

**QUARTERLY REPORT FOR THE PERIOD ENDING
31 DECEMBER 2014**

HIGHLIGHTS

- Empire in discussions for sale of its 60% interest in Penny's Find gold deposit near Kalgoorlie in WA
- Empire increases barite presence in Africa
- Potential to generate maiden cash flow by supplying locally mined barite to Africa's large offshore oil industry
- Capital raising of \$600k to fund barite opportunity and working capital

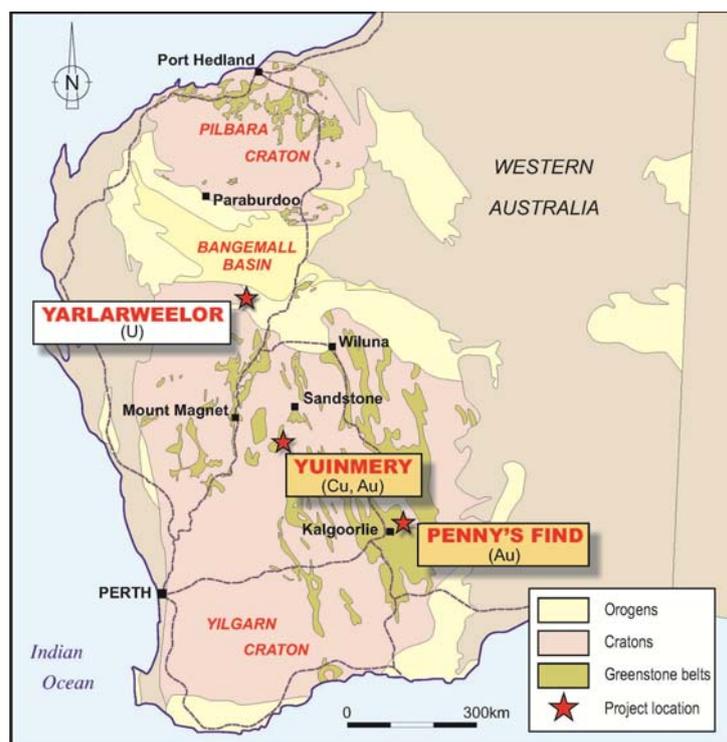


Figure 1 : Project Location Map - Western Australia

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INVESTMENTS

Barola Resources Limited (Empire 49% interest)

Empire Resources announced to the ASX on 22 October 2014 that the Company was entering into a joint venture opportunity in Angola in western Africa focusing on one of the principal ingredients used in that country's large offshore petroleum industry, barite.

Empire has now emerged with a 49% stake in a new company set up to commence replacing Angola's currently imported supplies of barite with a locally mined and produced product.

To achieve its objective, Empire entered into an agreement with unlisted Australian Company, Mandara Resources Pty Ltd, to establish the Angolan operation. Empire holds a 49% interest and Mandara a 51% interest in Barola Resources Limited, a newly established unlisted Australian entity to manage the Angolan barite business.

To fund its interest, Empire placed 55.5 million of its ordinary shares at a price of A\$0.009 per share to raise \$500,000 before the costs of the issue. Details of the funding arrangement were reported in the 22 October ASX announcement.

Angola is a major petroleum producer and operates one of Africa's largest offshore oil industries. Its oil industry uses barite as an essential component of drilling muds in petroleum wells but relies on 100% barite imports.

Mandara Resources has recognised an opportunity to provide the expanding Angolan oil industry with domestically derived barite at a significant discount to imported material. Low cost open-cut mining, an already established local market, reduced transportation costs, no import duty and Angolan Government support will significantly benefit in-country production of barite.

The initial focus by Barola will be on barite deposits located proximal to good infrastructure including roads, towns and the recently re-commissioned east-west railway which links the area to Atlantic deep water seaports.

