



**Breakaway
Research**

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Company Information

ASX Code	EYM
Share Price (13/6/14)	A\$0.01
Ord Shares	815.68m
Options	164.54m
Market Cap (FD)	A\$9.80m
Cash (31/3/14)	A\$0.87m
Total Debt	A\$0.1m
Enterprise Value	A\$9.03m

Directors and Management

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

Company Details

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Top Five Shareholders

Siwel Capital	11.01%
Stonetown Pty Ltd	6.57%
Cazenove Pty Ltd/Carling Capital	5.83%
Zurkic Mining Consultants	4.81%

1 Year Price Chart



Elysium Resources (EYM)

Burraga Progressing, Excellent Exploration Results

Recommendation: Maintain Speculative BUY

Company Update

Key Points

- **Burraga Copper takeover completed in December 2013**
- **Significant progress towards development of the Burraga Copper Project**
- **Excellent surface exploration results in the vicinity of the historic Lloyds Mine**
- **Updated PFS figures for the Burraga Copper Project indicate a robust project and solid free cash flows at current prices and exchange rates**
- **Free cash flow from the planned Burraga operation will be used to fund Elysium's ongoing exploration activities over highly prospective properties in NSW, Indonesia and WA**
- **Board and management with considerable project development experience, and significant shareholdings in Elysium Resources**

Elysium Resources continues to make significant 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 exploration in the project area has returned excellent early stage results, with a number of targets now requiring drilling – we consider the Burraga tenements as highly prospective for additional gold and base metal mineralisation, with any discoveries potentially adding to the currently planned 4.4 year, 300ktpa operation.

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

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 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 4.4 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, and Horseshoe South in the VMS prospective Bryah Basin of Western Australia.



Company Update

Significant Progress

Elysium Resources (“Elysium” or “the Company”) has made significant progress since our November 2013 initiation report. Key achievements include:

Significant corporate and technical progress since our initiation report in November 2013

- Completion of the Burraga Copper takeover in December 2013
- \$900,000 placement completed February 2014, May 2014 General Meeting approval to raise a further \$2,700,000 through the issue of 270 million shares at \$0.01/share
- Strengthening of board and management team
- Excellent exploration results, including IP and soil geochemistry at the Burraga Copper Project (“Burraga” or “the Project”), and higher than expected copper results from slag grab sampling
- Ongoing permitting activities for Burraga, including completion of key studies and ongoing EIS activities

The Burraga Copper Project (Lloyds Copper Mine)

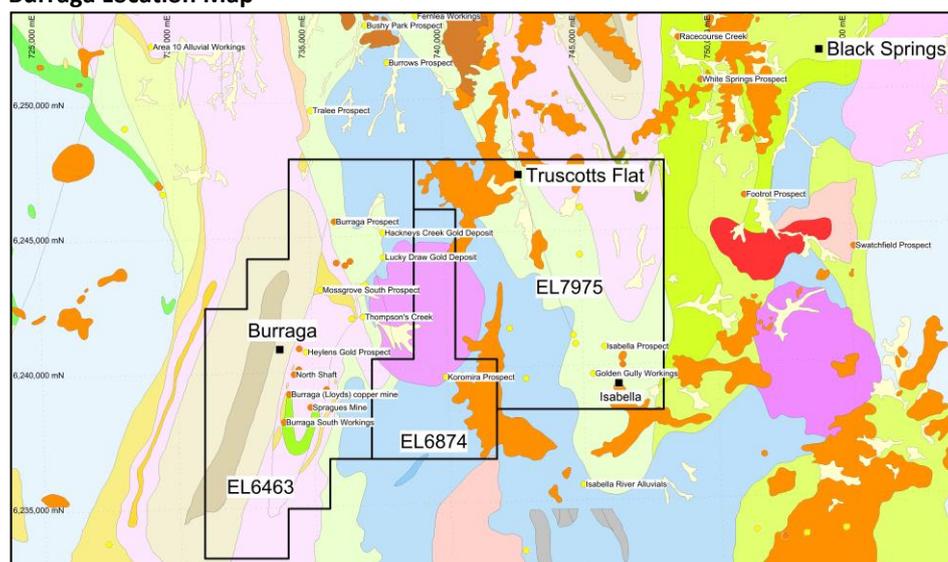
Elysium’s key project is Burraga, centred over the historic Lloyds Mine in the Central West of NSW, with holdings considered prospective for gold and base metal mineralisation

Elysium’s key project is Burraga, 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 Burraga license of 84 km² includes the historic Lloyds Copper Mine 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.

