



**Breakaway
Research**

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Company Information

ASX Code	ERM
Share Price	A\$0.04
Ord Shares + rights	265.2m
Market Cap A\$	A\$10.6m
Cash (31 Dec 13)	A\$1.2
Total Debt	A\$0m
Enterprise Value	A\$9.4m

Directors & Management

Chairman	Andrew McIlwain
Chief Executive Officer	Rob Bills
Non-Executive Director	Tim Kestell
Non-Executive Director	Simon Andrew

Substantial Share Holders

HSBC Nominees Ltd	26.6%
Inova Resources Ltd	8.6%
National Nominees Ltd	4.5%
Top 20	61.5%

Company Details

Address	3 Kimberly Street West Leederville, WA, 6007
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Web	www.emmersonresources.com.au

1 Year Price Chart



Emmerson Resources (ERM)

Innovative exploration proving highly successful

Recommendation: Speculative BUY

Key Points

- **2,700km² of highly prospective tenements in Tennant Creek region**
- **Combined JORC Resource 900,000oz AuEq (averaging 3.6g/t AuEq)**
- **Scoping studies well advanced, centred on redevelopment of the high grade Chariot gold deposit**
- **Mothballed 300ktpa C.I.P. gold processing facility available**
- **1,200m drill program poised to test potential extensions to Chariot**

Emmerson is successfully applying a modern exploration strategy to its dominant tenement position in a world class mineral field. The Company has established a large JORC Resource at four deposits, with significant further exploration potential. Emmerson also owns a fully permitted 300ktpa C.I.P. processing plant, providing a fast-track pathway to gold production. With an Enterprise Value of just A\$9.4m, ERM appears significantly undervalued.

Investment Thesis

Emmerson Resources (ASX: ERM) has a large, 100% owned tenement package covering the majority of the world class 'Tennant Creek Mineral Field', located in the Northern Territory, Australia.

The Company has already identified significant copper-gold resources at four deposits, totalling 6.79Mt @ 3.6g/t AuEq for ~900koz AuEq. This JORC Resource is likely to be revised upwards in the near term with ~1Mt of 'ore grade mineralisation' identified for near term assessment.

Of particular interest is the high grade Chariot gold deposit (170kt @ 17.4g/t Au for 99,000oz gold) which is likely to be the first deposit mined and processed through the 100% owned 300ktpa Warrego C.I.P. processing plant, which is currently under 'care and maintenance'. A 1,200m RC drill program is scheduled to commence at the end of the wet season, targeting relatively shallow mineralisation (100m-200m) at Chariot East and Chariot West. Historic 'ore grade' intersections in this area make it low risk-high reward program with potential to add meaningful ounces within an expanded open cut mine plan at Chariot.

Emmerson is a well-run company operating in a world renowned mineral province. The Company appears to have 'cracked the code' for discovery of blind deposits, and has increased its JORC Resource estimate by 70% (gold) and 140% (copper) in just the last quarter. The Scoping Study currently underway is likely to provide impetus to begin feasibility work, targeting production in late 2015/early 2016.



Exploration Strategy

Past explorers focused on magnetic targets

Historical explorers have focussed on a strong association of copper and gold mineralisation with magnetic ironstones as the primary exploration model in the Tennant Creek Mineral Field (TCMF). As a result, numerous magnetic geophysical targets have been identified and tested, successfully discovering some of the highest grade copper-gold deposits in Australia.

Emmerson has a new exploration approach to the field

However, the TCMF is now a relatively mature field and most targets with magnetic signatures analogous to known high grade deposits have been extensively tested. Emmerson is taking a new approach, involving gaining a better understanding of the ore forming processes and trying to predict and detect the products of these processes, regardless of the host rock.

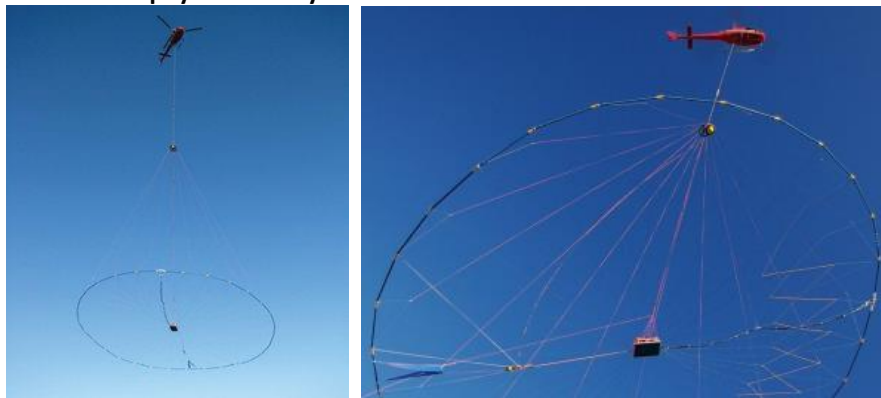
ERM is focusing on the 'conductivity' of rocks rather than its magnetic properties