This mining opportunity has the potential to provide early and maiden cash flow to Empire Resources in addition to its existing but longer term advanced copper and gold projects in Western Australia, including the wholly-owned Yuinmery high grade Cu-Au project.

Following the establishment of Barola Resources, the Company is continuing to review barite opportunities in other African countries.

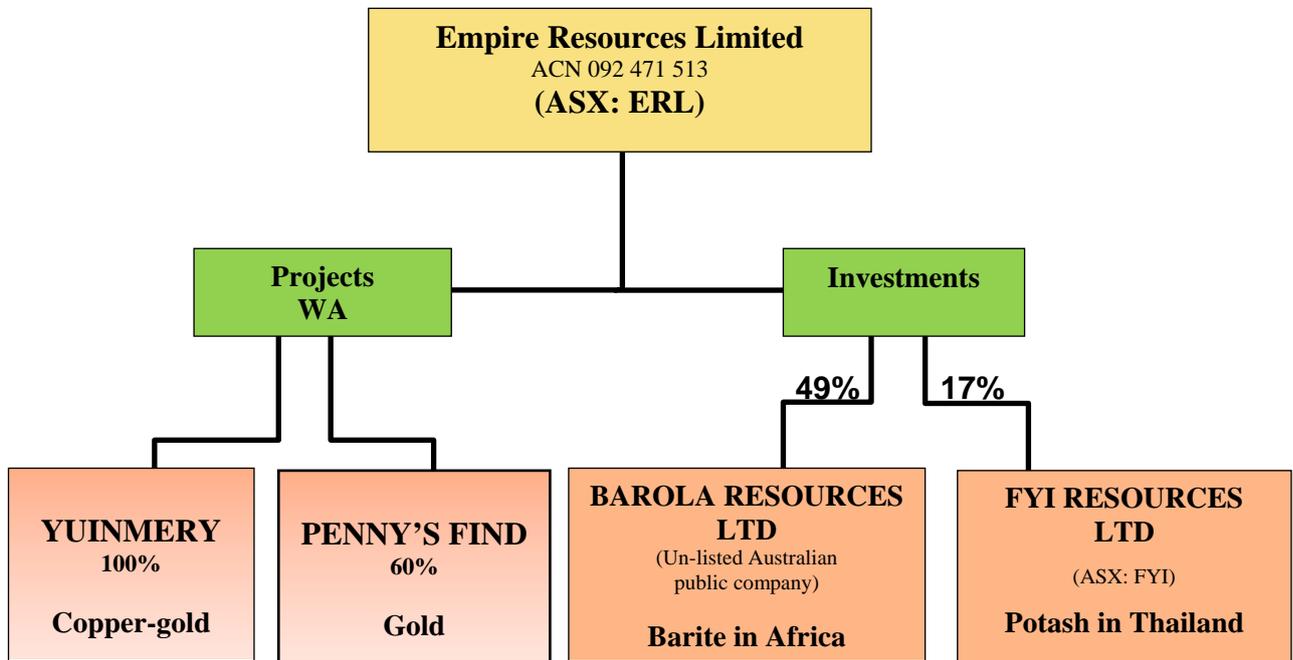
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FYI Resources Limited (Empire 17% interest)

ASX-listed FYI Resources Ltd (ASX Code "FYI") owns the Yarlarweelor uranium project located 125km north of Meekatharra in Western Australia. FYI reported no field work was undertaken during the quarter.

FYI Resources also has applications pending for potash tenements in Thailand covering two separate project areas. Planning of drill programmes was commenced during the quarter in anticipation of the tenements being granted shortly.

CORPORATE STRUCTURE



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REVIEW OF OPERATIONS:

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

The Company holds a 60% interest in the Penny's Find gold project (Figure 2) located 50km east of Kalgoorlie in Western Australia. High grade, coarse gold mineralisation hosted in quartz veins is located on the project area. Further details on the deposit are available from previous quarterly reports.

