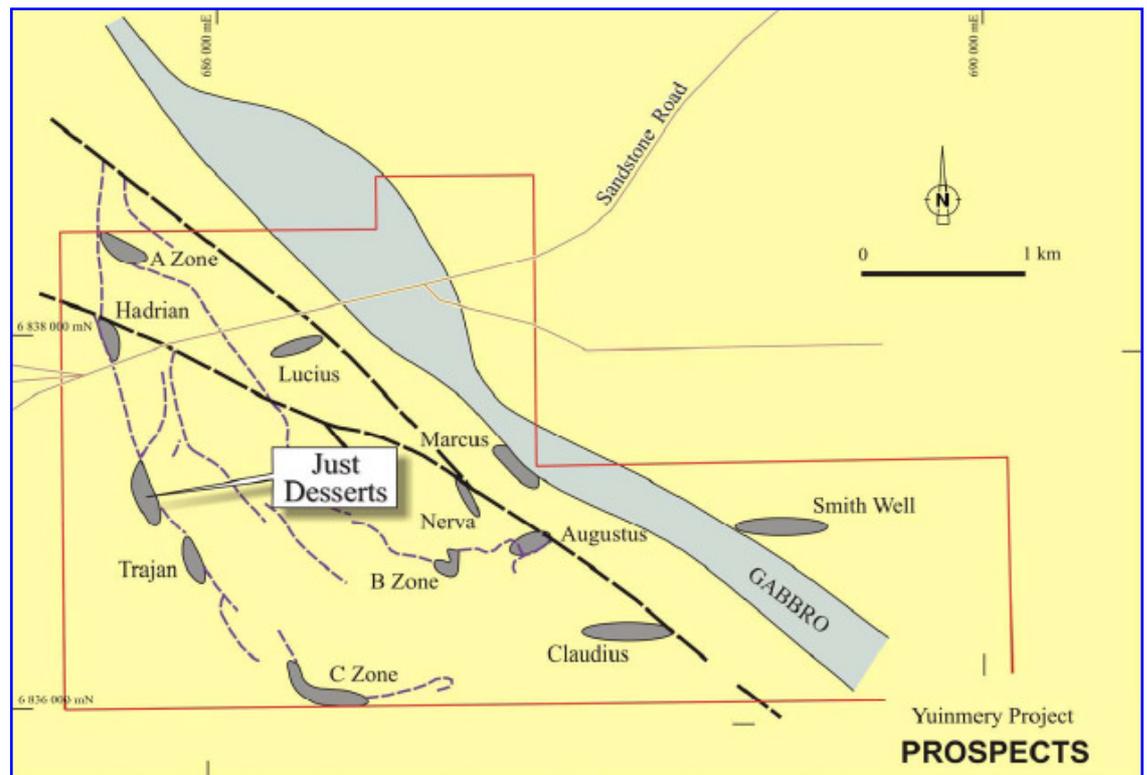
A recent placement raising \$650,000, introduced a Singapore based investor to the company's register, providing Empire with potential for additional financial support. Empire is seeking farm-in funding support for its two major base metal and gold projects while negotiating either a sale or toll processing agreement for its high grade, Penny's Find deposit.

**Potential new VMS, base metal & gold camp**

## Yuinmery 100%

The Yuinmery project is located between and almost equidistant from the rich, Golden Grove base metal and gold VMS camp, approximately 150 kilometres to the west and the Jaguar VMS project to the east. The company plans plans 1600 metres of RC and diamond drilling on 5 targets at Yuinmery.

