



28 July 2015

Grant Craighead | Research Manager
gcraighead@breakawayinvestmentgroup.com

Mark Gordon | Senior Research Analyst
mgordon@breakawayresearch.com

Company Information

| ASX Code | EYM |
|----------------------------|-----------------|
| Share Price (July 24 2015) | A\$0.003 |
| Ord Shares* | 1,674m |
| Options | 474m |
| Market Cap (FD) | A\$6.44m |
| Cash (30 June 2015) | A\$0.33m |
| Rights cash* | A\$1.26m |
| Total Debt | A\$0.0m |
| Enterprise Value | A\$4.85m |

* Assuming 100% rights takeover

Directors and Management

| | |
|----------------------------------|----------------|
| Non-Exec Chairman | Michael Tilley |
| Executive Director | Max Carling |
| Technical Director | Neb Zurkic |
| Project Development Manager – | Dean Pontin |
| Burraga/Director | |
| Company Secretary | Mark Ohlsson |

Company Details

| | |
|---------|--|
| Address | Suite 705, 3 Spring Street, Sydney NSW 2000 |
| Phone | +612 92477744 |
| Web | www.elysiumresources.com.au |

Top Shareholders (prior to rights)

| | |
|----------------------------------|--------|
| Lesmau Pty Ltd (Dean Pontin) | 10.57% |
| Cazenove Pty Ltd/Carling Capital | 8.23% |
| Blumont Group Ltd | 7.97% |
| Siwel Capital Pty Ltd | 6.10% |
| Stonetown Pty Ltd | 5.07% |
| Top 20 | 70.26% |
| Board and Management | 24.8% |

1 Year Price Chart



Source: IRESS

Elysium Resources (EYM)

Burraga Copper Progressing

Recommendation: Maintain Speculative BUY

Company Update

Key Points

- **Current \$1.26m rights issue to potentially fund activities through to end of Burraga Copper Project Feasibility Study**
- **Significant progress towards development of the Burraga Copper Project**
- **This includes a resource upgrade, which returned Measured and Indicated resources of 1.36Mt grading at 0.9% copper**
- **Further resource expansion drilling planned, with a number of promising near mine targets**
- **EIS well advanced, with completion expected in late 2015**
- **Free cash flow from the planned Burraga operation will be used to fund Elysium's ongoing exploration activities over highly prospective properties in NSW and Indonesia**
- **Board and Management with considerable project development experience, and significant shareholdings in Elysium Resources**

Elysium Resources continues to make progress on its 100% owned Burraga Copper Project in the Central West of New South Wales. Key advancements include progress on the permitting and EIS, and completion of a resource upgrade, with 80% of resources now in the Measured and Indicated categories.

Work to date has also highlighted the exploration and resource expansion potential of the project. The Company will be testing a number of targets as part of a planned resource expansion drilling programme, which if successful should significantly add to current resources and increase project life past the current estimated +4 year life and hence enhance the economics.

Successful project implementation should allow Elysium to self-fund exploration activities over all of its prospective properties, and any exploration success should significantly drive the Company's value.

We continue to rate Elysium as a SPECULATIVE BUY – key price movers will be success in the planned upcoming drilling, and negotiation of an equitable funding/offtake package to develop Burraga.

Investment Thesis

Elysium Resources Limited ("Elysium", ASX: EYM) is an Australian mineral exploration company whose core business is exploring for large, high-quality copper and gold deposits in the rich mineral provinces of Australia and Indonesia.

Elysium is currently focussing activities on its Burraga Copper Project, located south-east of Bathurst in the Central West of New South Wales, and centred over the historic Lloyds Mine, which produced some 470,000t of ore at over 4% copper. The strategy involves developing a low capex, 300ktpa operation to initially treat historic tails and slag, and then develop an open pit to mine and treat approximately one million tonnes of in-situ copper mineralisation.

Free cash flow from the envisaged +4 year operation will be used to fund ongoing exploration activities on the Company's exploration assets, including a number of high quality gold and copper targets in the Burraga tenements. Other exploration tenements include Malang in the highly prospective Sunda Arc of Indonesia, which has returned promising early stage exploration results.



