

ACN 092 471 513

**QUARTERLY REPORT FOR THE PERIOD ENDING
30 JUNE 2016**

HIGHLIGHTS

**PENNY'S FIND GOLD DEPOSIT IN WA SET
FOR FIRST MINING SEPTEMBER QUARTER**

- **Positive Penny's Find Bankable Feasibility Study completed**
- **Technically sound and financially viable project generating \$7.6 million free cash flow in less than a year based on A\$1,500/oz (Current gold spot price this week +A\$1,700oz)**
- **Every A\$100/oz rise in the gold price over \$1,500/oz generates extra \$2 million cash flow**
- **All mining approvals granted by the WA Dept. of Mines and Petroleum**
- **MoU signed with Lakewood Mill for toll treatment of Penny's Find ore**
- **First round of grade control drilling underway**
- **Feasibility study commenced on potential underground extension**
- **Current cash position \$1.3M**

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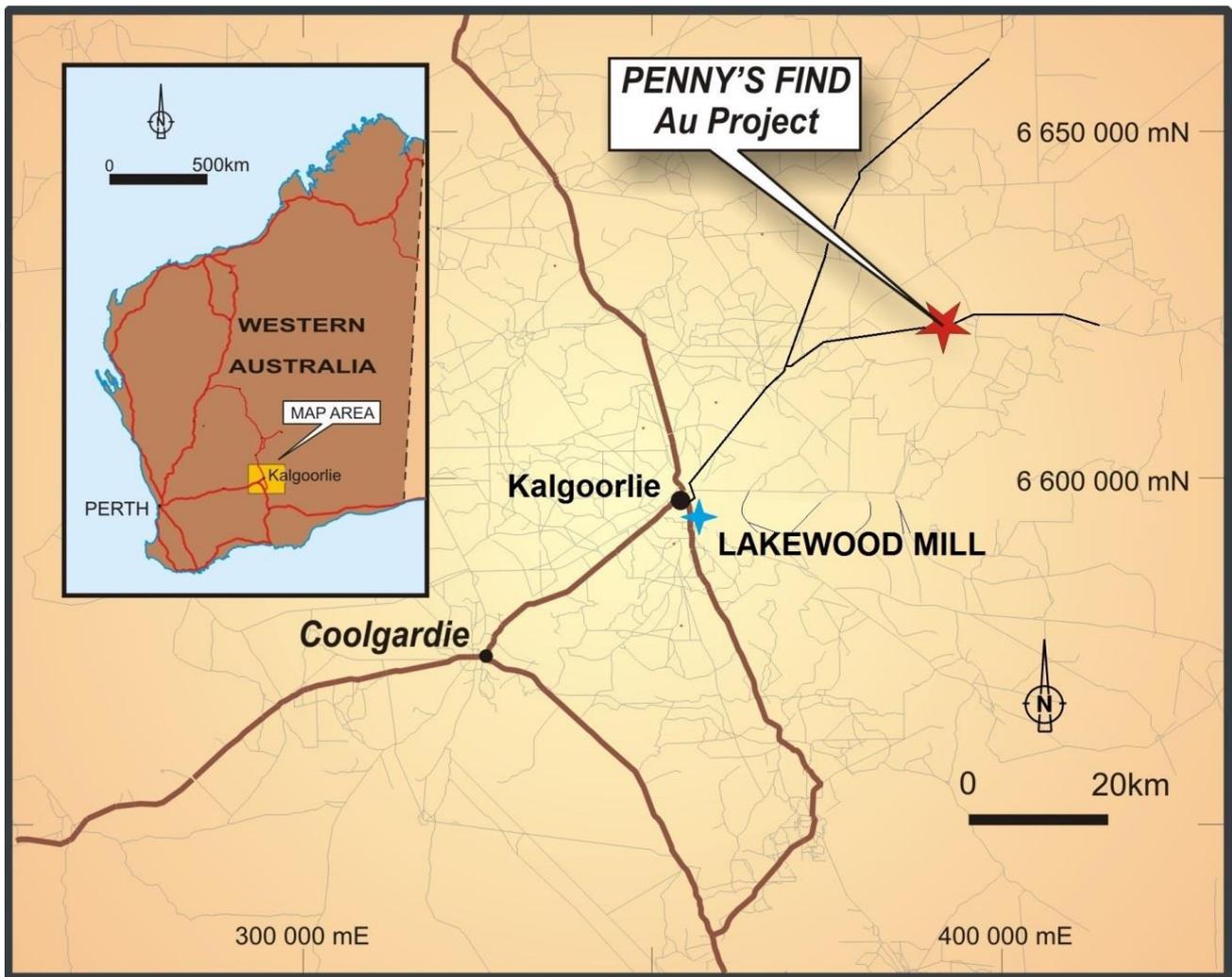