### Plan of Yuinmery Prospects



Source: Empire

Drilling at the Just Deserts deposit encountered mineralisation in two, parallel zones which merge at depth and dip to the east. Drill intercepts include:

<b>23m grading</b>	<b>2.68% Cu, 1.28g/t Au from 80 m,</b>
<b>incl'g: 12m grading</b>	<b>4.37% Cu, 1.88g/t Au from 80m, and</b>
<b>6m grading</b>	<b>7.42% Cu, 3.01g/t Au from 85m</b>
<b>13m grading</b>	<b>2.58% Cu, 0.39g/t Au from 63m and</b>
<b>7m grading</b>	<b>4.23% Cu, 1.65g/t Au from 106m</b>
<b>13m grading</b>	<b>2.55% Cu, 1.67g/t Au from 106m</b>
<b>7m grading</b>	<b>1.92% Cu, 0.36g/t Au from 149m.</b>

**Multiple targets**

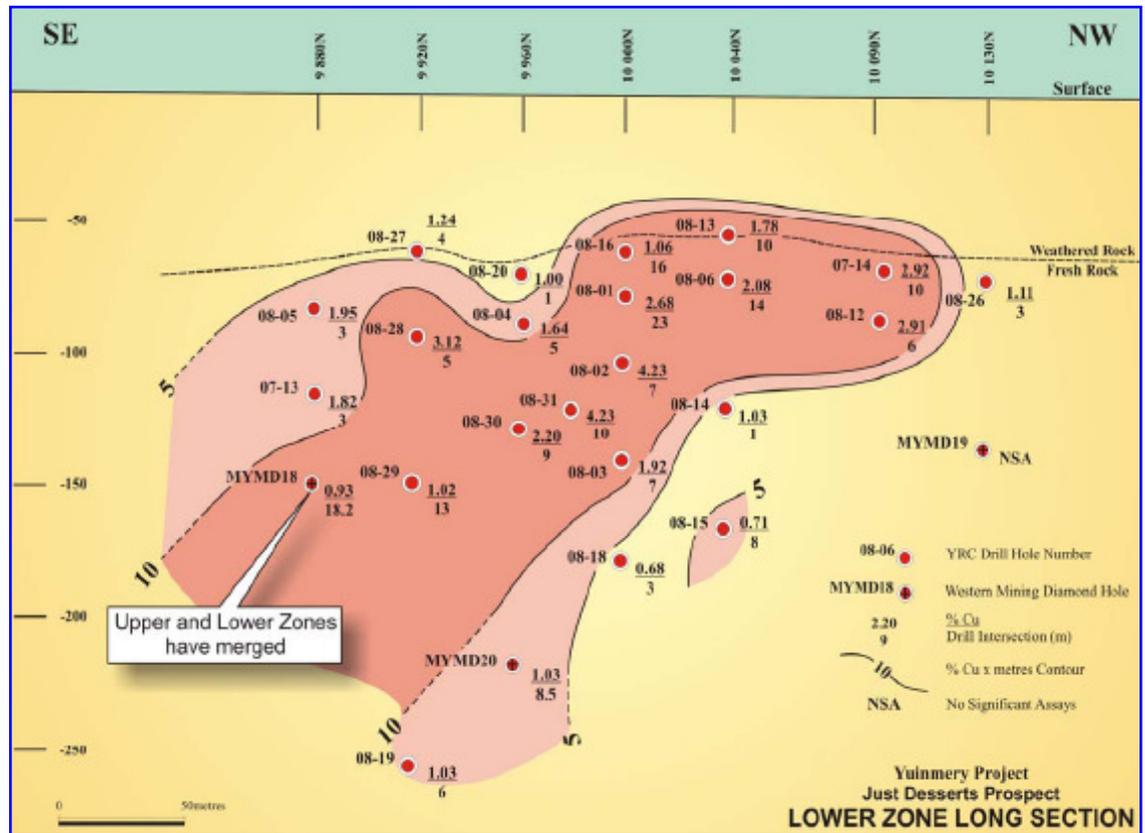
Mineralisation at Just Deserts is open at depth below 250 metres and along strike to the south east. VMS deposits tend to occur in swarms, which may display varying mineralogy and mineral concentrations. Ground EM indicates potential for mineralisation at seven additional prospects. Sparse drilling to date indicates potential for additional commercial mineralisation at A Zone – 7 m grading 1.81% Cu & 0.5 g/t Au and C Zone, where an intersection of 3 m grading 3.1% Cu and 0.2 g/t Au was found.

**Depth potential**

Just Deserts holds coarse grained mineralisation which shows excellent metallurgical characteristics.