Company Update

Further Progress

Elysium Resources (“Elysium” or “the Company”) has made further progress at their Burruga Copper Project (“Burruga” or the “Project”) since our June 2014 update report. We note that timelines have been extended somewhat from those envisaged twelve months ago – this has largely been due to extra requirements for the EIS and some delays in the resource drilling.

Key achievements have included:

- Raising of \$2.14 million before costs in three previous share issues
- Current rights issue at \$0.003/share to raise up to \$1.26 million
- Appointment of Project Manager Dean Pontin to the Board
- Drilling and updated resource estimate for Lloyds, released to the market on 23 June, 2015
- Ongoing permitting for Burruga, including EIS activities
- Ongoing exploration over the Burruga tenement package
- Discussions with potential funding and offtake partners to fund the entire upfront capital requirements.

Further corporate and technical progress since our June 2014 update report

Activities have been concentrated at Burruga; however mapping, geochemical sampling and spectrometry studies have been carried out at the South Malang Project in Indonesia with very encouraging results.

The Company has entered into an option agreement with Horseshoe Metals Ltd (ASX: HOR, “Horseshoe”) whereby Horseshoe may purchase E52/2569 “Horseshoe South” in Western Australia.

Background - The Burruga Copper Project (Lloyds Copper Mine)

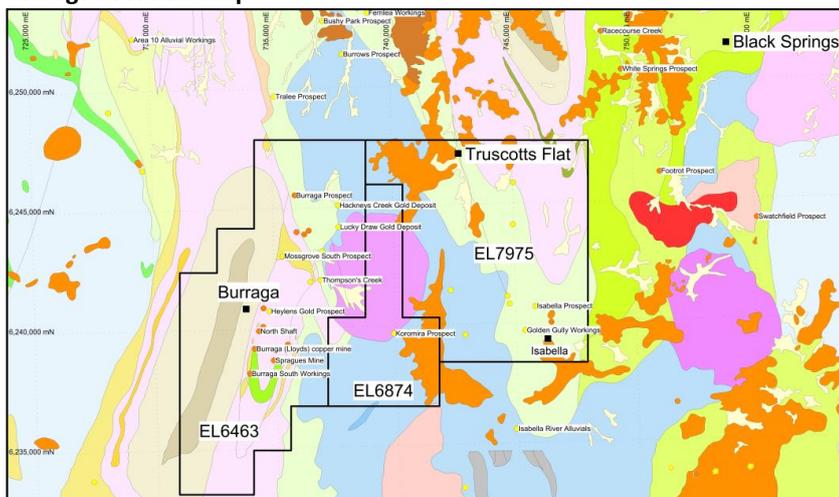
Elysium’s key project is Burruga, centred over the historic Lloyds Mine in the Central West of NSW, with holdings considered prospective for gold and base metal mineralisation

Introduction and Tenure

Elysium’s key project is Burruga, located 60km south of Bathurst, which is within EL6463, the easternmost of three contiguous exploration licenses totalling 183 km² in the Lachlan Fold Belt of New South Wales. The Burruga license of 84 km² includes the historic Lloyds Copper Mine (“Lloyds”) over which the Project is centred, the Lucky Draw gold mine and the Hackneys Creek gold deposit, with the other licences also being considered prospective for gold and base metals. Elysium and its subsidiaries have been operating the Project since 2010.

The Company holds three contiguous tenements, totalling 183km², in the vicinity of Burruga

Burruga Location Map



Source: Elysium Resources

Lloyds is reported as producing 19,443t of copper from 470,000t of ore between 1878 and 1961, from a complex quartz/carbonate/sulphide vein system located within a significantly altered NNE trending shear zone. These figures give an implied recovered grade of 4.14% copper.