Figure 1 – Location of Penny's Find Project

REVIEW OF OPERATIONS

Penny's Find (WA): Gold Project (60% interest)

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

Bankable Feasibility Study

On 21 June 2016, the joint venture partners announced to the ASX completion of a Bankable Feasibility Study (BFS) for the Penny's Find gold deposit.

The BFS, based on a probable ore reserve of **146,000 tonnes @ 4.62g/t Au** (Table 1) as announced to the ASX on 15 February 2016, shows Penny's Find to be a technically sound and financially viable project generating **\$7.6 million** undiscounted free cash flow in less than a year based on \$1,500/oz.

The Penny's Find ore reserve is contained within a planned single open pit mined to a depth of 80m with ore trucked off site for treatment through a toll milling facility using conventional gravity recovery and a CIL circuit.

The ore reserve has been calculated at a gold price of **AUD\$1,500 per ounce** and a lower cut-off grade of **1.41g/t Au**.

Table 1- Ore Reserve Summary

PENNY'S FIND OPEN PIT ORE RESERVE - FEBRUARY 2016			
DESCRIPTION	TONNES	GRADE	GOLD TO
		g/t Au	MILL (ozs)
PROVED	-	-	-
PROBABLE	146,000	4.62	21,700
TOTAL	146,000	4.62	21,700

Open cut mining is based on extraction by conventional truck and excavator techniques with 15% ore dilution and 5% ore loss. The open pit will comprise a mixture of free dig and drill and blast, reflecting the deeply weathered footwall sediments and fresh competent hanging wall basalts.

Gold processing and extraction is based on all metallurgical studies completed to date and includes a conservative overall gold recovery of 93%. All additional administration, road diversion, construction and overhead costs, including royalties, have been included in the BFS.

A summary of the BFS is presented below in Table 2.

Mining Approvals

All mining approvals for Penny's Find have now been issued by the WA Department of Mines and Petroleum, as announced to the ASX on 5 May 2016.

Toll Treating of Ore

During the quarter, a Memorandum of Understanding (MoU) was signed between Empire and Golden Mile Milling Pty Ltd for the toll treatment of Empire's ore from Penny's Find.

Golden Mile Milling operates the Lakewood Mill located on the southern outskirts of Kalgoorlie-Boulder, WA, being 63km by road from Penny's Find (Figure 1).

The MoU outlines industry standard terms and conditions for the batch treatment of Penny's Find ore at the Lakewood Mill. While the MoU is non-binding, it is intended to form the basis of a formal binding agreement to be completed prior to any processing campaign.

Table 2 : Bankable Feasibility Study Details

Parameter	Base Case A\$1,500/oz	A\$1,700/oz
Free Cashflow (A\$ million)	7.6	11.6
Revenue (A\$ million)	29.6	33.6
Total Costs (A\$ million)	22.0	22.0
Payback (months)	8	7
Capex (A\$ million)	1.5	1.5
Total Cost of Production/oz	\$1,086	
Mining Reserve	146,000 tonnes @ 4.62g/t Au	
Mining Cost/Ore tonne	\$139.70	
Assumed Recovery	93%	
Recovered Gold	20,252 ounces	
Open Pit Mine Life	11 months	

Mining Contract and Financing

Tenders for the mining contract are currently being reviewed with seven companies having submitted bids. The tenders cover diversion and re-alignment of the Kurnalpi-Pinjin Road as well as the establishment of the open pit mining operation.