Essentially, Emmerson's exploration approach seeks to measure the conductivity of the host rocks (rather than their magnetic intensity) as the ore and alteration processes operating within the TCMF can generate conductive responses, mainly due to the gold and copper mineralisation being associated with sulphides and iron (conductivities of mineralised rocks can be up to 70 times than that of barren rocks).

It is, however, important to note that conductive anomalies in the TCMF can be relatively weak, especially when compared to deposits such as Sandfire's DeGrussa and Sirius's Nova deposits. To this end, Emmerson is using a powerful, airborne electromagnetic geophysical system called HeliTEM which is being flown on 100m lines, some 30-50m above ground level.

HeliTEM is a powerful EM system that measures conductivity of rocks

HeliTEM Geophysical Survey



Source: Mining Australia and Stratum Metals

Innovative Exploration Approach Proves Successful

Due to the relatively weak conductivity anomalies, it can be challenging to decipher what is actually an anomaly rather than background 'noise'. Ground based IP surveys are also carried out and should a coincident conductivity and IP anomaly be identified, these anomalies would then be advanced up the ranks to a possible target.

Exploration strategy demonstrated by the discovery of two deposits

Emmerson has demonstrated the success of their exploration strategy through the discovery of two deposits, Monitor and Goanna, which lie along strike from the historic Geko mine. These two deposits were "blind" to the previous operators who were strongly focussed on magnetic geophysical targets. Encouragingly, Emmerson has identified multiple targets with similar geophysical signatures to that of Monitor and Goanna which are yet to be drill tested (particularly on the 'Wine Line' structure along strike from the Chariot deposit).



JV with Inova Resources (Formerly Ivanhoe Australia)

Inova pulled out of JV after spending ~A\$19m - leaving ERM with 100%

In 2009, Inova Resources entered into a farm-in agreement with Emmerson to advance exploration within the TCMF. Over the course of ~4 years, Inova spent ~A\$19m on exploration within the project area. However in 2013 they elected to focus on their Queensland assets and relinquished all interest in the TCMF in favour of Emmerson. Importantly, Emmerson retained all exploration data and intellectual property and now has an unencumbered 100% interest in the project.

New JV partner likely

Emmerson is currently in negotiations with multiple parties who are interested in a JV at the project level (minimising shareholder dilution). Funds raised through a possible JV agreement would likely be used to advance ERM into production.

Timeline to Production

High grade Chariot deposit likely to be mined first

Emmerson has engaged Optiro to conduct a Scoping Study, based on refurbishment of the Warrego C.I.P. processing plant and mining the nearby open pit and underground opportunities identified to date. The Warrego facilities are only suitable for processing gold ore and accordingly the high grade Chariot deposit (170kt @ 17.4g/t Au for 99koz Au) is set to be treated first. Cash flow generated at this first stage of operation could be utilised to fund the construction of a flotation circuit, which would be necessary to treat copper rich ore from the Geko, Goanna and Orlando deposits.

Upcoming Milestones:

Targeting first production by late 2015

- Finalisation of Scoping Study (expected by March 2014)
- If positive, move to feasibility (finalised by end of 2014)
- If positive, commence refurbishment of the mill and development of Chariot in 2015 with first ore anticipated by end of 2015

Project Features:

Scoping Study to give clearer estimates on costs

- Refurbishment of the mill: \$5m-15m (possibly funded by JV partner)
- Mining costs (TBA in Scoping Study, were \$450/oz in 2005 – will be higher)
- Development costs (TBA in Scoping Study – but will be staged with early cash flow from Chariot to pay for Cu concentrator to allow mining of Orlando, Gecko & Goanna)
- Copper concentrate shipped via nearby rail to Darwin port Resource/Exploration

Breakaway's View

Resource likely to grow

Emmerson is close to a self-imposed threshold of 300,000oz (gold only resources), after which it will seek to commence production. The Company notes it has already identified mineralisation around Chariot which is likely to boost JORC Resources in the near term. Significant exploration potential still exists within the TCMF and with the continued use of Emmerson's innovative exploration strategy and continued drilling, Breakaway is confident this target will be easily surpassed.