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 holds three contiguous tenements, totalling 183km², in the vicinity of Burraga

Burraga Location Map



Source: Elysium Resources



Strategy

The Company's strategy is to treat approximately 1.38Mt @ 1% Cu over 4.4 years, with free cash flow to be used in ongoing exploration activities over the Company's exploration assets

The Company's strategy is to initially develop an operation to treat approximately 234,000t of tailings and 140,000t of slag from the historical workings at Burruga, 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 will support a mine life of 4.4 years at 300,000tpa, treating a total of 1,375,000t of material at approximately 1% 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 is 10,900t copper in concentrate.

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

Current work is geared towards commencing construction in 2H, 2015, with current and planned activities including:

Current activities are geared towards developing and commencing production from the Burruga Copper Project

- Ongoing permitting and EIS activities
- Resource upgrade drilling and estimation, 2H 2014, with the aim to increase the confidence in the hard rock mineralisation to Indicated or better
- Mining Lease application submitted on completion of resource upgrade
- Sterilisation drilling over proposed Mining Lease area (will also include a number of exploration targets within the planned Mining Lease) – 2H 2014
- Currently looking at plant options and tenders – the Company is of the view that, given the amount of second hand plant available, initial capex could come in under \$10 million, less than the \$11 million used in the review of the PFS

EIS and Permitting

A key component of the permitting process is completion of the EIS. Significant progress has been towards this and other requisite studies:

The Burruga EIS is well advanced, with a number of other studies being completed

- Engaged Endure Environmental to prepare the EIS
- 18 months of baseline environmental data already collected
- Flora and Fauna field surveys have been completed with no indication of endangered species
- Aboriginal Heritage Cultural Survey has been completed, with no adverse findings
- Assessment of operations options underway for electing optimal Mining Lease area
- Ongoing community consultation.

It is planned to complete the draft EIS by the end of 2014

Elysium is looking at completing the "Draft for Review" EIS by the end of 2014, which is expected to go on display for public comment in early 2015. In parallel with this it is planned to lodge the Mining Lease application later in 2014 upon completion of the Lloyds resource upgrade, and then fulfil requirements of the application as various elements are completed.

The Company estimates that it can fulfil the requirements for the Mining Lease within the next 12 months or so, with construction and commissioning of the plant then taking another 3 to 6 months.



PFS

As discussed and detailed in our initiation note, the Project was the subject of a PFS that was completed in 2011 – assumptions for this study are presented in the table below.

A review of the 2011 PFS indicates that the Burruga project is still viable and robust at current metals prices and exchange rates

The Company has been reviewing the results of this study, and more recent work, incorporating current metals prices and exchange rates, suggest an NPV^{10%} of around \$32 million, with an upfront capital cost in the order of \$11 million, and an additional \$4 million for later plant upgrades.

As part of ongoing activities Elysium has been sourcing and obtaining tenders to supply new or 2nd hand plant suitable for the modest 300,000tpa operation, including the possibility of utilising mobile and modular plant. The Company has indicated that results to date from this have shown the potential for the initial capital expenditure to come in under \$10 million.