The Company's strategy is to treat approximately 1.3Mt @ 0.9-1% Cu over ~4 years, with free cash flow to be used in ongoing exploration activities over the Company's exploration assets

Current activities are geared towards developing the Burranga Copper Project

Directors have subscribed for around 26% of the current rights issue

An updated resource estimate was completed in June 2015

Strategy

The Company's original strategy, as envisaged in the 2011 PFS plan was to initially develop a low (~\$11 million) capex operation to treat approximately 280,000t of tailings and 90,000t of slag from the historical workings at Burranga, and then develop an open pit to mine approximately one million tonnes of ore from down dip extensions to the historically mined Lloyds lode. This, as envisaged in the 2011 would support a mine life of 4.4 years at 300,000tpa, treating a revised total of 1,375,000t of material at approximately 1.0% Cu.

The operation will involve a simple processing circuit, including crushing, grinding and flotation to produce a copper/gold/silver concentrate for sale to an offshore smelter. Estimated total production given in the PFS was 10,900t copper in concentrate.

The aim of the planned operation is to generate sufficient cash flow to self-fund exploration activities on Burranga and the Company's other highly prospective exploration projects in Australia and Indonesia. Any discoveries at Burranga will also have the potential to augment the current planned operation.

Following the recent resource upgrade, the Company is looking at a similar operation, although recent falls in metals prices, as well as a 10% decrease in the overall resource grade to 0.9% Cu has led to a change of strategy, with the Company now also looking at further resource upgrade drilling to increase the hard rock resources, and hence make the proposed operation more robust.

Planned Work

Current work is geared therefore towards completion of a Feasibility Study by the end of 2015, with current and planned activities including:

- Ongoing permitting and EIS activities
- Resource upgrade drilling and estimation in 2H 2015, with the aim to increase the hard rock resources
- Mining Lease application submitted on completion of the EIS and resource upgrade in February 2016
- Negotiations with potential funding/offtake partners – one option here would be to engage on offtake partner to fully fund the upfront capex in return for a share of the concentrate production.

Work Completed – Corporate and Burranga

July 2015 Rights Issue

The Company is looking at fully funding the current work programmes through the current rights issue – any shortfall in this round would potentially lead to slowing of drilling programmes and project delivery.

The Directors have subscribed \$329,601 (~26%) towards the rights issue. This is in addition to Dean Pontin, who besides being a Director is the Burranga Project Development Manager, subscribing \$446,000, making him the largest shareholder in Elysium.

As part of cost saving measures the Directors have agreed to be paid in shares (subject to shareholder approval) for the period 1 July 2015 to 31 March 2016. This will enable the bulk of the current raising to be applied directly to project related activities.

Resource Upgrade, Development Drilling and Metallurgy

The total resource base at Burranga comprises three components – tailings, slag and in-situ hard-rock mineralisation, as presented in the table below. The slag resource comprises two dumps – an older, higher grade northern dump and younger lower grade southern dump.

Work completed subsequent to our last update has included a resource upgrade for all resource components, with all now being JORC-2012 compliant and with confidence increased in all components, and all calculated at a 0.3% Cu cut-off.

Previous estimates for the Lloyds Copper Mine were made at a 0% cut-off, which gave an overall resource of 2,961kt @ 0.5% Cu. This included an assumed 1,000kt @ 1% Cu as

used in the 2011 PFS – it can be seen that the updated Measured and Indicated figure presented below is of a similar tonnage (990kt), but at a lower grade of 0.8% Cu. Including the slag and tailings resources gives an overall Measured and Indicated resource of 1,360kt @ 0.9% Cu.

The Lloyds resource upgrade included a 19 hole, 1,510m RC drilling programme. Work over the tailings included IP surveying to better define the bottom surface of the tailings and hence, in combination with a surface GPS survey, define the volume. Grades were calculated from previous power auger sampling.

