



**Breakaway
Research**

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Company Information

ASX Code	EYM
Share Price	A\$0.018
Ord Shares (30 Sep 2013)	160.1m
Ord Shares (post takeover)	725.7m
Options (30 Sep 2013)	74.5m
Market Cap	A\$13.1m
Cash (Sept 30, 2013)*	A\$0.31m
Total Debt*	Nil
Enterprise Value	A\$12.8m

Directors & Management

Non-Exec Chairman	Michael Tilley
Executive Director	Max Carling
Non-Exec. Director	Mark Ohlsson
Technical Consultant	Neb Zurkic
CFO	Michael Beith

Substantial Share Holders *

Siwel Capital	10.5%
Cazenove Pty Ltd/Carling Capital	8.7%
Stonetown Pty Ltd	7.1%
Zurkik Mining Consultants	5.4%

*Expected, post takeover

Company Details

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1 Year Price Chart



Elysium Resources Limited (EYM)

Early cash flow potential for a moderate capital spend

Recommendation: Speculative BUY

Key Points

- **The offer for Burruga Copper Limited, which closed on 27 November 2013 with 99.83% of acceptances received, will substantially broaden the company's asset base**
- **Early cash flow potential from Lloyds Copper Project in NSW**
- **2011 PFS based on small scale (300ktpa) operation to treat copper tailings, slag and open pit ore for a minimum period of 4.4 years**
- **PFS indicated robust project economics and strong net cash generation, with an NPV₁₀ of \$53m**
- **Cash flows remain solid at current metal prices**
- **Low upfront capital cost and unit operating cost estimates crucial to economic viability**
- **Excess cash flow will be used to fund Elysium's ongoing exploration activities in NSW, WA and Indonesia**

Elysium Resources is a Sydney-based exploration company in the process of making the transition from early stage greenfields exploration to an advanced exploration and development company. It has established a diverse portfolio of projects with potential to host 'company making' copper-gold deposits, and likely development of the small scale Lloyds Copper Project should provide an early source of operational cash flow to support its longer term aspirations.

Company Overview

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.

The current Board of Directors was appointed in February 2013. An immediate review of the company's existing assets was conducted with a view to establishing an updated strategy. The company changed its name from United Orogen Limited (ASX:UOG) on 8 July 2013.

On 30 August 2013, Elysium announced an off-market takeover offer for all shares and options in Burruga Copper Limited ("Burruga", "BCU"), an unlisted Australian public company, for a consideration of 6.5 EYM shares for every BCU share held and 1 EYM share for every BCU option held.

The acquisition of BCU provides Elysium with the potential for early cash flow from BCU's Lloyds copper project in NSW. This cash flow would be used to finance Elysium's exploration programs in the Lachlan Fold Belt of NSW, Redmond and Horseshoe South in Western Australia and Malang in Indonesia.



Investment Thesis

Potential Early Cash Flow

Low up-front capital is the key to an early start up

Unlike many of the junior explorers at very early stages of exploration, Elysium has identified a potential source of early cash flow generation. The Lloyds Copper Project is small, but in its favour are low capital and operating cost estimates. In particular, the very modest upfront capital cost estimate of \$10.3m is not disproportionate to current market capitalisation of the company.

Tailings/Slag Re-Treatment Followed by Open Pit Mining

Low operating cost estimates should provide strong margins

The presence of a small copper tailings dump and two slag heaps at Lloyds provides early, readily accessible feed for a proposed 300,000tpa plant which, together with the subsequent treatment of hard rock open pit ore, is expected to produce up to 11,000t of copper in concentrate (plus gold and silver by-product) over a 4-5 year period. In addition to the very modest capital cost, the PFS indicated average cash costs (excluding any by-products) of less than A\$1.40/lb of copper in concentrate, providing a substantial operating margin.