After the quarter and early in January 2015, Brimstone Resources Ltd (40% interest) completed a small RC drilling programme on the Penny's Find tenements testing areas of historical gold workings. A total of 7 holes, 604m of drilling were completed. Assay results are pending.

Empire is in advanced discussions with potential buyers of its 60% interest in the project.

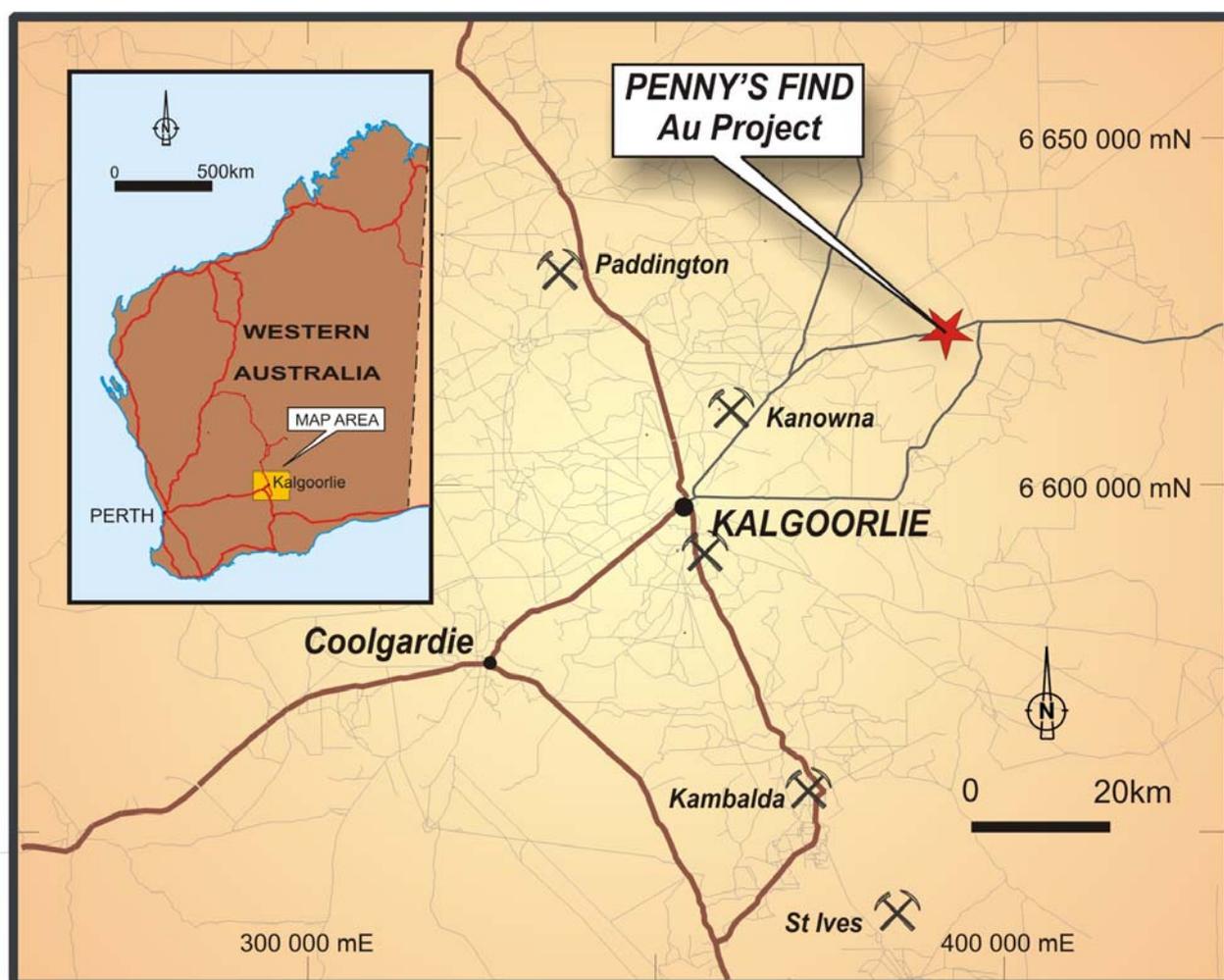


Figure 2 : Penny's Find Location Plan

Yuinmery (WA): Copper - Gold Project

(100% interest and option to earn 91.44% interest on adjoining tenements)