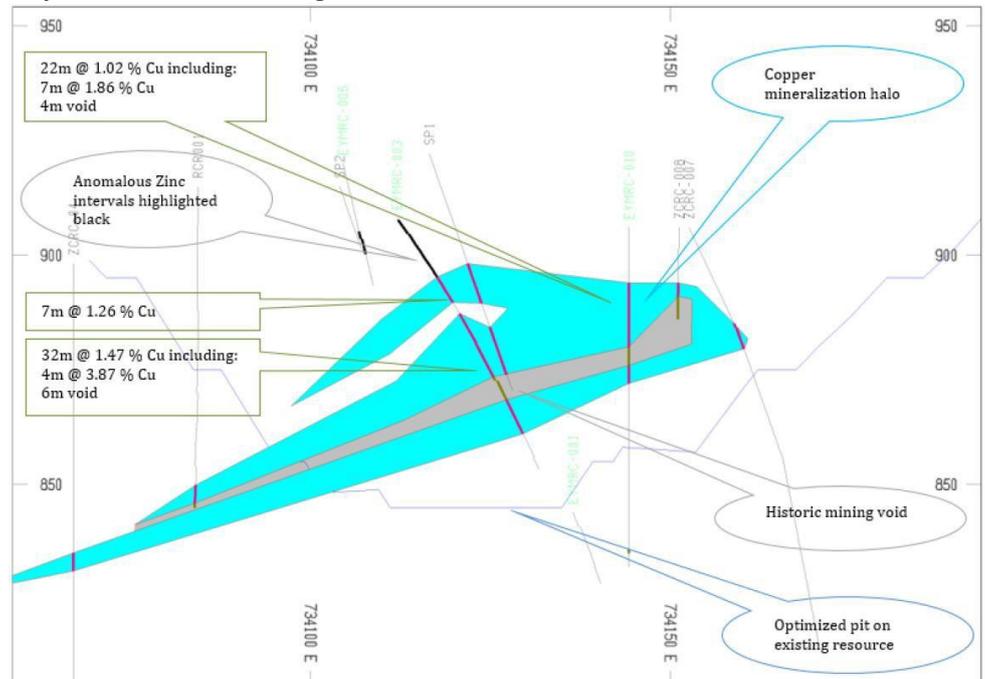
Burranga Copper Project Resources (0.3% Cu cutoff)

| Deposit | Category | Tonnes | Cu (%) | Au (g/t) | Ag (g/t) | Zn (%) | Cu Metal (t) |
|-----------------------------|--------------|------------------|------------|------------|----------|------------|---------------|
| Lloyds In-situ | Measured | 80,000 | 1.0 | 0.1 | 5 | 0.2 | 800 |
| | Indicated | 910,000 | 0.8 | 0.1 | 7 | 0.2 | 7,130 |
| | Inferred | 320,000 | 0.7 | 0.1 | 5 | 0.1 | 2,200 |
| | Total | 1,310,000 | 0.8 | 0.1 | 6 | 0.2 | 10,090 |
| Tailings | Indicated | 280,000 | 1.2 | 0.3 | 9 | 0.2 | 3,490 |
| Slag Heaps | Indicated | 90,000 | 1.3 | 0.2 | 7 | 0.7 | 1,170 |
| Total JORC-Compliant | Measured | 80,000 | 1.0 | 0.1 | 5 | 0.2 | 800 |
| | Indicated | 1,280,000 | 0.9 | 0.1 | 7 | 0.2 | 11,520 |
| | Inferred | 320,000 | 0.7 | 0.1 | 5 | 0.1 | 2,200 |
| | Total | 1,680,000 | 0.9 | 0.1 | 7 | 0.2 | 15,120 |

Total resources include 1.68Mt @ 0.9% Cu

Source: Elysium Resources

Lloyds cross section showing notable drill intersections



The update include RC drilling into the historic Lloyds Copper Mine

Source: Elysium Resources

The drilling has confirmed that a halo of mineralisation, grading at up to 3% Cu remains around the historic workings. The geology consists of a number of gently NE plunging high grade (0.5% to 5% Cu) veins/shoots from 0.5 to 3.0m wide, broader 0.1% to 1% mineralised zone, hosted in Ordovician to Silurian meta-sediments and meta-volcanics.

Drilling confirms a halo of mineralisation remains around the historic workings

Significant drilling results include (amongst others):

- Hole EYMRC-003 – 7m @ 1.26% Cu from 32m and 32m @ 1.47% Cu from 42m
- Hole EYMRC-010 – 22m @ 1.02% Cu from 12m
- Hole EYMRC-019 – 16m @ 1.50% Cu from 8m

Additional drilling included three diamond drill holes (151.9m) from which a 200kg bulk metallurgical sample was sourced. This was followed by a further five diamond holes for 250.9m completed in March 2015, from which variability testwork metallurgical samples were collected.