Discussions with financiers regarding project funding are also progressing.

Grade Control Drilling

At the end of the quarter, the first round of grade control RC drilling commenced at Penny's Find. This is the first of three grade control programmes scheduled in the planned 80 metre deep open pit.

This initial grade control programme will better define the position of the gold zone close to surface and increase the confidence in the early mining phase, scheduled to commence later this year.

Underground Feasibility

A feasibility study has commenced on gold mineralisation located below the planned open pit. Table 3 reports an Indicated and Inferred resource in this area of 170,000t @ 5.40g/t Au as announced to the ASX on 2 September 2015.

Table 3: Penny's Find Resources - September 2015

Reportable In Situ Mineral Resource by location and cut-off						
	Open Cut (0.5g/t)		Underground (1.5g/t)		Combined	
Class	Tonnes	Au g/t	Tonnes	Au g/t	Tonnes	Au g/t
Measured	-	-	-	-	-	-
Indicated	218,000	4.64	84,000	4.90	302,000	4.71
Inferred	82,000	1.79	86,000	5.89	168,000	3.89
TOTAL	300,000	3.86	170,000	5.40	470,000	4.42

A preliminary underground mine design has been initiated to ensure it is able to mesh smoothly with the open pit mining operation. Figure 3 is a long section under the proposed open pit showing the preliminary underground mine design based on the resource block model in Figure 2.

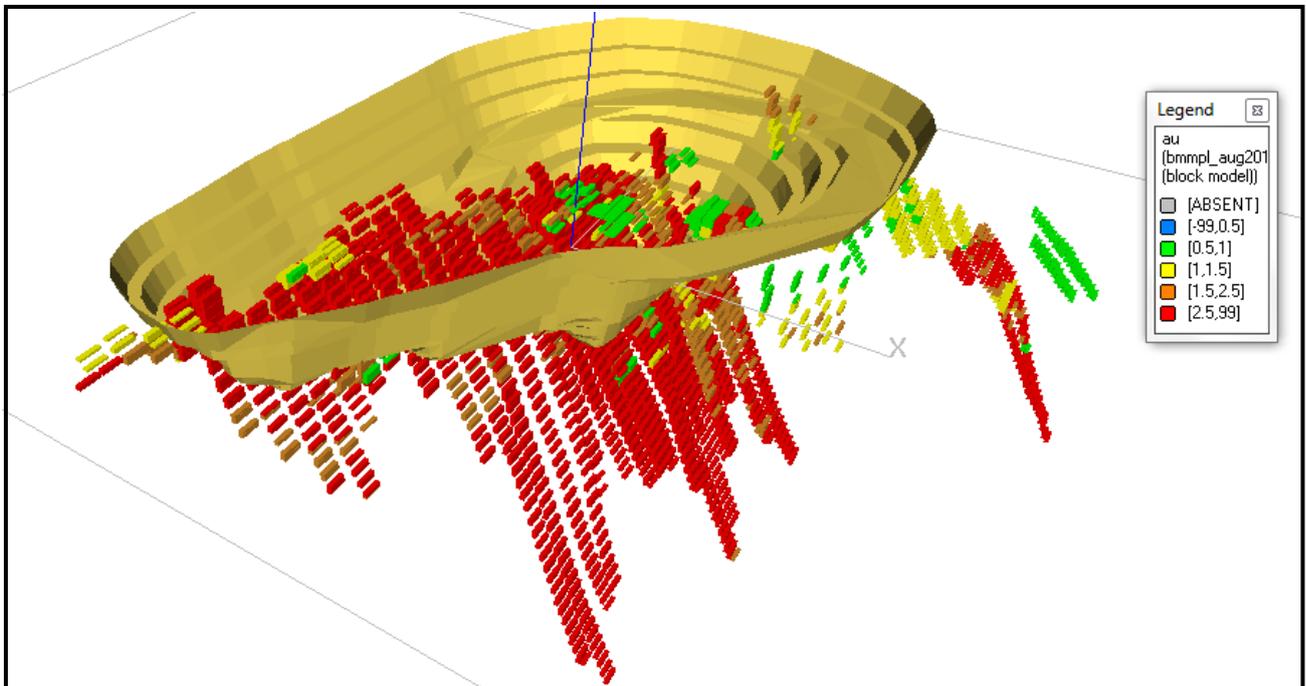


Figure 2 – Penny's Find Resource Model showing blocks above 0.5g/t Au and Planned Open Pit