**Yuinmery Long Section**

**Possible company-making VMS field**



Source: Empire

Empire’s Yuinmery project holds strong potential to develop into a significant VMS based mineral camp. Geophysical anomalies will require deep drilling, since even weak anomalism may indicate a large, but deep deposit.

The Yuinmery project is located 6.5 kilometres from Apex Mineral’s mothballed Youanmi gold mine, where a floatation circuit could be modified to process ore from Yuinmery.

**Anomalous Zones and Troy Creek Prospects**

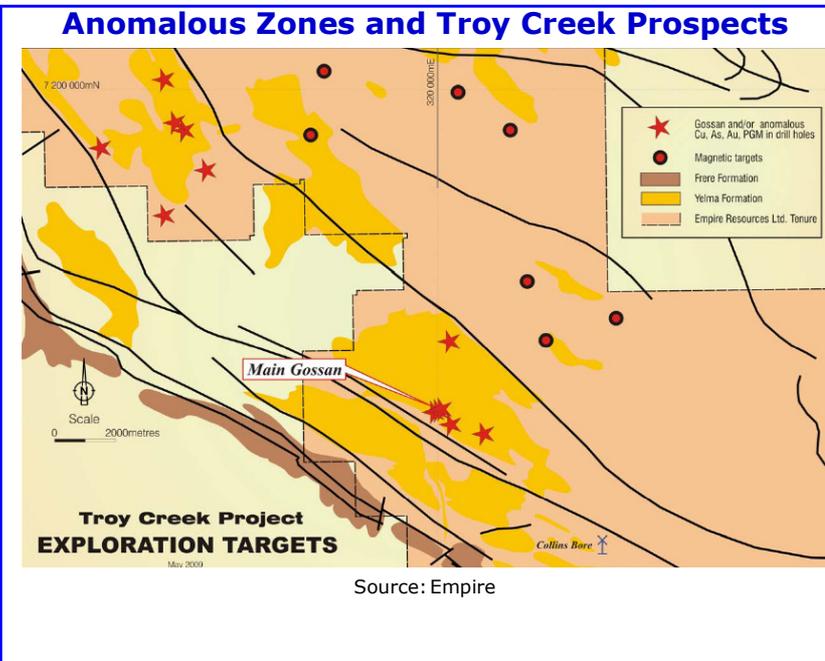
**Troy Creek 100%**

The Troy Creek project has previously been explored by Sons of Gwalia, Aztec and MIM, but very little drilling has been undertaken on the geochemical anomalies generated. The company has a right to earn an interest of up to 70% in adjacent permit areas.

**20 km of mineralised strike**

The region, 260 kilometres northeast of Wiluna, contains graphitic shales of Proterozoic age, similar to those found around Rum Jungle in the Northern Territory. Early sample and assay techniques may not have accurately assessed the copper, PGM and gold content, if care was not taken to neutralise the high level of graphite in the mineralised zones. Assay samples are now routinely roasted prior to assaying so that accurate assays for gold, silver and base metals can be determined.