Comparatively cheap, limiting downside risk

With an EV of A\$9.4m and a JORC Resource of 900,000oz AuEq, Emmerson is valued at just A\$10.45/oz. The Company has a fully permitted 300ktpa gold plant (replacement value ~A\$20m) that provides a fast track, low risk pathway to production and appears undervalued at current pricing levels.



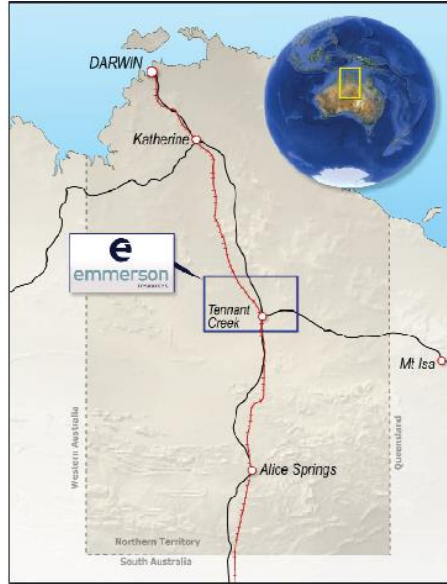
Project Review

Highly productive region

Emmerson Resources has a 100% interest in ~2,700km² of tenure within the prolific 'Tennant Creek Mineral Field' (TCMF) in the Northern Territory. Gold was first mined at Tennant Creek in the 1930's with first copper production recorded ~20 years later. Since then, the mineral field has produced more than 5.5 million ounces of gold at an average grade of 19.3g/t gold (excluding tailings re-treatment) - and from gold/copper mines, approximately 488,000 tonnes of copper at an average grade of 2.9% copper and 4.8g/t gold, making the TCMF one of the highest grade mineral fields in Australia.

Well serviced by infrastructure

Tennant Creek: Project Location

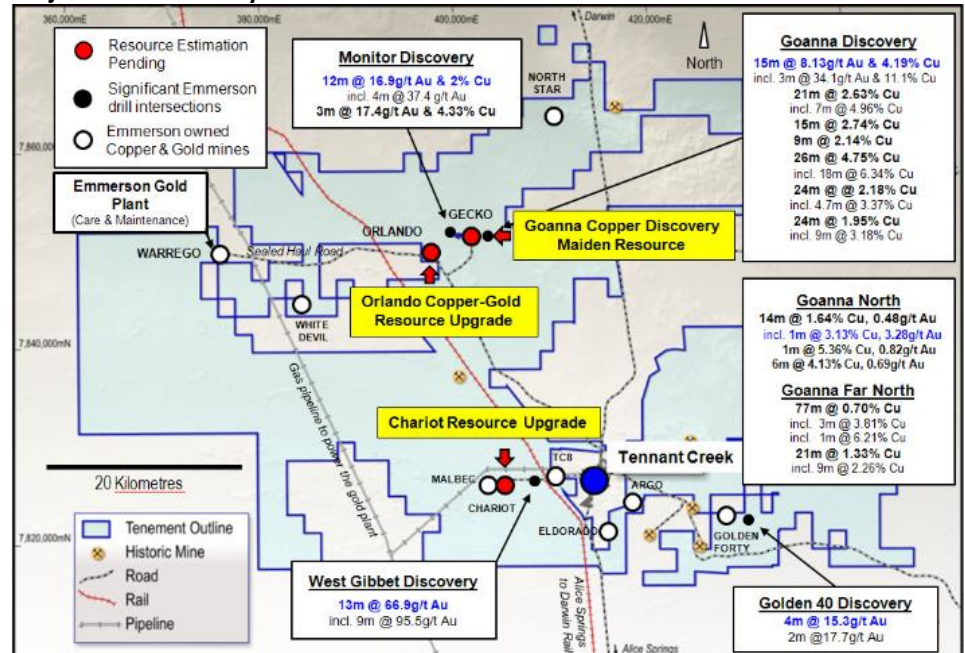


Source: Emmerson Resources

The image below outlines Emmerson's tenement and highlights the multiple historic mines (e.g. Gecko, Orlando, Warrego, White Devil, Chariot and Golden Forty), recent drill highlights, as well as major infrastructure (roads, rail, power, airport, gas pipeline, water and local workforce) – all located in close proximity.