Additional metallurgy is underway

Results of this testwork are expected in August 2015.

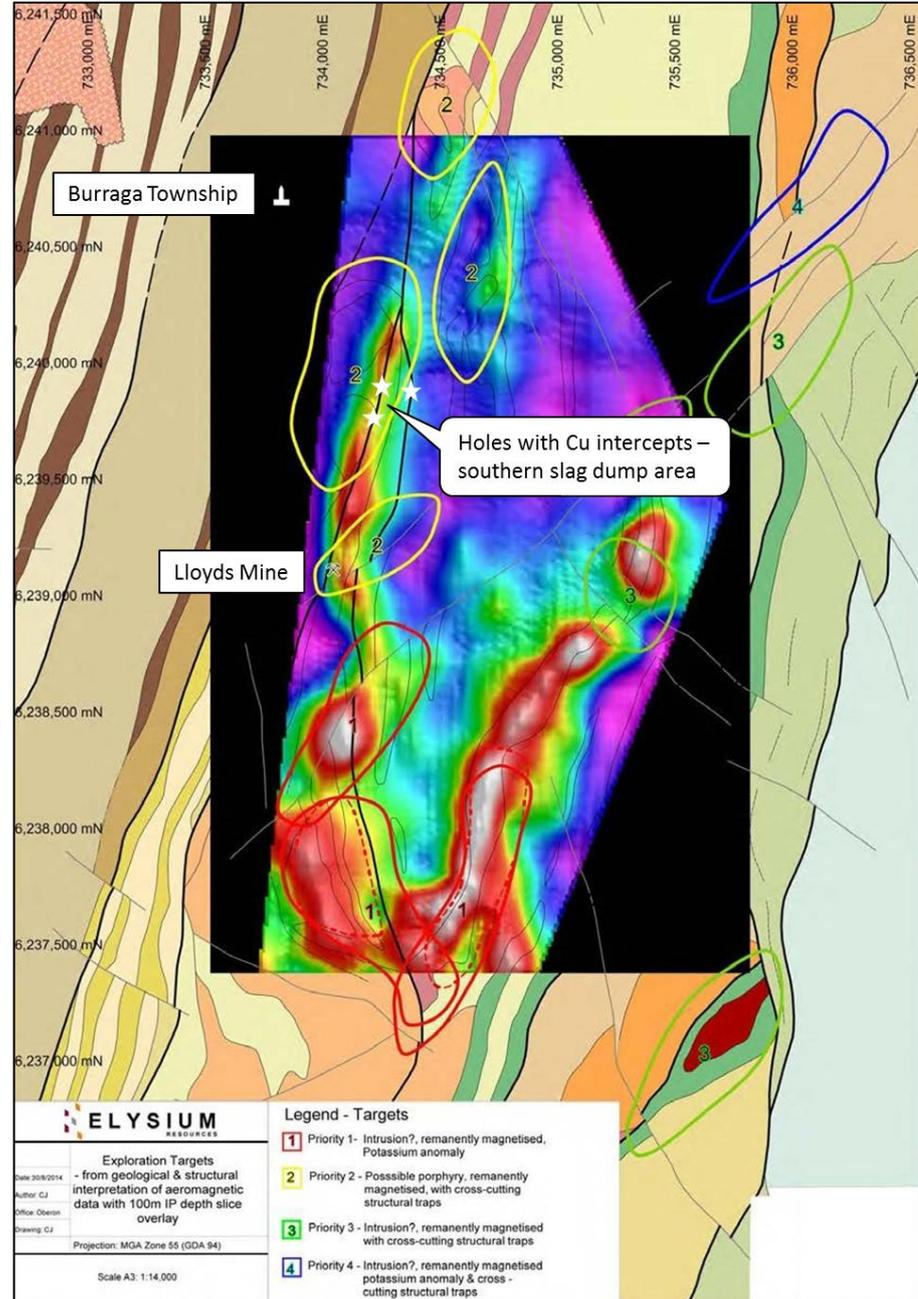
Exploration has identified a second mineralised zone

Exploration Activities

Two holes were drilled through the southern slag dump to assist with modelling of the dump. Of these, one was extended to 150m to test a second order magnetic anomaly, located some 500m north of Lloyds Mine. This hole, EYMRC-024 intersected 5m @ 1.38% Cu from 47m, interpreted as intersecting the same structure as hit in earlier Dominion Mining hole P27 some 200m to the north, which intersected 5m @ 1.87% Cu from 59m.