Pre-Feasibility Study Indicates a Robust Project

Strong cash flow estimates and an NPV of \$53m

The pre-feasibility study conducted in 2011 established that the Lloyds Copper Project was economically viable based on prevailing metal prices at the time: A\$10,000/t of copper, A\$1,500/oz of gold and A\$30/oz of silver. The bulk of the revenue (~87%) is derived from copper, with some gold and silver by-product. Based on these prices, annual cash flows (after capital expenditure) range from \$15.9m to \$22.1m for the first four years. At a 10% discount rate (pre-tax), the Net Present Value (NPV) of the project is \$53.2m, with undiscounted net cash flow (pre-tax) of \$76.7m.

Project Cash Flow Still Positive at Current Metal Prices

At current metal prices, NPV is still around \$30m

At current metal prices and exchange rates (A\$7,620/t for copper, A\$1,346/oz for gold and A\$21.64/oz for silver at an A\$/US\$ exchange rate of 0.923), the annual cash flows are reduced to between \$10.3m and \$14.8m over the first four years. The NPV, at a 10% discount rate, is reduced to approximately \$31m.

Provided the technical parameters and cost estimates can be achieved, the project will still produce healthy cash flows at current metal prices.

Project Risk

Main risk perceived as metallurgical

Breakaway sees the main risks to the project as metallurgical. With short treatment campaigns for tailings and slag, there is little time to make plant adjustments to achieve optimum recoveries and concentrate quality. This could have an adverse impact on cash flows as well as putting pressure on working capital requirements.

Higher open pit grade supported by grade/tonnage curve

The PFS is based on open pit hard rock ore grading 1% Cu. The currently reported global Inferred resource has a grade of only 0.5% Cu. However, the grade/tonnage curve indicates that at a higher cut-off grade there is a component of around 1Mt at 1% Cu equivalent – consistent with the assumption in the PFS.



Cash Flow to Fund Exploration

Cash flow to fund ongoing exploration

The cash flow generated should provide funds to carry out exploration, particularly on the NSW tenements. First priority would be establishing additional feed for the mill. The tenements are also prospective for Lucky Draw-type gold deposits. However, the ultimate prize would be the discovery of a large copper or copper gold deposit similar to the McPhilamys deposit only 50 km to the north.

Early cash flow would also help to fund the greenfields exploration programme in Indonesia, which although still at a very early stage, has the potential to deliver very large copper-gold deposits.

EYM Takeover of Burraga Copper

Off-market offer for Burraga announced in August

On 30 August 2013, Elysium announced an off-market takeover offer for all shares and options in Burraga Copper Limited (BCU), an unlisted Australian public company, for a consideration of 6.5 EYM shares for every BCU share held and 1 EYM share for every BCU option held.

The offer is at a 56% premium to the total equity of \$4.7m raised and a premium of 262% of the stated equity value of \$2.8m as at 30 June 2013.

Offer closed, with acceptances for 99.8% received

The offer closed on 27 November 2013 with acceptances of 99.8% received. EYM will have issued 565.6m shares to BCU share and option holders. The total number of EYM shares post the merger will be 725.7m. Prior to any future capital raising, BCU shareholders will hold 78% of the merged EYM.

The Independent Experts Report determined the fair value of Burraga by reference to the value of recent capital offerings successfully undertaken by the company, adjusted for recent movements in the XGD Gold Index.

Valuation based on March 2013 issue price

Burraga was formed on 28 June 2010 with \$2.713m in start-up capital and 44m shares at an issue price of 5 cents per share. Over the period November 2011 to August 2012, a further 9.3m shares were issued at \$0.15 in three separate tranches. In October 2012, 1.650m shares were issued at \$0.001 (To directors in lieu of cash payments for services rendered). The most recent (and significant) issue was in March 2013, when 4.75m shares were issued at \$0.125 to raise \$0.594m. This was deemed by the Independent Expert to be the most appropriate price on which to base the valuation.

Unadjusted valuation of \$10.7m

Following the issue in March 2013, Burraga's total number of shares on issue was 85.7m. The value of the March issue was \$0.594m and the 4.749m shares issued represent 5.54% of total capital. The Independent Expert thus concluded that the unadjusted valuation was \$10.7m (\$0.594/5.54%).