Burruga Copper Project – 2011, 300,000tpa PFS Assumptions and Results

Annual Treatment Rate	300,000t
Tailings	234,000t at 1.20% Cu
Slag	140,000t at 0.90% Cu
Open Pit Ore	1,000,000t at 1.00% Cu
Total Treatment	1,374,000t at 1.03% Cu
Copper Recovery	65% (yr 1), 70% (yr 2), 79% (Yr 3), 90% (yr 4-5)
Total Copper in Concentrate	10,900 tonnes
Total Silver in Concentrate	293,185 ounces
Total Gold in Concentrate	4,275 ounces
Minimum Project Life	4.4 years
Concentrate Grade	24.4% Cu (tailings)
Unit Operating Cost: Tailings	\$16.30/t
Unit Operating Cost: Slag	\$20.05/t
Unit Operating Cost: Open Pit	\$26.60/t
Transport Cost	\$92/t
Treatment/Refining Cost	\$80/t / \$0.08/lb
Cost of Production (ex by-products)	\$1.39/lb
Initial Capital Cost	A\$10.3m
Total Capital Cost	A\$14.2m
Permitting & Construction	Up to 24 months
Copper Price	A\$10,000/t
Gold Price	A\$1,500/oz
Silver Price	A\$30/oz
Net Cash Flow	\$76.7m
NPV (10% discount rate)	\$53.2m

Source: Elysium Resources

Geology and Mineralisation

Mineralisation at Lloyds is controlled by a gently north dipping structure

Copper mineralisation at Lloyds forms a NE plunging ore shoot, in a gently (20-30 degrees) north-dipping structure, cut-off to the east and west by major NNE trending structures, with resources still present down dip to the north.

It is interpreted that Lloyds is in a similar geological unit and on the same major structure as Regis Resources McPhillamys Hill gold deposit

The age and style of the mineralisation is still a subject for debate, however ongoing work suggests that the Lloyds mineralisation is located on a southerly extension of a major structural corridor that includes the Godolphin Fault, which forms a major suture between the Ordovician magmatic arc and Siluro-Devonian Hill End Trough. Work clearly shows the location of the mineralisation within an intensely deformed and complexly sheared/faulted package of sediments and volcanics, with a series of persistent NNE trending structures being mapped.

One interpretation is that the altered and deformed sediments and volcanics represent the Silurian Campbells Formation, broadly correlatable to the Anson Formation which hosts the 2.5Moz McPhillamys Hill gold deposit. The style of mineralisation is potentially structurally controlled “base-metal carbonate”, zoned from deep copper to peripheral zinc, and possibly related to the Carboniferous Burruga Granite.



Resources

The total resource base at Burraga comprises three components – tailings (JORC compliant), slag (non-compliant) and in-situ hard-rock (JORC compliant) mineralisation, as presented in the table below and detailed further in our initiation report. The slag resource comprises two dumps – an older, higher grade northern dump and younger lower grade southern dump.

Total resources at Burraga include tailings smelter slag and in-situ open-pittable resources

Burraga Copper Project Resources

Deposit	Category	Tonnes (kt)	Cu (%)	Au (g/t)	Ag (g/t)
Lloyds Hard Rock	Inferred	2,961	0.5	0.1	6.2
<i>Hard rock resources include approximately 1,000kt @ 1% Cu as used in the PFS</i>					
Lloyds Tailings	Indicated	125	1.2	0.3	10
	Inferred	109	1.2	0.3	9.7
	Total	234	1.2	0.3	9.8
Total JORC-Compliant	Total	3,195	0.5	0.1	6.4
Lloyds Slag	Estimate (non-JORC)	140	0.90	0.12	4.6

Source: Elysium Resources

The Company is currently carrying out, or planning to carry out work to improve the confidence in resources, including:

Work is currently being carried out to increase the confidence in the resources

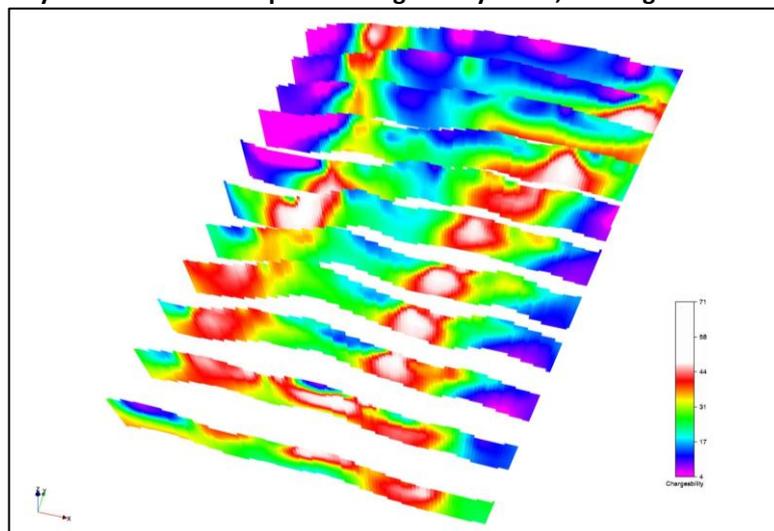
- Drilling in 2H 2014, to improve the confidence in the hard-rock resource, to allow it to be used for mine planning purposes
- Recent IP surveying over the tailings has better defined the base of the material; this will be used to refine the resource estimate
- Recent sampling over the slag dumps has resulted in copper values of 2.22% for the northern dump – twice that used in the PFS and 0.93% Cu for the southern dump.