Highly encouraging drill results emphasise exploration potential

Project Area Summary



Source: Emmerson Resources



Warrego Processing Plant

ERM own 100% of the 300ktpa Warrego gold plant

Emmerson Resources also own the Warrego carbon-in-pulp (CIP) processing plant (replacement value of ~A\$20m) which is the only processing plant in the Tennant Creek Mineral Field and the only plant within ~750km radius.

The Warrego plant (currently under 'care and maintenance') has a name plate capacity of 300,000 tonne per annum and is located on a fully permitted tenement package. The plant was completely refurbished in 2003 and at the time of last operation (in 2005), Giants Reef Mining achieved 98% Au recovery rates. Excellent infrastructure still exists (water, gas, power, offices etc).

Warrego C.I.P. Processing Plant

Plant refurbished two years before it was placed into care and maintenance



Source: Emmerson Resources

JORC Resource

The most advanced projects within the exploration portfolio are Gecko, Orlando, Goanna and Chariot, all of which host JORC Resources, as outlined below:

Emmerson Resources: Total JORC Resource

	Tonnes (t)	Gold Grade (g/t)	Copper Grade (%)	Gold Equiv. (g/t)	Gold (oz)	Copper Metal (t)	Gold equiv (oz)
Gecko - Anomaly 3, L25 and K44 Lower (1% copper cut-off)							
Indicated	1,400,000	-	2.5	4.2	-	35,600	190,000
Inferred	80,000	-	1.6	2.7	-	1,300	10,000
Sub Total	1,480,000	-	2.5	4.1	-	36,900	200,000
Orlando - Lenses 2&7, below the open pit & 'the gap' (1.0g/t gold equiv. cut-off)							
Indicated	1,710,000	1.9	1.5	4.4	100,000	25,700	240,000
Inferred	510,000	1.7	1.1	3.6	30,000	5,800	60,000
Sub Total	2,220,000	1.8	1.4	4.2	130,000	31,500	300,000
Goanna (1% Cu cut-off)							
Inferred	2,920,000	0.2	1.8	3.2	15,000	53,700	300,000
Sub Total	2,920,000	0.2	1.8	3.2	15,000	53,700	300,000
Chariot Potential Open Pit (1g/t cut off)							
Indicated	10,000	11.1	-	11.1	5,000		5,000
Inferred	60,000	19.2	-	19.2	37,000		37,000
Chariot Potential Underground (6.0g/t Au cut off)							
Indicated	50,000	16	-	16	27,000		27,000
Inferred	50,000	18.4	-	18.4	31,000		31,000
Sub Total	170,000	17.4	-	17.4	99,000		99,000
TOTAL	6,790,000	1.1	1.8	3.6	246,000	122,100	900,000

6.79Mt @3.6g/t AuEq for ~900,000oz AuEq

Source: Emmerson Resources

*Gold equivalent assumes a gold price of US\$ 1363/oz and a copper price of US\$ 3.31/lb and makes no allowance for metallurgical recoveries



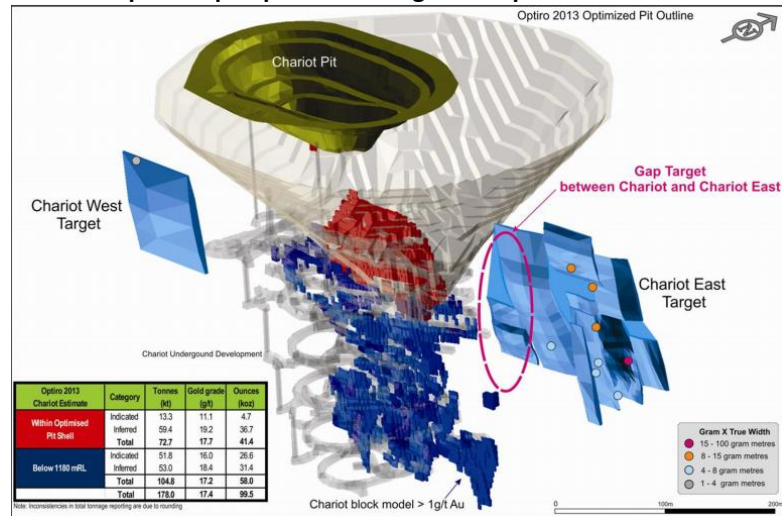
Chariot

The Chariot deposit is located ~10km west of the Tennant Creek town site and was first discovered by Normandy Mining in 1998. Giants Reef Mining gained 100% of the project in 2003 (acquiring Normandy Mining's 57% interest and Sons of Gwalia's 43% interest) and commenced open pit and underground mining operations, producing ~95Koz @ ~11g/t Au. After running into underground mining difficulties, Giants Reef Mining ceased operations in 2005.