**Possible IOCG mineralisation associated with mag highs**

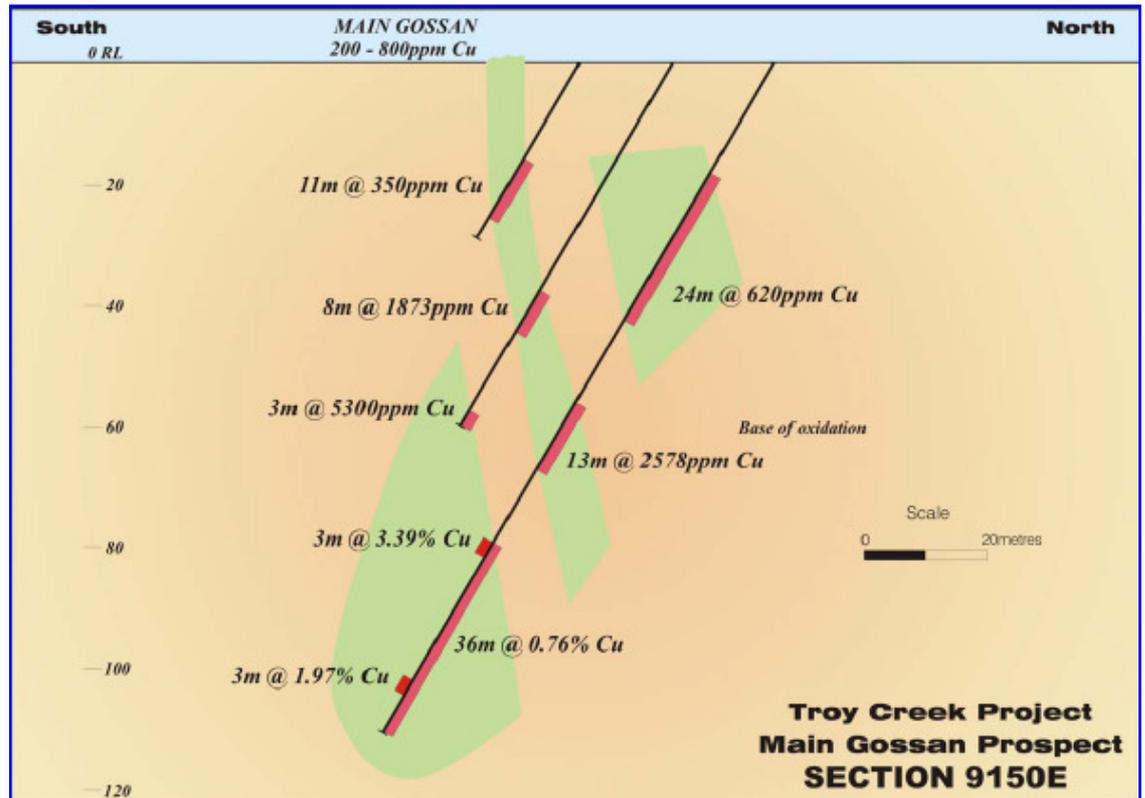


Source: Empire

20 km of mineralised strike

Empire Resources has identified a potentially mineralised graphitic shale horizon along about 20 kilometres of geological strike as well as several magnetic bullseye anomalies, which remain to be tested at depth. In late 2008, drilling by the company intersected 36 metres grading 0.76% Cu, including 2 metres grading 4.7% Cu and 3 metres grading 2% Cu. Empire plans a follow-up drilling programme of at least 3,000 metres to test up to 10 targets in the project area.