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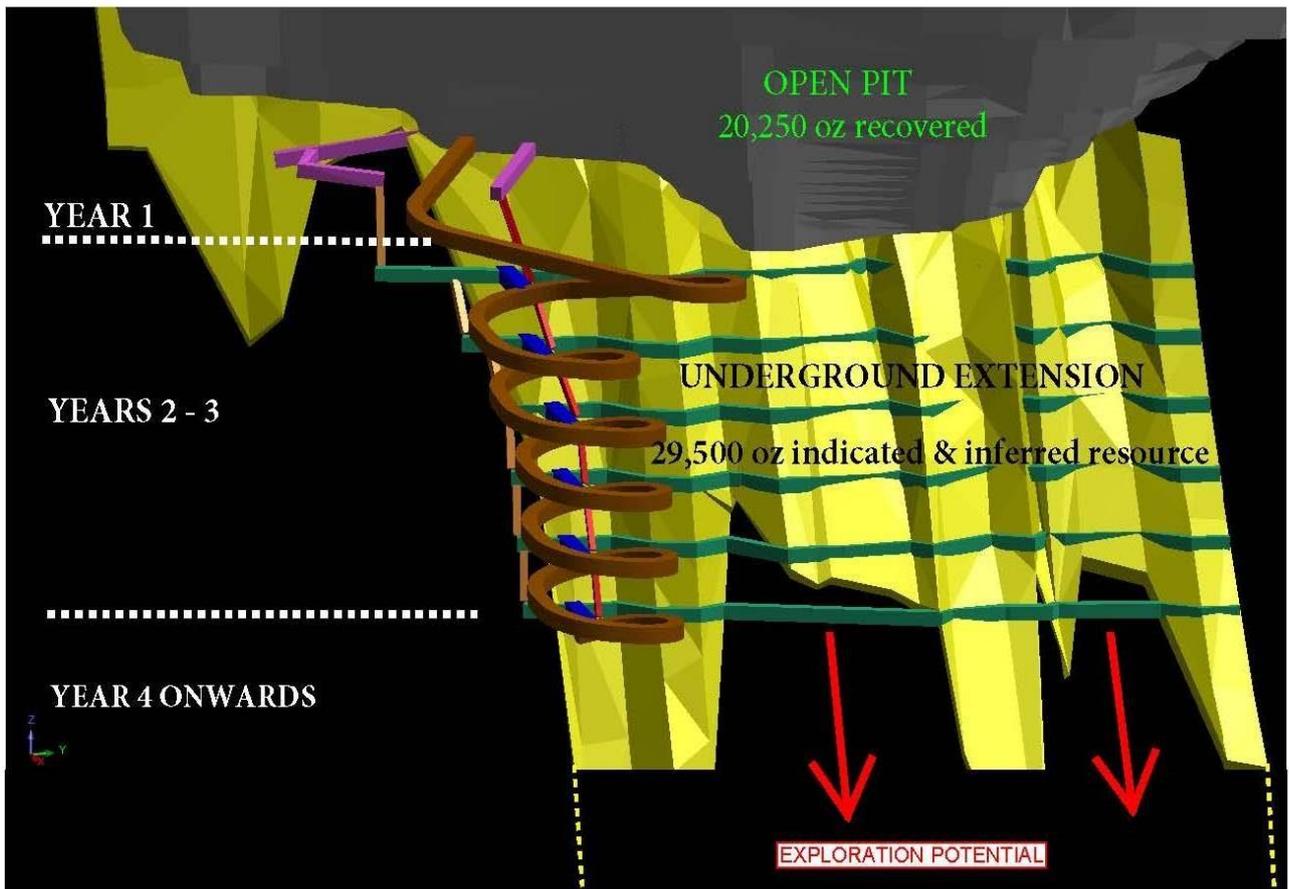