*170kt @ 17.4g/t Au
for 99,000oz of gold*

Emmerson recently engaged independent mining consultants Optiro to conduct a Mineral Resource Estimate for the Chariot deposit and to assess the viability of bringing it back into production. Based on drilling completed to date, a JORC Resource of **170kt @ 17.4g/t Au (99,000oz)** is estimated for the Chariot deposit.

Chariot Deposit: Open pit and underground operations

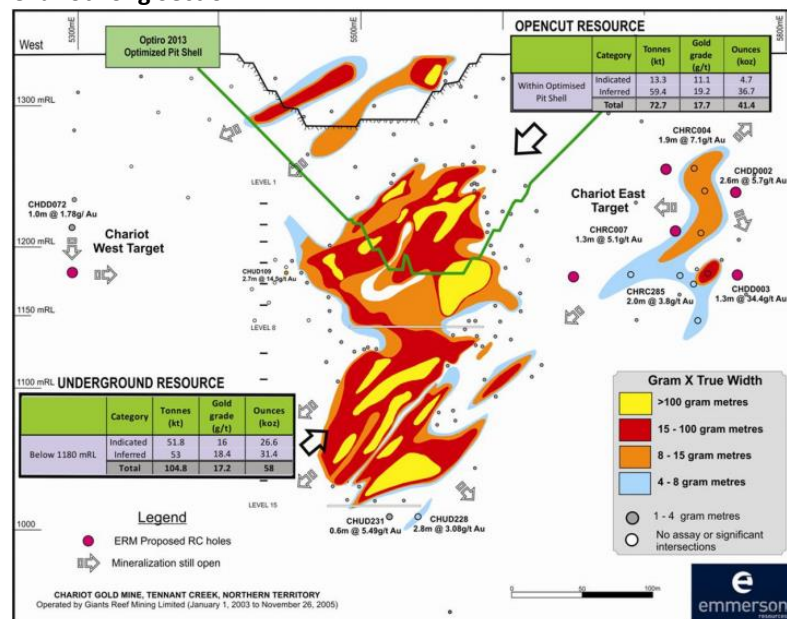


Additional resources can be mined by cut back of the historic open cut pit...

Source: Emmerson Resources

Optiro has put forward a case whereby ~41koz of gold (at a very high grade of ~18g/t Au) could be extracted by optimizing the open pit (by undertaking a cut-back to deepen the open pit). The base of the open pit would then reconnect with existing underground operations where a further 58koz could be mined at a similar grade.

Chariot Long Section



...with high grade mineralisation then mined underground from the base of the pit

Source: Emmerson Resources



Exploration Potential at Chariot

~1,200m RC drill program to commence soon

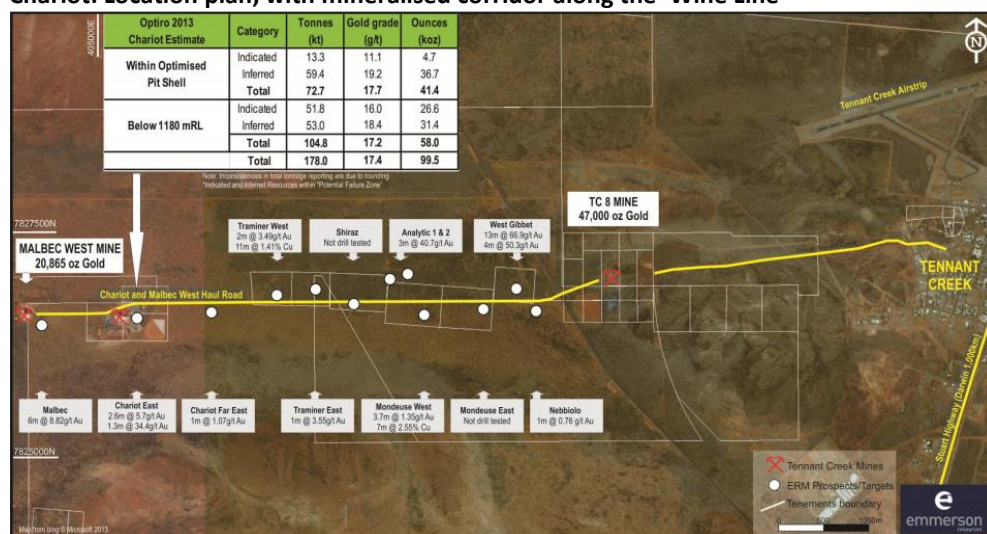
RC program to initially target extensions to the Chariot deposit

As part of ongoing exploration, Emmerson will soon undertake a ~1,200m RC drill program (immediately after the wet season), designed to test for shallow high grade supergene gold. Exploration will initially focus on the Chariot East and Chariot West targets (highlighted in the two images on the previous page) which have potential to add high grade ounces and justify an even larger open pit.