A third hole, Dominion P22 intersected 6m @ 1.48% Cu from 150m, with the three potentially defining a tabular zone of mineralisation that is considered a prime target for resource expansion drilling.

Burruga Project on magnetic image, showing key exploration targets



Source: Adapted from Elysium Resources

Mapping has been carried out over the tenement package, in part to ground truth targets generated from the 2014 geophysical surveys. This has also included alteration mapping to the south of Lloyds (there are a number of high priority targets here), and re-logging and interpretation of historic drillholes.

The results of this work are currently being compiled, and will be used to plan upcoming work including drilling.



Permitting and EIS activities are ongoing

EIS and Permitting Activities

The Company has, through their consultants, Endure Environmental, continued the environmental studies, which are estimated at around 60% complete.

Additional groundwater data and modelling has been required

One issue raised during the year concerned groundwater modelling which is critical for the EIS. Existing data were not deemed sufficient and hence a number of water monitoring bores were established in December 2014, with Coffey International Pty Ltd (“Coffey”) assisting in this work.

A preliminary groundwater model is now being prepared from the first six months of data – additional data collected throughout 2015 will allow a final model to be prepared and incorporated into the EIS.

Upcoming Activities – Burraga

Key activities are now planned to work towards completion of the Feasibility Study and EIS.

Further resource drilling is planned for later in 2015

The Company estimates that it will complete the EIS by the end of 2015, which will enable a Mining Lease application to be lodged in February 2016, dependent upon the results of the Feasibility Study.

As part of the Feasibility Study it is planned to carry out further resource definition drilling to increase the JORC-compliant resources at Burraga. Work to date has indicated a number of promising targets, including the mineralisation intersected in the drilling under the southern slag heap.

Key to project execution will be funding. Current tight capital markets have made funding difficult, with innovative solutions being explored by various companies.

Funding options are being investigated

Elysium is currently investigating funding options and talking to different parties including debt providers and off-takers to fund the entire capital cost. Potential funding options include an offtake partner funding the up-front capital items, and in return receiving a proportion of production.

It is too early to comment further on the details of any possible arrangements.

Other Projects

Elysium continues to hold interests in two other projects, with these being detailed in our initiation report:

- Malang, East Java, Indonesia (EYM earning 67.5%)
- Horseshoe South, Western Australia (EYM 100%, option for sale to Horseshoe Metals)

Exploration over Malang in Indonesia has returned positive results

The Malang Project, over which Elysium is earning 67.5% through the expenditure of A\$2 million over 3 years, is prospective for epithermal gold, porphyry and porphyry-related gold-copper mineralisation, and is located along the same interpreted fertile eastern segment of the Neogene Eastern Sunda arc belts that host the world class Tujuh Bukit and Batu Hijau deposits amongst others. Previous work in the tenement has identified four prospects exhibiting geology and geochemistry indicative of high sulphidation epithermal gold systems, with the potential for underlying porphyry copper-gold systems.

Recent activities at Malang have included reconnaissance mapping and geochemical sampling over the copper/gold prospective tenements. This work has identified the presence of a large lithocap, and spectral interpretation of samples has provided potential vectors to epithermal and porphyry mineralisation.

An option agreement has been entered into to sell Horseshoe

Elysium has entered into an option agreement with Horseshoe Metals to sell its 100% stake in EL52/2569, located 4km south of Horseshoe’s Horseshoe Lights Project. The option, which has a two year period ending 28 October 2016, includes a minimum drilling commitment of 500m of RC drilling and a \$100,000 exercise price.