Figure 3 – Penny's Find Preliminary Underground Mine Design

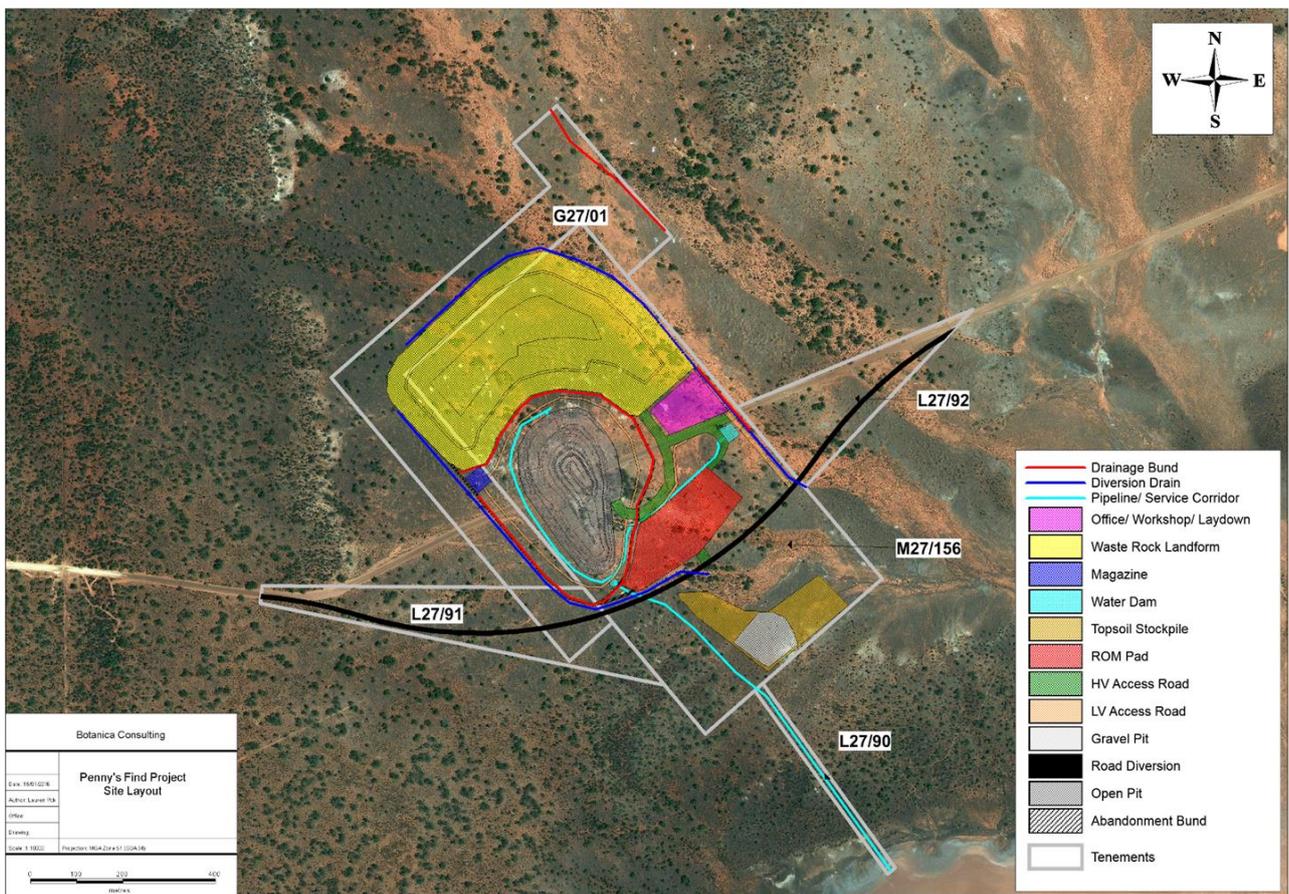


Figure 4 - Site layout at Penny's Find superimposed on an aerial photograph

About Penny's Find

High grade gold mineralisation at Penny Find's extends to at least 250m below surface and remains open at depth. Gold mineralisation is hosted by quartz veins at the contact between sediments and basalt, as indicated on Figure 4 below.