While opportunity exists to expand resources immediately around the Chariot open pit, significant potential also exists to expand resources through drill testing of nearby brownfield targets located along a mineralised corridor known as the 'Wine Line'. The majority of these targets were identified in a recent HeliTEM survey over the entire 'Wine Line' structure.

The 'Wine Line' is a highly prospective mineralised corridor

Chariot: Location plan, with mineralised corridor along the 'Wine Line'



Source: Emmerson Resources

Highly encouraging historic results

Breakaway is particularly interested in targets such as Mondeuse (where historic drilling intersected 7m @ 2.55% Cu), Analytic (3m @ 40.7g/t Au) and West Gibbet (13m @ 66.9g/t Au and 4m @ 50.3g/t Au).



Gecko, Goanna and Monitor

'Gecko' previously mined for copper and gold

The Gecko, Goanna and Monitor projects are located ~30km North-East of the Tennant Creek township, on a mineralised structural feature - the 'Gecko Corridor'. Historic mine production from Gecko (shaded in blue below) was 122kt of copper at an average grade of 4% Cu and 121,695oz of gold at an average grade of 1.5g/t Au.

The remaining Gecko deposit currently hosts a JORC Resource of ~1.5Mt @ 2.5% Cu for 36.9kt of copper (200koz AuEq) with the majority in the 'Indicated' category.

Gecko Corridor

'New' deposits discovered along strike from historic operations



Source: Emmerson Resources

Goanna was 'blind' to historic explorers

Along strike and to the south-west of the Gecko mine (shaded in pink in the above image), Emmerson discovered the Goanna deposit which consists of multiple shear zones of copper-gold mineralisation. Gecko currently hosts a JORC Resource of **2.9Mt @ 1.8% Cu and 0.2g/t Au for 53,700t of copper (300,000oz AuEq)**.

Subsequent to the Resource estimate, Emmerson completed a diamond drill hole (GODD030) which indicates the existence of a new copper-gold zone in the Far North Shear Zone (FNSZ). Goanna drilling highlights include:

Goanna deposit looks to be getting larger

- 4m @ 4.28% copper, 0.51 g/t silver and 110ppm bismuth from 421m
- 2.7m @ 1.06% copper, 0.26 g/t silver and 157ppm bismuth from 480.6m
- 4.5m @ 1.09% copper, 0.14 g/t silver and 5.75ppm bismuth from 511.4m
- 3.1m @ 3.21% copper, 0.18 g/t silver and 222ppm bismuth from 524.9m

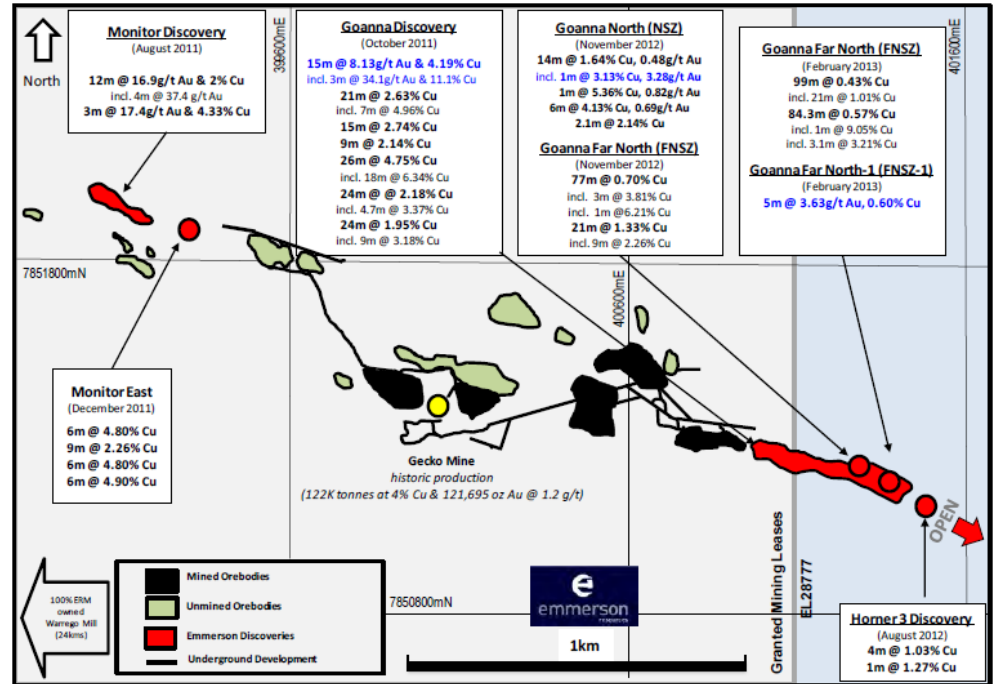
Apparent mineral 'zones' highlight potential for precious metals at depth