XGD gold index used to adjust valuation

The XGD gold index, which includes companies in the gold sub-industry of the All Ordinaries Index, was used to adjust the base valuation. Despite the fall in the gold price during the period March to August 2013, the use of some form of explorer's index may have been more appropriate (but less observable and transparent), as the price decline at the small end of the market clearly exceeded the fall in the Gold Index.

Valuation reduced by 31%

The XGD gold index has decreased by 29% between March and August 2013 and by an additional 4% through to 12 September 2013. The Independent Expert used the mid-



point of the XGD index movement, in the August to September period, to give a decrease of 31%.

Adjusted valuation of \$7.35m

On the assumption that that Burraga's fair value had a natural correlation with the movement in the XGD index, the market value was inferred to have decreased by 31% from \$10.71m to \$7.35m during this period. A subsequent review of the resource statements and recent exploration activities by the Independent Expert supported the retention of the valuation.

Burraga had approximately \$0.520m in cash and cash equivalents at 30 June 2013.

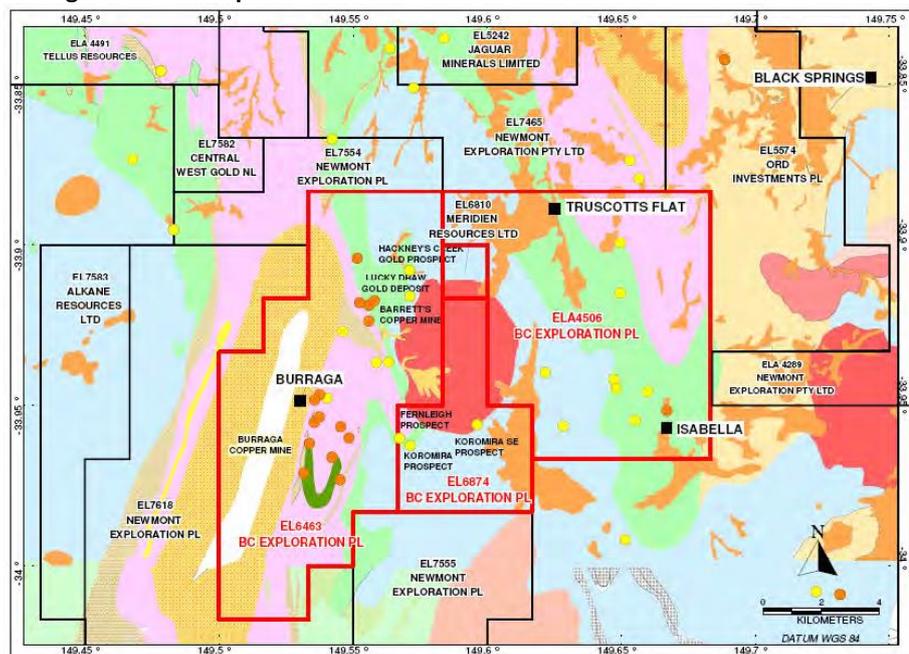
Burraga Copper Limited

Location & Background

183km² in Lachlan Fold Belt

Burraga owns three contiguous exploration licenses totalling 183 km² in the Lachlan Fold Belt of New South Wales. The tenements are located approximately 173 km from inner Sydney, 60 km south of Bathurst and 49 km by road from the town of Oberon (population 5,400) to the north west of Burraga. The licenses include the historic Lloyds Copper Mine, the Lucky Draw gold mine and the Hackney's Creek gold deposit. Burraga and its subsidiaries have been operating since 2010.

Burraga Location Map



Source: Burraga Copper Limited

Potential for copper and gold

EL 6463 spans an area of 84km² and has within its boundaries the village of Burraga, which is a short distance from the Lloyd's Copper Mine. The Lucky Draw Gold Mine is located in the north-east sector of the tenement. EL 6874 has an area of approximately 24km² and is characterised by the Burraga Granite and Rockley Volcanics. Preliminary geophysics and surface geochemistry on the Burraga Granite contact is planned to establish drill-ready targets for Lucky Draw-style mineralisation. EL 7975, with an area of approximately 75km², is also prospective for Lucky Draw-style deposits.