Both oxide and fresh mineralisation are free milling with 98% and 99% recoveries achieved in testwork respectively. There is also a high gravity recoverable gold component, 53% for oxide and 85% for fresh.

The deposit is situated on granted Mining Lease 27/156.

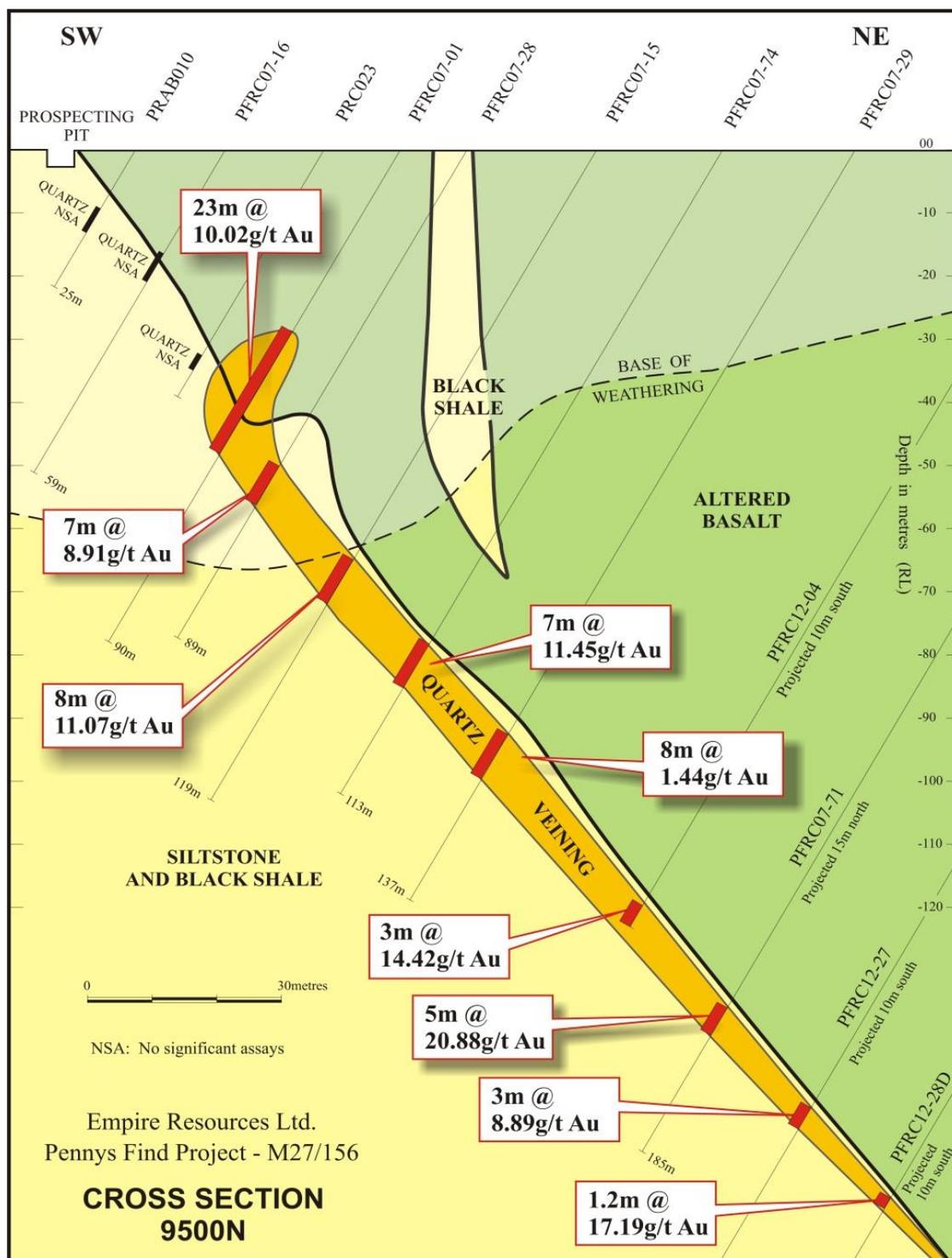


Figure 4 – Penny's Find – Geological Cross Section

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Yuinmery (WA): Copper - Gold Project (100% interest)