Continuation of the drill hole identified a new zone of mineralisation further to the north (FNSZ-2) including **9m at 2.12% copper, 9.17 g/t silver and 0.20 g/t gold from 636m**. Of particular interest is the change in metal zonation from copper (chalcopyrite) higher up in the Goanna system to copper-gold-silver at depth, which opens up the possibility of significant precious metals, both at depth and within the northern shear zones. Importantly, all of the shear zones identified are in close proximity to the existing underground drives (from the neighbouring Gecko mine) and are open along strike and at depth, highlighting the potential for meaningful resource increases.

Further drilling
required at Monitor to
support a JORC
Resource estimate

The Monitor prospect is located to the north-east of the historic Geko mine. The prospect is still at a relatively early stage of advancement and the Company is yet to estimate a JORC Resource. Nevertheless, results such as 12m @ 16.9g/t Au and 2% Cu (including 4m @ 37.4g/t Au) are indicative of its undoubted potential.

Gecko Corridor: Relative location of prospects with drilling highlights



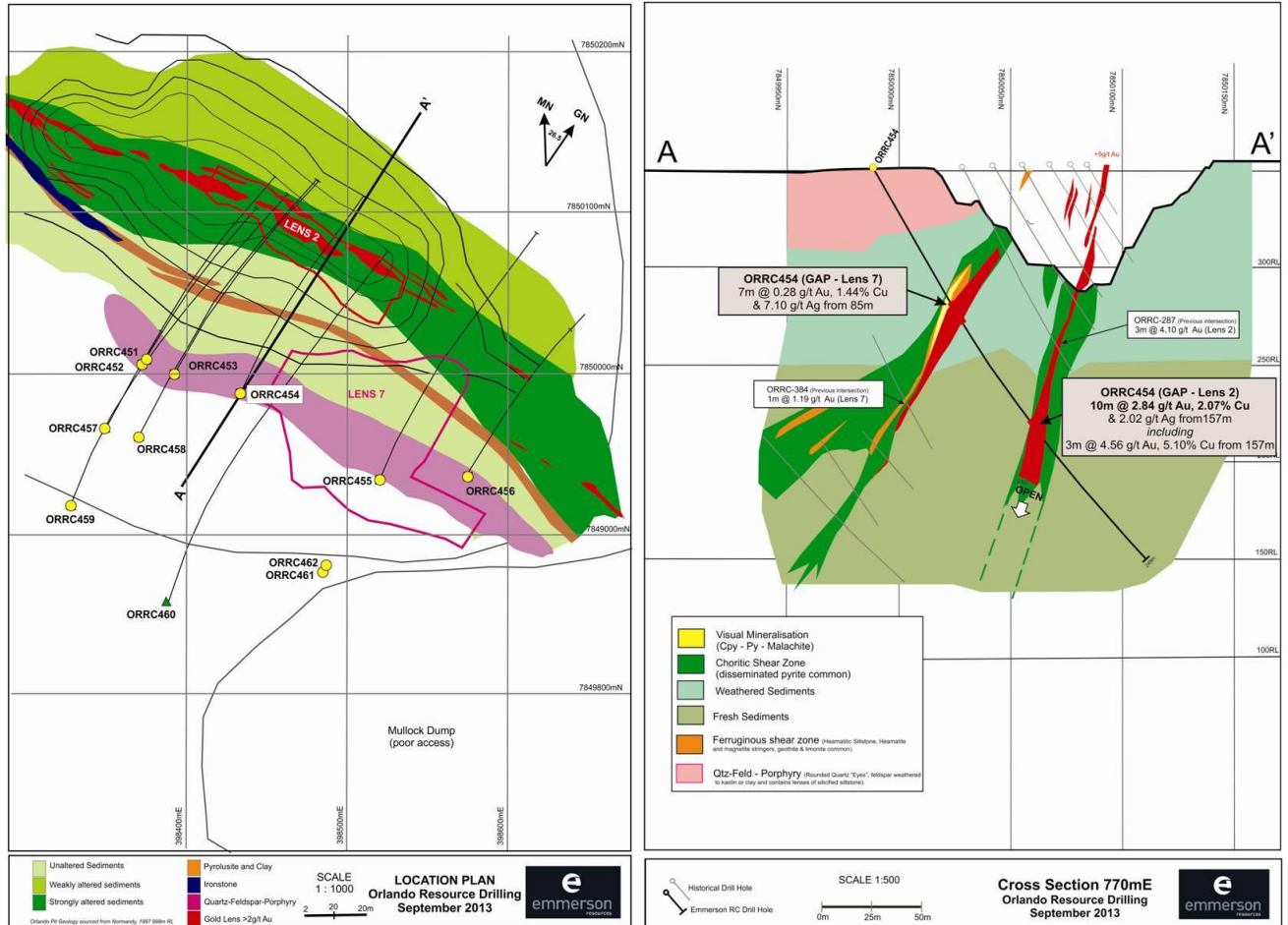
Source: Emmerson Resources



Orlando

The Orlando open cut mine was operated during several periods between 1961-1975 and 1994-1997, during which it produced 320,000t of ore at 11.0g/t Au (121koz gold), 3.5g/t Ag (40koz silver), 1.8% Cu (4,852t copper) and 0.1% Bi (4.7t bismuth). However, significant mineralisation still exists along strike and below the base of the open pit.

Orlando: Drill location plan and geological cross section



Source: Emmerson Resources

Significant potential exists along strike and below the base of the open pit

The copper and gold mineralisation is hosted in east-west trending lenses controlled by two shear zones which strike east-southeast. Drill testing of the deposit (to date) has defined a **JORC Resource of 2.2Mt @ 1.8% Cu and 1.4g/t Au (4.2g/t AuEq) for 130,000oz of gold and 31,500t of copper (300,000oz AuEq).**

Significant potential still exists to build on this resource, particularly down dip of drill hole ORR 454 which intersected **10m @ 2.84g/t Au and 2.07% Cu**, approximately 80m below the existing pit floor. Mineralisation in this area (if proved up) could be mined by undertaking a relatively simple cut-back of the existing open pit.