Since acquiring the exploration licences, the company has drilled and assayed 23 RC and 1 DD holes for 2,850m (to April 2013). Extensive data sets, including more than 1,000 DD



Additional drilling and re-interpretation of historic data

and RC holes, have been re-interpreted and re-logged and 10km² of surface soil geochemistry has been re-interpreted. Pit optimisation work at Lucky Draw, Hackney's Creek and Lloyds has been carried out and a PFS on a small scale operation at Lloyds completed.

Burraga Copper/ Lloyds Copper Project

Project History

Previous high grade copper production

Mining of narrow, high grade veins at Lloyds occurred intermittently between 1878 and 1961. During this period, 470,000t of ore was processed for the production of 19,443t of copper at an implied recovered grade of 4.14% Cu. Ore was sourced from a complex quartz-carbonate-sulphide vein system located within a significant altered shear zone. Lloyds was mined over 14 levels from an inclined shaft and remained open at depth on termination of the project. Tailings were deposited adjacent to the incline shaft portal. Auger sampling in recent years defined a resource of 234,00t at 1.2% copper, 0.3g/t gold and 10g/t silver.

Exploration and Geological Assessment

Historic exploration results being re-assessed

A substantial amount of historic exploration has been performed on the tenements. More than 10km² of surface geochemistry has been carried out and 255 diamond and RC holes have been drilled in the Lloyds Mine area. Unfortunately, many of the holes were drilled in a fairly haphazard fashion. Maximum depth of holes is 150m. Historic data is continually being re-assessed.

Copper mineralisation occurs as two quartz-sulphide veins, the main vein ranging in width from 0.3m to 12m. The workings extend ~700m from surface. The predominant sulphide mineral in the veins is chalcopyrite with sphalerite on the vein walls and pyrrhotite disseminated in the wall rocks.

Potential for larger copper systems

Geological work on the mineralisation and alteration in and near Lloyds Mine concluded that the Burraga deposits represent deep, low sulphidation epithermal Cu-Au grading to carbonate-base metals mineralised systems which, in turn, may be part of a larger copper porphyry system.

In 2011, the company reported that 5 RC holes totalling 498m had been drilled. Grades and mineralisation widths were on a par or higher than previous grades and widths. Best intersections were 37m at 1.20% Cu, 18m at 0.50% Cu and 12m at 1.10% Cu.

More recent drilling confirms earlier results

In February 2012, 18 RC holes (1,905m) and one DD hole (447m) were drilled on various targets in and around Lloyds Mine. The results confirmed that the Lloyds mineralised shoot extends approximately 180m down plunge from the last recorded mining level. A near surface resource has been estimated and north and northeast targets intercepted significant mineralisation, best intersections being 8m at 2.90% Cu, 10m at 1.40% Cu and 8m at 1.10% Cu.

New drilling programme to begin over Lloyds...

In September 2013, Burraga announced that it was to start a drilling programme over the Lloyds Mine tailings. The programme is intended to test the deepest part of the tailings dump, upgrade the current JORC Inferred Resource below existing drilling, source samples for further metallurgical testing and produce reserves sufficient for potential first year of production. The drilling is designed to firm up the first 12 months ore feed.

...as well as IP survey

An Induced Polarisation (IP) survey over the historic Lloyds Mine area has recently commenced. The intention is to detect any Lloyds look-alikes that may exist in the area,



as well as penetrating to sufficient depths to investigate the possibility that concealed magmatic sources may be present. The company is targeting potential 5-15Mt deposits at 1-2% copper; any concealed deeper resource could be larger.

Mineral Resources

Tailings resource of 234kt at 1.2% Cu

Auger sampling on a systematic grid (10m x 20m) was conducted in 2009, with the maximum drill depths of 9m sufficient to define the basement of the tailings on the peripheries but unable to reach ultimate depths at the core of the tailings. The quoted JORC Inferred Resource estimate (Table 1), which is based on historic records and auger drilling, totals 234,000t at 1.2% Cu. This falls well short of the 350,000t of tailings that were reported from historical production. Resources were calculated using Inverse Distance Squared methodology. A bulk density of 1.6t/m³ was used in the estimation.