The Yuinmery project (Figure 3) is a volcanogenic massive sulphide (VMS) copper - gold project located 80km southwest of Sandstone, WA. The Company has already outlined a copper-gold deposit at the **Just Desserts** prospect as reported in previous quarterly reports.

A second VMS deposit has also been discovered at the **A Zone** prospect, 1.3km north of Just Desserts.

Discussions are continuing with La Manche on extending the terms of the option agreement over adjoining tenements north of Just Desserts.

No field work was undertaken during the quarter.



Figure 3 : Yuinmery Project Location

Joanna (WA): Gold Project

To minimise expenditure commitments, the Company has withdrawn from the Joanna project located in the Canning Basin.

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**DAVID SARGEANT
MANAGING DIRECTOR**

January 2015

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NOTES ON BARITE

Barite, or baryte, is a naturally occurring mineral composed of barium sulphate (BaSO_4), generally white in colour and distinctive because of its high density.

Due to its high density, 80% of worldwide production of barite is used as a weighting agent for drilling fluids in oil and gas exploration to suppress high formation pressures and prevent blowouts.

The remaining 20% of global production has a wide range of uses from medical applications, electronics, ceramics, and as fillers in the car, rubber and paint industries.

World production in 2013 was 8.5 million tonnes. China accounts for around 40% of world production with India, the United States, Morocco and Turkey accounting for a further 40%.

ANGOLAN OIL INDUSTRY

Oil is Angola's most important industry with the country alternating with Nigeria as Africa's largest producer. Angola's oil fields produce about 1.7 million barrels a day of light, sweet crude oil which is perfect for processing into petrol, kerosene and high quality diesel.

The continental shelf off the coast of Angola has been shown to be rich in oil ever since the first offshore discovery was made in 1966. Since then, exploration has taken place along the entire coastline with many substantial discoveries. More recently, significant exploration has started to move into deep water where it is thought similar potential exists as in Brazil, where large oil deposits have recently been discovered in an identical geological setting.

Angola has a proven record in reliable oil production and offers a more stable and secure environment than many of its oil competitors on the west coast of Africa resulting in all the world's major oil companies now being active in the country e.g. Total, ENI, Chevron, BP and ExxonMobil.

Currently the oil industry in Angola has to import 100% of the barite it uses to drill wells, the nearest producing countries being Morocco and Algeria in north Africa.

Mandara Resources has recognised an opportunity to provide the expanding Angolan oil industry with locally derived barite at a significant discount to imported material. Reduced transportation costs, no import duty and Angolan Government support will significantly benefit in-country production of barite.



Tenement Holdings at 31 December 2014

PROJECT	TENEMENT	PERCENTAGE	COMMENTS/
	NUMBER	INTEREST HELD	CHANGES SINCE LAST QUARTER
		31 December 2014	
PENNY'S FIND	E27/410	60	
	E27/420	60	
	M27/156	60	
	P27/1713 to P27/1731 incl.	60	
	P27/1814	60	
	P27/1922	60	
	P27/1923	60	
	P27/1962	60	
	P27/2007	60	
	P27/2008	60	
YUINMERY	M57/265	100	
	P57/1214	100	
	P57/1215	100	
	P57/1216	100	
	P57/1217	100	
	E57/766	100	
YUINMERY	E57/681	0	Option to earn 91.44%
OPTION	P57/1130	0	Option to earn 91.44%
	P57/1131	0	Option to earn 91.44%

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