Directors

*Non-Executive
Chairman*

Andrew McIlwain

Andrew McIlwain is a mining engineer with over 25 years' experience in the mining industry and has held operational, technical, senior management and executive roles with Mt Isa Mines Ltd, Central Norseman Gold Corporation, WMC Resources Ltd and Lafayette Mining Ltd.

Mr. McIlwain has been a Director of Emmerson since April 2007 and over the last 3 years has also served as director of the following listed companies.

- Unity Mining (MD and CEO since 2007)
- Kidman Resources Ltd (Director October 2011)
- Almonty Industries Inc (Director October 2011)
- Verus Investments Ltd (Director from April 2008-November 2011)

*Managing Director
and CEO*

Robert Bills

Robert Bills is a geologist with a long history in mining. Prior to joining Emmerson Resource, Mr. Bills had a 25 year career with Western Mining Corporation, then BHP Billiton where he held the position of global commodity specialist.

Mr. Bills has been a director of Emmerson since 2007

*Non-Executive
Director*

Tim Kestell

Tim Kestell has over 14 years' experience in capital markets including working for Australian stockbrokers Eroz Securities and Patersons Securities.

Mr Kestell has been a director since 2005 and is also currently a director of the following listed companies:

- Blue Capital Limited
- Indago Resources Limited

*Non-Executive
Director*

Simon Andrews

Simon Andrews has significant experience in the Australian and Asian financial markets including equity research covering the Asian petrochemical sector for a leading European bank. He also has extensive experience in corporate financing transactions involving both equity and hybrid instruments. Recent experience includes a senior executive role in the equity derivatives division of a United States investment bank. Mr. Andrews has been a director of the company since 2006.

**CV's extrapolated from company annual report*



Analyst Verification

We, Grant Craighhead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Emmerson Resources and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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