Excellent Exploration Results

Results of recent exploration work have been very encouraging, resulting in a number of targets that require follow up, and could well result in the discovery of significant additional mineralisation. This work, which is ongoing, has included soil geochemical sampling and induced polarisation (“IP”) geophysical surveying in the Lloyds area, as shown below.

Exploration in the project area has returned very encouraging results that now require follow up.

Lloyds Area – IP 200m Spaced Chargeability Slices, Looking NW



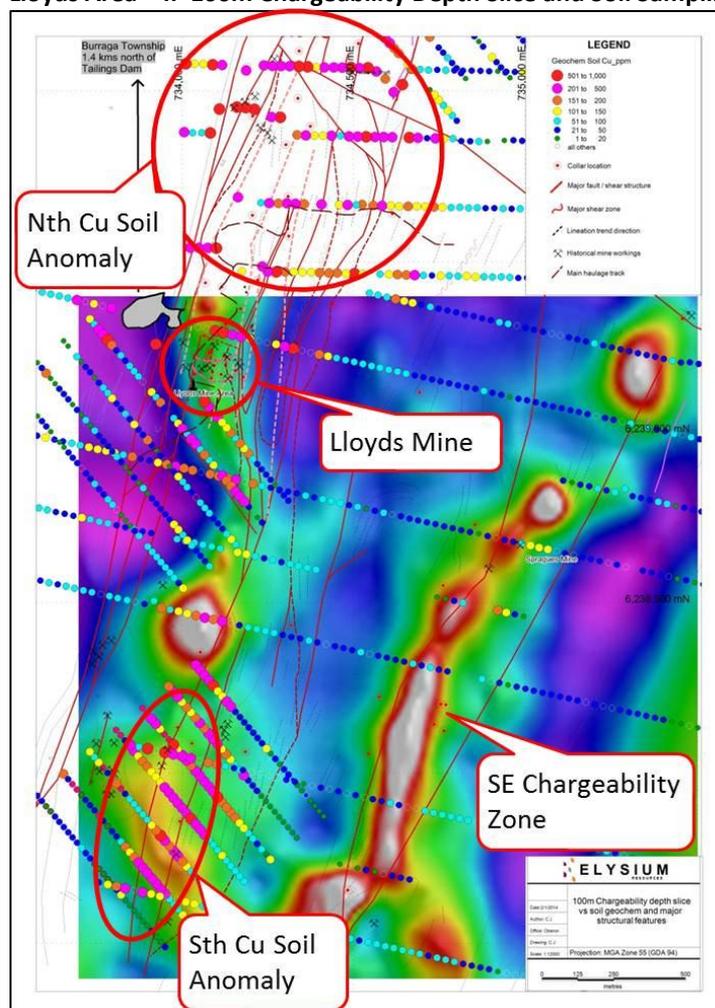
The work has outlined significant chargeability anomalies, some coincident with strong soil geochemistry

Source: Elysium Resources



Additional IP surveying to the north of Lloyds has recently been completed, as well as a high resolution (60m line spacing and 60m nominal terrain clearance) airborne magnetics survey covering all three tenements. Results of these surveys are currently being processed and interpreted.