The Yuinmery project is a volcanogenic massive sulphide (VMS) copper - gold project located 80km southwest of Sandstone, WA. The Company has outlined a copper-gold deposit at the **Just Desserts** prospect as reported in previous quarterly reports.

On the 19 May 2016, the Company announced to the ASX an updated resource estimation for Just Desserts incorporating additional drill hole data and complying with the 2012 JORC Code.

Based on a 1.0% Cu cut-off to a depth of 170m below surface, the new reportable Indicated and Inferred resource is **1.27 million tonnes @ 1.9% Cu, 0.7g/t Au**.

The new 2012 JORC reportable resources of primary and transitional copper-gold sulphide mineralisation above a 0.5% and a 1.0% copper cut-off are summarised in Table 4.

A mining lease application has been submitted to the DMP to cover the Just Desserts deposit and surrounding prospective ground.

No field work was undertaken during the quarter.

Table 4 : Just Desserts Reportable Mineral Resources – April 2016

Reportable Mineral Resource to depth of 170m						
Cut-off	Weath	Class	Tonnes	Cu %	Au ppm	Ag ppm
0.5% Cu	Partial	Indicated	97,000	1.05	0.30	0.98
		Inferred	65,000	1.43	0.18	2.21
		sub-total	163,000	1.20	0.25	1.47
	Fresh	Indicated	1,174,000	1.33	0.67	1.31
		Inferred	1,183,000	1.30	0.34	2.25
		sub-total	2,357,000	1.31	0.51	1.78
	All	Indicated	1,271,000	1.31	0.64	1.28
		Inferred	1,249,000	1.31	0.33	2.25
		Total	2,520,000	1.31	0.49	1.76
1% Cu	Partial	Indicated	47,000	1.37	0.37	1.09
		Inferred	31,000	2.14	0.22	2.20
		sub-total	78,000	1.68	0.31	1.53
	Fresh	Indicated	752,000	1.65	0.84	1.54
		Inferred	435,000	2.31	0.49	2.81
		sub-total	1,187,000	1.89	0.71	2.01
	All	Indicated	799,000	1.63	0.82	1.51
		Inferred	467,000	2.30	0.47	2.76
		Total	1,266,000	1.88	0.69	1.97

Laverton (WA): Gold Project (100% interest)

No field work was undertaken during the quarter.

Half Way Dam (WA): Gold - Base Metals Project (100% interest)

A single exploration licence has been applied for 20km east of the Davyhurst goldmine, 100km northwest of Kalgoorlie. The application area is prospective for gold and base metals.

The Half Way Dam prospect covers a sequence of ultramafic, mafic and felsic volcanics and intrusive rocks. Historical exploration has identified a number of gold and base metal soil and rock chip anomalies which have never been tested by drilling.

INVESTMENTS

FYI Resources Limited (Empire 13.54% interest)

ASX-listed FYI Resources Ltd (ASX Code "FYI") is focused on potash exploration in South East Asia where potential exists for the discovery of first tier potash deposits.

FYI Resources is currently in joint venture negotiations with a Chinese group regarding resource development and potential production in Laos.

FYI Resources also has applications pending for potash tenements covering two separate project areas in Thailand. Drill programmes have been finalised and are awaiting grant of tenements.

CORPORATE

Executive change

Long-time Empire Executive Director, Mr Adrian Jessup, has resigned as an Executive Director of the Company, effective 1 July 2016, but will continue a close association with Empire as an ongoing Non-Executive Director.

A graduate of University of Sydney and a 40 year industry veteran, Mr Jessup is one of Western Australia's most experienced geologists, company directors and advisors on mineral exploration, ore deposit evaluation and mining, and has over 13 years, contributed significantly to Empire's growth since joining the Company in 2003.