Lloyds Mine: Tailings Resource

COPPER			EL 6463 Lloyds Mine Tailings					
Category	Cut Off (Cu %)	Tonnes	Cu (%)	Au (g/t)	Ag (g/t)	Cu (t)	Au (oz)	Ag (oz)
Indicated	0	125,000	1.2	0.3	10.0	1,500	1,200	40,100
Inferred	0	109,000	1.2	0.3	9.7	1,300	1,000	34,000
Total	0	234,000	1.2	0.3	9.8	2,800	2,200	74,100

Source: Burruga Copper Limited

In addition, Burruga established an inferred hard rock resource of 2.961Mt at 0.5% Cu, 0.1g/t gold and 6.2g/t silver, plus minor lead and zinc.

Inferred hard rock resource of ~3Mt...

The quantity of slag is unknown. However, the main heap covers an area approximately 100m by 100m. A second, smaller heap exists further north and covers an area of 100m by 20m. Earlier estimates, assuming an average depth of 5m and an SG of 2.5, produced a tonnage of 175,000t. For the purposes of the PFS, the following quantity and grades were used:

Lloyds Slag Inventory

...and 140,000t of slag

Burruga Slag Dumps						
Quantity (t)	Cu (%)	Au (g/t)	Ag (g/t)	Cu (t)	Au (oz)	Ag (oz)
140,000	0.90	0.12	4.6	1,260	540	20,705

Source: Burruga Copper Ltd

Pre-Feasibility Study (PFS)

PFS completed in 2011

The results of a PFS prepared by Paul Pyke were reported in August 2011. This study was based on re-processing tailings and slag dumps followed by the treatment of hard rock ore from an open pit operation. Production in the first year would be sourced from the tailings. The ensuing 12-40 months of production as defined in the PFS is expected to be sourced from the slag dumps and from the commencement of open pit operations on the remnant mineralisation at the surface of Lloyds.

Rougher concentrate recovery of 76.9%

Test work on a sample of tailings in 1969 using flotation was successful in recovering up to 83% of the copper into a rougher concentrate. Further metallurgical test work was conducted on two auger samples of tailings in May 2011. The average rougher flotation copper recovery for the samples was lower at 76.9%, possibly reflecting increased oxidation that had occurred in the intervening years. A further metallurgical sample from the surface of the slag dumps returned a rougher concentrate recovery of 70.6%.

Overall copper recovery of 67.3%

Total copper recovery (locked cycle) for the tailings samples (average head grade 1.18% Cu) was 67.3%, with gold recovery of 74.2% and silver recovery of 71.9%. Concentrate grade was 24.5% Cu. For the slag sample, total recoveries were 54.4% for copper, 67.5%



for silver and 14.7% for gold. A conceptual process circuit was developed based on the metallurgical information available from the test programme.

Copper recovery used for each of the feed sources is not disclosed in the PFS, but overall recoveries increase from 65% in year 1 (tailings and slag) to 90% in year 4.

Conventional open pit mining

Mining of ore would be by conventional open pit methods using drill and blast, loading by excavators and off-highway tuck haulage. Mining to a depth of 150m at a 2:1 waste:ore ratio has been assumed. The processing circuit (comminution followed by froth flotation) would be the same as for the tailings, with the inclusion of additional milling capacity for the slag and hard rock.

Total capital cost estimate is below \$13m

Two throughput options were considered – 150,000tpa and 300,000tpa. Initial plant and infrastructure costs ranged from \$8.5m to \$10.3m, and \$11.3m to \$12.9m including plant upgrades. For the 300,000tpa option, the upfront capital cost estimate (including metallurgical test work and permitting) was \$10.3m. The plant upgrade referred to above would add a further \$2.9m and additional tailings storage a further \$1.0m. Total capital cost of the project (including a residual capital return of \$1.3m) has been estimated at \$12.9m.