Lloyds Area – IP 100m Chargeability Depth Slice and Soil Sampling Copper Results



Source: Elysium Resources

The geophysical and geochemical anomalies are coincident with structural zones that are interpreted as being related to the known mineralisation

Strong copper soil anomalism to the north and south of Lloyds is yet to be adequately tested

A second NNE trending chargeability zone is coincident with a mapped structural zone, and shallow drilling by EYM has intersected alteration and some sulphides

Results of work to date indicate strong copper anomalism to the south and north of the Lloyds Copper Mine, largely bounded by the structural corridor that controls the known mineralisation. This geochemical anomalism is commonly associated with chargeability highs and magnetic lows, potentially indicating hydrothermal alteration and sulphides, and has only been sparsely drill tested.

A second, NNE trending chargeability zone is located to the south and east of Lloyds, again associated with a mapped structural corridor, and also proximal to Spragues Mine, which behind Lloyds is the most significant working in the area. This trend, which was originally delineated by an airborne EM survey is poorly tested; four historic drill holes may not have adequately tested the target, and the historical soil sampling is widely spaced (and with sampling protocols not known), and may have missed potential anomalous zones.

Shallow drilling by Burraga Copper over the NE end of this trend intersected areas of intense alteration, and a short hole drilled near the southern end of the trend, using a hand-held diamond rig (ZHD-008) intersected massive pyrite and trace galena from surface.



It could be interpreted that the surface expression reflects the periphery of a mineralising system, with the potential for mineralisation at depth. It is noted that the strong chargeability response kicks in at around 100m depth.

Lucky Draw and Hackney's Creek Gold Mineralisation

The potential for additional gold discoveries exists in the vicinity of Lucky Draw and Hackney Creek, in the NE of EL6463

The Lucky Draw Gold Mine, located in the NE of EL6463, was discovered by Renison Goldfields Consolidated Ltd in the mid-1980s and treated 1.44Mt at 4.2g/t between 1988 and 1991. The current resource at Lucky Draw (31,600 ounces) is largely contained in a pod of unmined mineralisation to the northwest of the pit.

Mineralisation similar to that at Lucky Draw is located at the Hackney's Creek prospect, approximately 800m north of Lucky Draw. The deposit has never been mined; a resource of 102,000 ounces has been estimated. Most of the higher grade mineralisation occurs between 70 and 165 metres below surface in a similar geological setting to that at Lucky Draw.

Gold Resources – EL6463

Deposit	Category	Tonnes	Cut off (g/t)	Au (g/t)	Contained Au (oz)
Lucky Draw	Inferred	470,000	0.5	2.1	31,600
Hackneys Creek	Inferred	2,210,000	0.5	1.4	101,800
Total	Inferred	2,680,000	0.5	1.6	133,400

Source: Burruga Copper Limited

The mineralisation at these prospects has been classed as "skarnoid", and associated with the contact of sediments with the younger Burruga Granite.

There has only been limited drilling outside of the delineated resources

There has only been limited drilling outside the areas of the delineated resources - drilling along strike between Lucky Draw and Hackney's Creek is limited to 30m deep holes drilled on 50m spaced sections. Drilling along strike to the south of Lucky Draw only extends 200m beyond the pit, while drilling to the north of Hackney's Creek only extends 80m beyond the northern end of the resource.

There are a number of geophysical targets that require testing around the margins of the Burruga Granite

The Lucky Draw-Hackney's Creek area has been subject to several geophysical surveys. IP data is limited, but appears to be able to detect pyrrhotite associated with gold mineralisation. Magnetic surveys show weak anomalies associated with the Lucky Draw and Hackney's Creek deposits (again possibly reflecting the pyrrhotite relationship) and there are numerous anomalies of a similar magnitude that require follow up.

The primary target for gold mineralisation is the Burruga Granite contact which hosts the known mineralisation, and the Company will be targeting a critical resource mass in excess of 500,000 ounces that could justify development of an operation.

Other Projects

Elysium has interests in a number of other prospective tenements

Elysium holds interests in a number of other projects, with these being detailed in our initiation report:

- Malang, East Java, Indonesia (EYM earning 67.5%)
- Horseshoe South, Western Australia (EYM 100%)
- Redmond, Western Australia (EYM 100%)

Recent activities at Malang, over which Elysium is earning 67.5% through the expenditure of A\$2 million over 3 years, have included reconnaissance mapping and geochemical sampling over the copper/gold prospective tenements. Assaying and interpretation of results is currently underway.