Empire Managing Director, Mr David Sargeant, said Mr Jessup's contribution was no better reflected than in the fact the Company had worked through the challenges of the equity market turmoil for junior explorers over recent years and was now just weeks away from achieving the transition from explorer and project developer to gold miner.

Mr Jessup had helped assemble and advance the Company's precious and base metals portfolio which also now included a mining lease application for a second WA project, at Yuinmery.

"His willingness to continue to serve Empire in the capacity of a Non-Executive Director is vital for the next 12-18 months as we move to first revenue flows and potentially the commencement of our second mining operation," Mr Sargeant said.

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Capital Raisings

During the quarter, Empire raised additional capital through the issue of 40 million shares in price ranges of between 1.25 cents and 2 cents, to raise \$575k from sophisticated investors. These raisings were completed using utilising the Company's placement capacity pursuant to ASX Listing Rules 7.1 in addition to shareholders' approval obtained at the general meeting held on 3 May 2016.

Post quarter end the Company received \$1.26 million through a placement of 63 million shares at a price of \$0.02 per share ("Placement"). The Company received overwhelming demand from sophisticated investors. The funds raised will be applied towards:-

- Moving the road to enable the open cut at Penny's Find to proceed;
- Grade Control drilling;
- Converting underground resources to reserves; and
- General working capital.

The Placement was completed utilising the Company's placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A.

Public Relations

The Company has signed a Non-exclusive Mandate with Proserpine Capital Partners Pty Ltd ("Proserpine") of Melbourne to increase awareness or "Brand Recognition" of Empire Resources Limited in eastern Australia. This will include Proserpine introducing Empire to appropriate investors. In addition, Proserpine can assist in any capital raisings and transactions of a corporate nature.

Proserpine received 1 million unlisted options in Empire at an exercise price of 4 cents exercisable on or before 22 June 2019 on signing the Mandate. Proserpine will also receive a 6% brokerage fee on all funds raised by Proserpine. A further 9 million unlisted options at an exercise price of 4 cents exercisable, within 3 years of being issued, were issued to Proserpine subsequent to quarter end.

DAVID SARGEANT
MANAGING DIRECTOR

20 July 2016

For further information on the Company, visit www.resourcesempire.com.au

David Sargeant – Managing Director

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The scientific and technical information in this report that relates to Ore Reserve estimates for the Penny's Find Deposit is based on information compiled by Mr Roselt Croeser, an independent consultant to Empire Resources Limited. Mr Croeser is a Member of the Australasian Institute of Mining and Metallurgy. Mr Croeser has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Croeser consents to the inclusion in the report of the matters related to the Ore Reserve estimate in the form and context in which it appears.

The information in this release concerning the Mineral Resources for the Penny's Find and Just Desserts deposits have been estimated by Mr Peter Ball B.Sc who is a director of DataGeo Geological Consultants and is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Ball has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and qualifies as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ball consents to the inclusion in this public release of the matters based on his information in the form and context in which it appears.

Tenement Holdings at 30 June 2016				
PROJECT	TENEMENT NUMBER	PERCENTAGE INTEREST HELD	PERCENTAGE INTEREST HELD	COMMENTS/ CHANGES SINCE LAST QUARTER
		31 March 2016	30 June 2016	
PENNY'S	E27/410	60	60	
FIND	E27/420	60	60	
	E27/553	60	60	GRANTED
	G27/1	60	60	
	L27/90	60	60	
	L27/91	60	60	APPLICATION
	L27/92	60	60	APPLICATION
	M27/156	60	60	
	P27/2007	60	60	
	P27/2008	60	60	
YUINMERY	M57/265	100	100	
	M57/636	0	100	APPLICATION covers P57/1214 - 1217
	P57/1214	100	100	
	P57/1215	100	100	
	P57/1216	100	100	
	P57/1217	100	100	
	E57/1037	100	100	APPLICATION
HALF WAY DAM	E29/968	100	100	APPLICATION
LAVERTON	E38/3075	100	100	APPLICATION

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