The project schedule requires 24 months before production commences. More than half of this time, 13 months, is required to obtain the necessary approvals before site construction works could commence.

Estimated operating costs are shown in the table below. Total unit operating costs for the 300,000tpa option range from \$16.30/t (tailings) to \$26.60/t (open pit ore).

Unit Operating Costs

Unit operating costs range from \$16.30/t to \$26.60/t...

Item	Tailings (\$/t)		Slag (\$/t)		Ore (\$/t)	
	150k	300k	150k	300k	150k	300k
Mining	3.00	3.00	3.00	3.00	12.00	9.00
Processing	12.00	6.95	16.00	10.30	16.00	10.30
G & A	1.80	1.00	1.80	1.00	1.80	1.00
Concentrate Charges	5.65	5.65	5.65	5.65	6.20	6.20
Reclamation	0.10	0.10	0.10	0.10	0.10	0.10
Total	22.55	16.30	27.05	20.05	36.10	26.60

Source: Burruga Pre-Feasibility Study

...implying an average cash cost of \$1.39/lb

The PFS did not specifically report cash production costs. However, based on reported total operating costs plus concentrate transport, treatment and refining charges, the average cash cost for the 4.4 year life has been calculated at \$1.39/lb of copper in concentrate. Costs range from \$1.09/lb (yr 1) to \$1.56/lb. There is potential for this cost to be further reduced if by-product revenue is taken into account.

Revenue was based on a copper price of A\$10,000/t, gold price of A\$1,500/oz and silver price of A\$30/oz.

Project NPV of \$53.2m

A cash flow model was developed for the two throughput options. For the 300,000tpa option, total net cash flow for the project (pre-tax, but after all capital expenditure) was \$76.7m. At a 10% discount rate, the Net Present Value of the project was \$53.2m.



PFS ASSUMPTIONS SUMMARY (Based on 300,000tpa)

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.% 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: Burruga Pre-Feasibility Study

The PFS concluded that:

- the economics of re-processing tailings and slag were positive
- project economics would be enhanced by toll treating at the nearby Peelwood plant under a tailings/slag only scenario
- there is a significant improvement in economic outcomes if a further 1.0Mt of ore at 1.0% Cu is factored in
- the 300,000tpa plant was the preferred option yielding the greatest NPV
- Additional metallurgical test work was required on samples of tailings, slag and ore

Lucky Draw Gold Mine

High grade gold producer

The Lucky Draw Gold Mine 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 ozs, see below) is largely contained in the pod of unmined mineralisation to the northwest of the pit.



MINERAL RESOURCE STATEMENT

GOLD

Existing small gold resource

Deposit	Category	Cut off		Au (g/t)	Ounces
		(Au g/t)	Tonnes		
EL 6463—Lucky Draw	Inferred	0.5	470,000	2.1	31,600
EL 6463—Hackney's Creek	Inferred	0.5	2,210,000	1.4	101,800
Total	Inferred	0.5	2,680,000	1.6	133,400

PARAMETERS

Deposit	Estimation Method	Data Spacing	Data Type	Grade	Bulk
				Top-Cuts	Density
EL 6463—Lucky Draw	Ordinary Kriging	25 x 25 m	RC Drilling	25 gpt Au	2.6 t/m ³
EL 6463—Hackney's Creek	Ordinary Kriging	50 x 50 m	RC Drilling	—	2.6 t/m ³

Source: Burruga Copper Limited

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. Some of the deeper mineralisation appears to be associated with pyrrhotite.

Limited drilling along strike

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.

Weak magnetic anomalies associated with deposits

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 and there are numerous anomalies of a similar magnitude.

The primary targets for gold will be on the Burruga Granite contact which hosts the Lucky Draw and Hackney's Creek deposits. A resource in excess of 500,000 ounces is believed to be necessary to justify the construction of processing facilities.

Risks Relating to Burruga

The risks relating to Burruga are no different to any exploration/development company. Some of the potential risks are set out below; however the list is by no means exhaustive.