Malang, in Indonesia, is located on the Eastern Sunda magmatic arc, a terrain which hosts significant copper-gold deposits including Batu Hijau

This area is prospective for 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.

No recent activities have been carried out on the VMS prospective Horseshoe South or gold prospective Redmond tenements in Western Australia. Horseshoe South is located 4km south of Horseshoe Metals' Horseshoe Lights Project in the VMS prospective Bryah Basin of Western Australia, notably host to Sandfire Resources (ASX: SFR) DeGrussa Mine.

Board and Management Strengthened

Elysium has made two key appointments, which in our view strengthen the team and provide considerable experience in project development.

Neb Zurkic, a geologist, has considerable experience in project development and commissioning, with experience in a wide range of jurisdictions

Neb Zurkic, previously the Company's Technical Advisor, has been appointed to the Board as Technical Director. Mr Zurkic is a graduate of RMIT University, with a Bachelor of Applied Science in Geology, and also holds a Masters in Mineral and Energy Economics from Macquarie University. In his 24 year career he has held a variety of senior management and executive level positions at both small and large mineral resource companies with interests in Australia, South America, SE Asia and Africa. This includes being involved in the commissioning of Newmont Mining Corporation's Batu Hijau copper-gold project in Indonesia and managing the feasibility study for Republic Gold's 1.2Moz Amayapampa Gold Project in Bolivia. He has been involved in the Burruga Project since 2011.

Dean Pontin, who has been appointed Project Development Manager for Burruga, has been an integral part in the commissioning of three major mining projects

Dean Pontin has been appointed as Project Development Manager for Burruga. Mr Pontin holds a Bachelor of Applied Science in Surveying from Queensland University of Technology and a Graduate Diploma in Mining from Ballarat University. He holds Mine Managers Certificates in Indonesia and PNG, and his 26 year career has included being an integral part of the commissioning of three major projects, namely Batu Hijau in Indonesia, Lane Xang Mineral's Sepon Project in Laos and most recently, as the Operations Manager for the Toka Tindung Gold Project in Indonesia.

Completion of Takeover of Burruga Copper and Capital Raising

The completion of the takeover of Burruga Copper was announced to the market on December 2, 2013.

\$0.9m placement in February 2014, with approval to raise a further \$2.7m

In February 2014, the Company announced a placement to fund ongoing activities at Burruga. This included the placement to sophisticated investors of 90 million shares at \$0.01/share (with a free attaching \$0.014 option with an exercise date of November 30, 2014), with a meeting of shareholders on May 28, 2014, approving the issue of a further 270 million \$0.01 shares and \$0.014 options.

Funds raised will be used to progress Burruga, including permitting, exploration and working capital requirements.



Breakaway's View

We see significant blue sky exploration potential at Burraga

In Burraga, Elysium has a project with 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 Burraga resources, and hence significantly extend the life of the proposed 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.

Although relatively small, the development plans for Burraga are key to Elysium's strategy; that is to provide cashflow to fund ongoing exploration on the Company's prospective portfolio of properties. The PFS and subsequent review by the Company indicate a robust project, with figures being independently reviewed.

We do see risks associated with the proposed Burraga project:

As usual with small resource companies there are a number of risks involved.

- **Permitting risk** – There are risks (including delays) in permitting an operation; however Elysium is progressing well in this regard, and apparently does have community and Government support for the project.
- **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 and resources.
- **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 (4.4 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.
- **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.

We look forward to testing of exploration targets at Burraga

We look forward to early testing of some of the Burraga exploration targets, due to them being in the area that will subject to sterilisation drilling as part of the proposed project development. Any positive results from this work should provide impetus to the share price, however will (positively) change development plans at Burraga.

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 rate Elysium as a Speculative Buy

Given the above, we rate Elysium as a **Speculative Buy** – our view is that shorter term key price drivers will be successfully raising funds in the current tough market to progress and develop Burraga, and then in the medium term exploration success at Burraga and other projects.



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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