Breakaway's View

Burraga development plans are key to Elysium's strategy

Although relatively small, the development plans for Burraga are key to Elysium's strategy; that is to provide cash-flow to fund ongoing exploration on the Company's prospective portfolio of properties as well as looking for new opportunities.

There has been a change in strategy in reaction to current market conditions

The 2011 PFS and subsequent review by the Company indicated a robust project, with figures (including in our view the surprisingly low capex of \$11 million) being independently reviewed. However there have been some changes to key inputs, namely in resource grades that are 10% lower than assumed and recent copper prices being over 20% lower than those used in the PFS.

Burraga and surrounding holdings have significant exploration potential

Given the above, we have seen a change in strategy at Burraga. Notwithstanding delays, particularly in the EIS process, the Company is now looking at increasing the resource base, which should make a more robust project, as well as completing a Feasibility Study.

The project does have significant blue sky potential. Exploration results around Lloyds Mine have delineated a number of high quality targets that require follow up, that could well result in a discovery that could substantially increase the current resources, and hence significantly extend the life of any operation. The majority of these targets have had only limited testing, adding to their appeal.

This exploration potential also extends outside of the immediate area of the historic Lloyds Mine – we consider the areas around the Burraga Granite prospective for additional mineralisation similar to that at Lucky Draw and Hackney's Creek, as well as potential for additional gold and base metal mineralisation in the adjoining tenements.

There are a number of risks associated with the proposed Burraga project – these are largely the same as in our 2014 report:

There are a number of risks associated with Elysium

- **Permitting risk** – There are risks (including delays) in permitting an operation; we have seen this with the extra requirements for the EIS, however Elysium apparently does have community and Government support for the project.
- **Funding risk** – The negotiating of appropriate funding/offtake agreements will be a key so as shareholders get a reasonable return. Given the current market conditions it would be impossible to source development funding through standard debt/equity packages
- **Development and Operating Risk** – There can be considerable technical risk in the successful development and operation of a project, especially since the project is still at the PFS stage, and a number of factors still need to be firmed up, including metallurgy – the Company is actively working towards this.
- **Resource risk** - The recent resource update has resulted in overall copper grades 10% lower than those assumed in the PFS.
- **Costs** - Our view is that controlling both operating and capital costs will be vital for the success of the proposed project; capital costs due to these needing to be amortised over an initially relatively short mine life (~4 years), and operating costs to ensure that there is sufficient free cash flow to fulfil the Company's exploration funding objectives. The proposed project is highly sensitive to costs.
- **Metal Prices and Exchange Rates** – Any resources project is at the mercy of these factors, which are out of the control of the Company, and again our view is that Burraga is sensitive to movements in these factors. We have seen appreciable falls in US denominated metal prices over the last 12 months (including a 15% fall in copper), however these have stayed stable in Australian Dollar terms, oscillating between \$7-8,000/tonne. We note however, that this is significantly lower than the PFS assumption of A\$10,000/t. Again, given the grade, the project is highly sensitive to metal prices.
- **Exploration Risk** – This is common with any exploration company, with there being no guarantee that exploration will lead to success. However, results to date on Elysium's projects have delineated a number of high quality targets that now require follow up.



Directors have significant skin in the game

A key vote of confidence in the project is the skin that the Directors have in the game – this includes the \$446k that Dean Pontin, who has extensive experience in project development, has personally put in recently.

Malang, in Indonesia, is also an exciting exploration project – work to date has delineated targets showing characteristics of high-sulphidation epithermal mineralisation, with the potential for underlying porphyry systems.

We continue to rate Elysium as a SPECULATIVE BUY

Given the above, we continue to rate Elysium as a **Speculative Buy** – our view is that shorter term key price drivers will include drilling success at Burruga, and then successful negotiation of an equitable funding package in the current tough market to develop Burruga,



Analyst Verification

We, Grant Craighead and Mark Gordon, 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 Elysium 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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Breakaway Investment Group
AFSL 290093 ABN 84127962387
T+61293928010
F+61292792727
PO Box H116 Australia Square
Sydney, NSW 2001
Suite 505, 35 Lime Street,
Sydney, NSW 2000