- **Usual financial and economic risks.** These include interest rates, changes in taxation laws, borrowing risk, domestic and international economic conditions, the state of equity markets and any changes in Australian (and Indonesian) government policy.
- **Commodity price risk.** Like all resource companies, commodity prices not only affect share pricing and sentiment but can have a significant adverse effect on exploration and development activities as well as the ability to fund future activities.
- **Exploration success.** Despite the company's best efforts, there is no guarantee that future exploration will translate into technical success and that technical successes can be translated into economically viable projects.
- **Additional requirements for capital.** Burruga will require additional financing, both for ongoing exploration and for the advancement of its existing projects and ongoing exploration. If unable to source additional funds as needed, the scope of its business plans may be reduced or curtailed.



- **Development risks.** Even the company's most advanced project is still at the PFS stage. In addition to any technical risks, the company requires environmental approvals and a mining licence in NSW which can be challenging and could cause delays.
- **Operational risks.** Assuming approvals and the subsequent development of Lloyds, the company is subject to normal mine and processing operational risks. These include, but are not necessarily confined to, grade (not meeting resource/reserve grades), recoveries (tailings in particular), achieving mining and processing capacities, quality and saleability of concentrates and containing operating costs.
- **Environmental risks.** Operations and projects are subject to State and Federal laws and regulations regarding environmental issues. Many activities cannot be carried out without prior approval from and compliance with all relevant authorities.

Malang Project, East Java, Indonesia

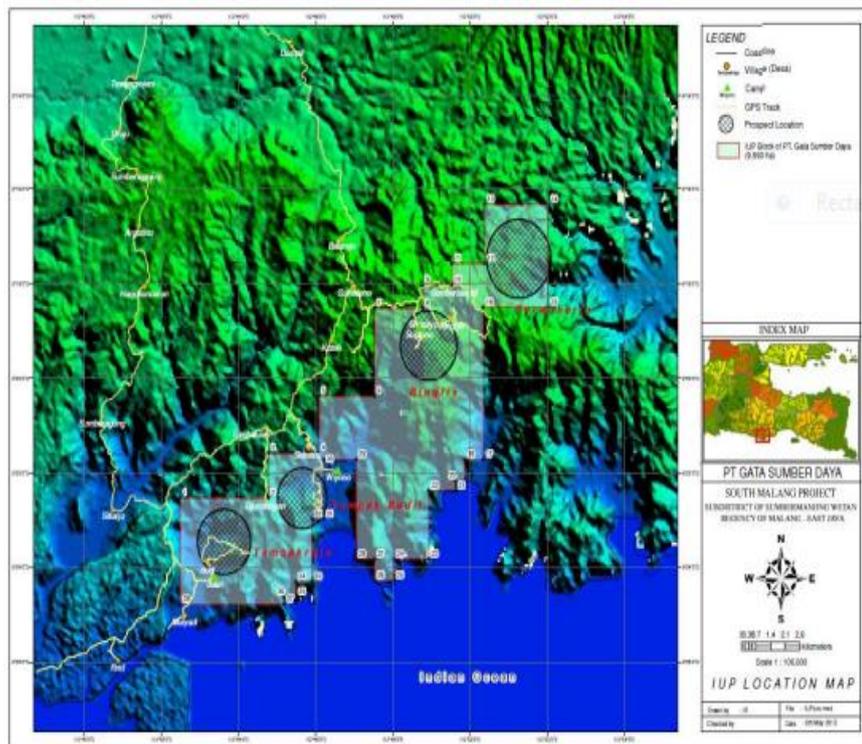
HOA signed with Gata to earn 67.5% in East Java EL

In August 2013, Elysium agreed to terms of a Heads of Agreement with PT Gata Sumber Daya ("Gata") to earn 67.5% of the Malang Project on East Java in Indonesia by advancing the exploration efforts of the copper and gold targets. Under the terms of the agreement, EYM or its Australian subsidiary has agreed to provide up to A\$2m over a 3 year period upon Gata securing the exploration permit, as well as other conditions precedents being met.

South Malang lies on highly prospective geological belt...