**Troy Creek Cross Section**



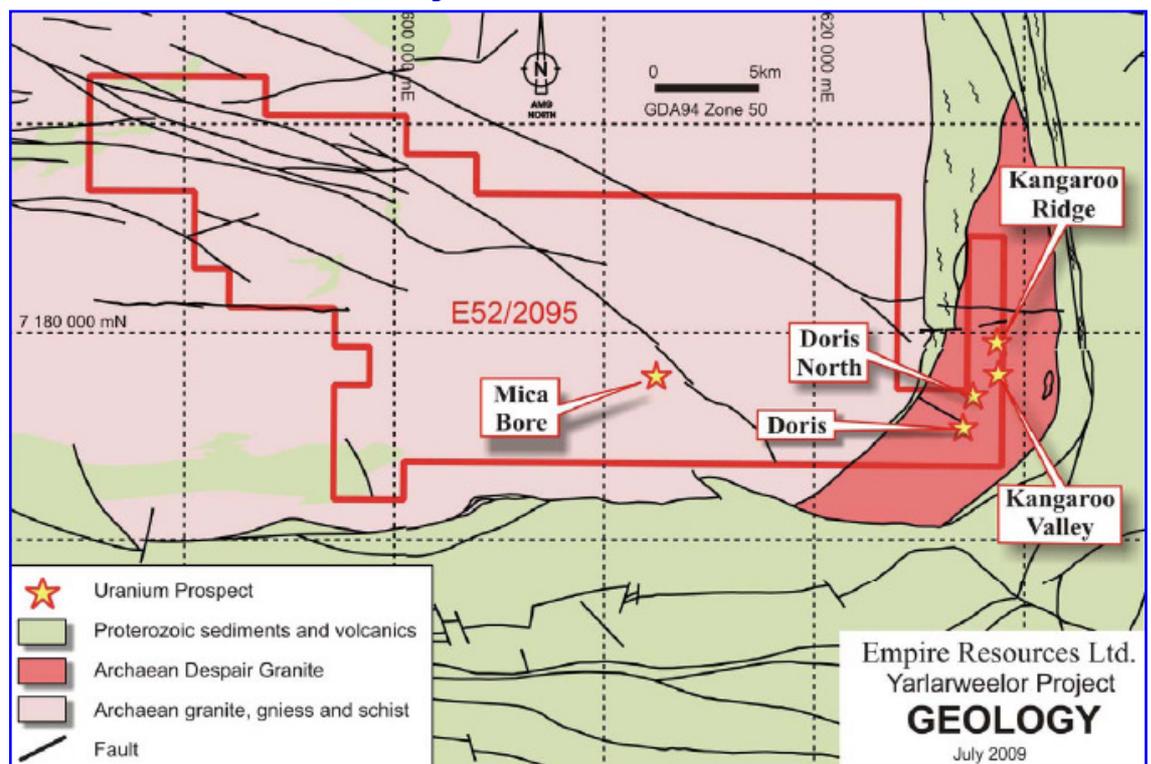
Source: Empire

**Yarlarweelor Uranium Project 100% (option to sell)**

The Yarlarweelor project is located 125 kilometres north of Meekatharra in Western Australia. The permit area contains low to medium grade, granite hosted uranium mineralisation, extending over a 5 km strike length, and also has potential for calcrete style mineralisation in the northeast portion of its permit area.

Possible large tonnage, low grade uranium

**Yarlarweelor Uranium Project Location**

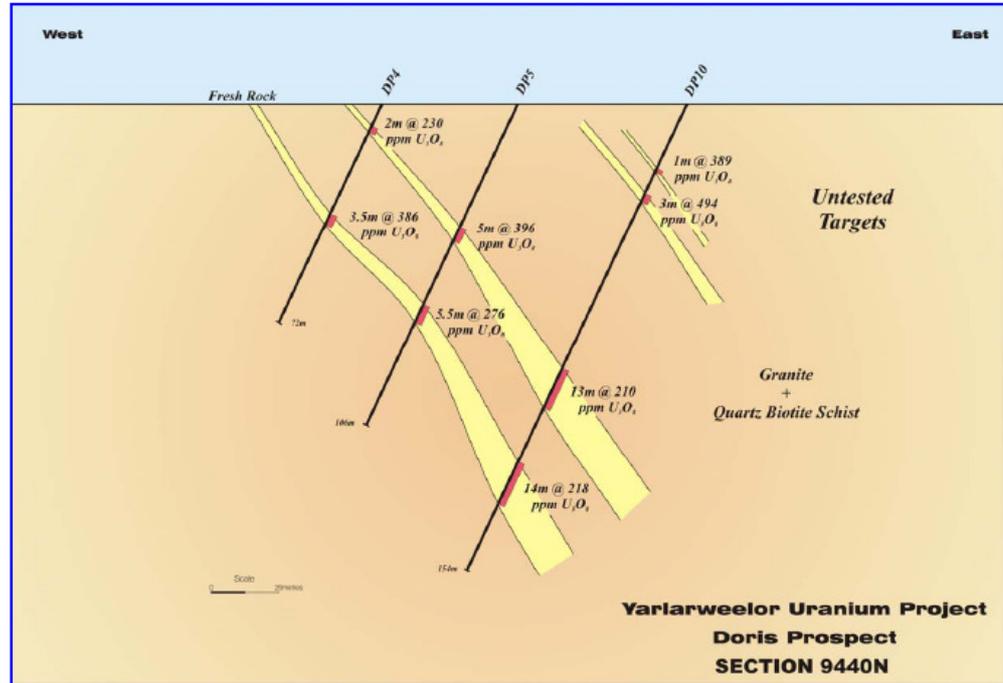


Source: Empire

Open pit potential

At the Doris prospect, multiple parallel zones hold promise for commercial open pit extraction, while a wide zone of mineralisation at the northern, Kangaroo Ridge prospect holds promise for low cost underground mining, with the possibility of easy extraction of steeply dipping mineralisation within competent granite host rock.

### Doris Cross Section



Source: Empire

Drilling results include:

**4 metres assaying 726 ppm U<sub>3</sub>O<sub>8</sub>**

**21 metres assaying 404 ppm U<sub>3</sub>O<sub>8</sub>**, including **8 metres assaying 708 ppm U<sub>3</sub>O<sub>8</sub>**, have been intersected over target zones which extend along a total of over 60km on multiple horizons.

The company plans to drill 2,000 metres on 2 targets, following work previously undertaken by AGIP, to outline resources.

A radiometric survey of the permit reveals multiple, granite hosted targets along with potential calcrete hosted mineralisation, which will require field sampling and possible shallow drill testing.

Empire has granted a \$10K, 6 month purchase option to an ASX listed company so that it can undertake due diligence on the Yarlarweelor project. Drilling planned by Empire in its upcoming exploration programme could enhance the final sale value of this project, which is likely to involve repayment of costs, plus the issue of shares in the buying entity.

### **Penny's Find gold project. 100%**

The Penny's Find gold deposit is located 30 kilometres to the northeast of the Kanowna Belle gold mine. The company has outlined a fault controlled Resource to a depth of 150 metres, containing 52,313 ounces of gold at an average grade of 5.2 g/t at its Penny's find project. An open pit was designed to 87.5 metres, which would recover 19,559 ounces of gold in 164,000 tonnes at an average grade of 3.86 g/t Au, leaving underground mineralisation at an average grade of 9.3 g/t Au. Metallurgical tests show that the ore is free milling, enabling a total gold recovery of around 98%, while 60% to 70% of total gold content reports to a gravity circuit, delivering low processing costs.

Mineralisation is open along strike and at depth, with deeper holes, including 5 metres grading 20.9 g/t at about 150 metres and 6 metres grading 6.8 g/t Au at about 160 metres, along with 0.6 metres grading 10.3 g/t Au from 240 metres in a hole which appears to be slightly off the main mineralised shoot, showing potential for depth extension, below 150 metres.

The company is now aiming to either sell this project or arrange a toll mining and milling agreement which might extract some of the \$62 million worth of gold in the ground.

Strachan Corporate believes that the project, with existing high grade resources and exploration potential should attract a price of between \$2.5 million and \$5 million along with a modest royalty agreement on production above say 50,000 ounces.

Exploration targets outlined by geophysics survey

6 month sale option granted

High grade gold deposit with strong exploration appeal

Small scale, so most likely to be sold

## Value Assessment

As a rule of thumb, mineral resources attract a value which expands as its size and quality grows and also as it approaches production. Small, early stage mineral resources attract a value which is typically 2% of the insitu value (ISV) of contained valuable metals, while a high grade resource, which has passed through the feasibility stage and is approaching production, might attract a market value which is over 10% of its ISV.

### Resource Valuation Matrix

Project	Million Tonnes	Grade		Au Koz	Cu Kt
		Au g/t	Cu%		
<b>Penny's Find</b>	0.314	5.18		52.3	
<b>Yuinmery</b>	1.07	0.78	1.82	26.8	19.5
Price \$/oz or /t		\$ 1,145	\$ 7,172		
AUDUSD	0.83				
ISV Value \$m.				91	140
ERL Value @		4% ISV =	\$ 9 m.		
		6% ISV =	\$ 14 m.		

Source: Strachan Corporate Pty Ltd

Applying this metric delivers a target value for Empire's gold and copper resources of between \$9 and \$14 million, after applying a low side, 4% of ISV and an upside, 6% of ISV to the company's mineral resources. This rough valuation metric compares favourably with the company's current market capitalisation of around \$6 million and its Enterprise value of less than \$5 million.

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