Gata is headed by a highly regarded and experienced local geologist Adi Maryono and will provide local exploration and administrative expertise on Indonesian projects. Through its experience in discovering and work on many large copper-gold deposits in the region, Gata should provide Elysium with a solid advantage. The South Malang district lies on the same prospective belts as the enormous Batu Hijau, Elang and Tujuh Bukit projects, all multi-million ounce gold or multi-billion pound copper deposits.

Malang Location Map



Source: Elysium Resources Ltd



*...prospective for
epithermal gold-silver
and porphyry copper*

The four northeast trending prospects are contained within a single 100km² concession named after the nearest city of Malang some 60km to the northwest. Large alteration footprints represent gold-silver-copper exploration targets of overlying high sulphidation epithermal gold-silver and possibly underlying porphyry gold-copper deposits. The four identified prospective areas are geochemically characterised by elevated Au, Cu, As and Sb which are typical pathfinders for high sulphidation epithermal mineralised systems.

Exploration will focus on systematic stream sampling, mapping and soil sampling along with geophysical surveys over the four target areas defined to date. This will be followed by drilling if the results are encouraging.

Horseshoe South, Western Australia

*Small tenement south of
Horseshoe Lights Mine*

This tenement is 5.5km² and lies 4km to the south of the Horseshoe Lights Mine which is a Volcanogenic Massive Sulphide (VMS) style high grade copper ore body. Over the past few years, Horseshoe Metals Ltd (ASX: HOR) has been delineating extensions to the south-plunging ore body with a consistent flow of encouraging results to the market.

Due to its proximity to an existing high grade copper ore body which has a recent economic production history and continues to report excellent drilling results, Elysium considers this tenement a good fit to its strategy. Existing information is being reviewed, including the re-processing of results from an airborne geophysics survey flown in 2011. This will determine whether a follow-up soil sampling programme is warranted over areas of interest.

Redmond, Western Australia

The project is centred on the Blue Gum gold prospect and lies 24kms south west of Mt Barker in Western Australia. Historical workings were reported by newspapers in the 1890's, but this pre-dates official Mines Department records for the area and there are consequently no official mining lease records.

Previous management had not met its expenditure obligations on this tenement. To allow the new management sufficient time to access this tenement adequately and whether modern exploration methods would be of benefit, an expenditure exemption request was lodged with the Department of Mines and Petroleum.



Directors

Non-Executive Chairman

Michael Tilley

Michael Tilley is the Non-Executive Chairman of EYM and a founding director of Terrain Capital Limited. He has worked in the accounting and finance industries for more than 40 years and has a broad range of senior advisory and project management experience in all facets of corporate finance. His primary responsibility is the strategic leadership of Terrain Capital's business. Michael is or has previously served as director of Yarra Valley Water Limited, a member of Vision Super Pty Ltd and the Industry Fund Management Pty Ltd Investor Advisory Board. Michael has also served on the boards of a number of exploration and mining companies during his long career and was a director of North Queensland Metals between 2006 and 2010.

Executive Director

Maxim Carling

Maxim Carling is the founding partner of Carling Capital Partners Pty Limited, the holder of AFSL No 279022. Maxim has more than 33 years of experience in corporate finance and has advised a range of companies in the mining industry during his career. He has successfully managed the structuring and raising of capital from early stage to advanced project finance and has advised extensively in the area of mergers and acquisitions. Maxim is a director of a number of private companies and has served on public company boards.

Independent Director & Company Secretary

Mark Ohlsson

Mark Ohlsson has been involved in business management and the venture capital industry for more than 30 years. His particular expertise is in assessing venture capital and business proposals, all aspects of contractual negotiations together with finance and management reporting requirements. His experience spans a wide range of industries and activities, which includes a number of appointments as Company Secretary of ASX listed companies. He is a Fellow of CPA Australia and a Registered Tax Agent. He is non-executive director of Australian Oil Company Limited (ASX: AOC).

**Director profiles adapted from Bidder's Statement*



Analyst Verification

We, Grant Craighead and Basil Burmeister, 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 Limited 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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