



ACN 092 471 513

29 June 2018

Dear Empire Resources shareholder,

Proposal to replace entire Empire Board

You should have received a notice of general meeting to be held on 24 July 2018, seeking the resolution of shareholders to replace the current Empire Board, comprising David Sargeant, Adrian Jessup and myself with 3 other directors as proposed by the requisitioning shareholders.

Empire, as one of Western Australia's newest gold miners, is poised to enter the 2018-2019 financial year off the success of initiating and completing the open-pit mining operation at its 60%-owned Penny's Find gold mine, 50km northeast of Kalgoorlie.

The completion of an exhaustive Definitive Feasibility Study undertaken over the past six months is imminent. The Definitive Feasibility Study is being undertaken to determine the potential of underground gold mining at the Penny's Find project.

Both actions represent the success of Empire under its Board and Management over the past 12 months to move it from an explorer to miner.

Strategically, Empire retains robust exposure to gold and copper through Penny's Find and the Yuinmery copper-gold project in WA.

It is disturbing that the strategy to deliver these milestones is now being frustrated by the actions of a small group of dissident shareholders, some of whom are related to Brimstone Resources Ltd (**Brimstone**), the owner of the remaining 40% interest in Penny's Find. Included in the dissident shareholders are Mandara Capital Pty Ltd and PRB McDonald Pty Ltd <The PRB Family A/C> of which Messrs Paul Williams and Peter McDonald are respectively directors and/or shareholders. They are also directors of Brimstone.

One concern is that Brimstone failed to pay (and still has not paid) more than A\$1 million owed by it to Empire. This was due to be paid on Wednesday, 6 June 2018.

The amount owed to Empire by Brimstone is for its unfunded contributions and related to development costs for the Penny's Find gold mine. Empire has security over, amongst other things, Brimstone's interest in Penny's Find to secure payment of the debt.

Legal action commenced by Brimstone to restrain Empire's rights to exercise its security have been totally unsuccessful including an unsuccessful appeal in the Supreme Court. That appeal was rejected out of hand by the Court and Empire was not even called upon to make any submissions. Brimstone is required to pay Empire's costs of the original injunction application and the Court awarded costs of the appeal against Brimstone.

PRINCIPAL AND REGISTERED OFFICE

53 Canning Highway
Victoria Park WA 6100

Tel: +61 (0)8 9361-3100
Fax: +61 (0)8 9361-3184

For personal use only

Challenging Empire's right to recover the debt, the failure by Brimstone to pay their debts and the attempt by shareholders related to Brimstone to change the composition of the entire Board, should be seen by shareholders as no more than a tactic on the part of Brimstone designed to avoid or defer payment of its debt, or even, to put its representatives in control of that process.

The Court's decisions reinforces the belief of the Empire Board that the court applications by Brimstone, whose related parties are currently seeking to remove the entire Empire Board of Directors – have been nothing short of deliberately obstructive and instigated for the benefit of those interests and not Empire as a whole.

None of the dissident shareholders self-motivated actions to date show any indication of acting in the interests of ALL Empire's shareholders.

The Empire Board strongly recommends that shareholders totally reject all proposals by the dissident shareholders and vote against every recommendation in the Notice of Meeting.

Why you should reject the Resolutions

The dissidents wish to replace the entire Board, comprising David Sargeant, Adrian Jessup and myself with their own nominees.

The request, made by a total of 12 shareholders only, proposes to elect three new Directors: Mr Stephen Allen, Mr Brett Fraser and Mr Christopher Banasik.

The Directors of Empire regularly review the make-up of the Board to ensure that its total skills, knowledge and experience suit the requirements of the Company.

In recent times, the Board has actively searched for additional capabilities, particularly in the areas of project development and operations along with corporate experience.

This is in keeping with Empire's transition to mining, and particularly, the imminent final investment decision to undertake underground mining operations at Penny's Find. This decision is, underpinned by its 2012 JORC compliant Indicated and Inferred resource estimate of 248,000 tonnes @ 7.04g/t gold¹, extending from the 85-metre deep bottom of the open-pit to at least 250 metres below surface.

I would emphasise that this decision has not yet been made and any such decision is dependent upon a number of factors including ownership of the resource, financing and technical analysis.

1- Resource statement on page 5

The Proposed Directors

Mr Stephen Allen

A further key requirement for any company Board is independence.

The Board believes that a significant conflict of Interest exists with Mr Allen who is currently an Executive Director of RFC Ambrian, a Perth-based corporate finance advisory and corporate broking services agency operating in the mining sector.

Mr Allen, in previous discussions with Empire's management, indicated that his willingness to be involved with Empire was conditional on Empire granting a mandate to RFC Ambrian to provide corporate advisory and equity raising services. These are services for which RFC Ambrian would receive fees

The corporate strategy proposed by RFC Ambrian for Empire was for Empire to merge with Brimstone in return for their 40% equity in Penny's Find plus additional surrounding tenements. This merger would have effectively handed control of your company to Brimstone Resources.

Empire's management has previously reviewed the additional tenements held by Brimstone Resources and believes they are of little value. In addition, a highly dilutive equity raising of approximately \$4 million was also mooted by Mr Allen and it is Empire's understanding Mr Allen has minimal or no previous first-hand board or management experience in any mining company.

It is also to be noted that Mr Allen was reported in the press as saying that Brimstone's defence to payment of the debt to Empire was "bona fide". The nature of the recent court decisions against Brimstone reveals this statement by Mr Allen to be totally incorrect.

Mr Brett Fraser

Mr Fraser has corporate experience in the mining industry but with a particular focus on designing financial models for equity raising or corporate transactions. As previously stated, your Company's immediate Director capability requirements are in *project development and operations*, along with the need to be clearly independent of any related party interests.

Mr Fraser has aligned himself with interests associated with those of Brimstone.

Mr Christopher Banasik

The Board of Empire Resources remains open to inviting Mr Christopher Banasik onto the board as a Non-Executive Director at some future date, however at present he would not add significantly to the skill set of the current Directors.

Mr Banasik has aligned himself with interests associated with those of Brimstone.

Penny's Find Open Pit

It is the current management team, as operators of the Penny's Find joint venture, who have successfully delivered the project's first open-pit as an income producing venture. This outcome, while not large-scale, was achieved with a focus on the larger, longer term opportunity Penny's Find offers as an underground operation.

The net returns to Empire from the open-pit have allowed it to minimise dilutive share raisings and to self-fund the underground feasibility study. This will allow Empire to be in a position in the new financial year to make an investment decision about a potentially larger, higher return underground gold mining project which will have greater appeal to the broader equity, broker and investment market communities.

Empire does not hide from the fact that Empire has seen its share price under pressure. It is Empire's view that most juniors, whether explorers or gold miners, have seen their share price under pressure. However, there is a strategy to achieve long-term value as we explore the potential of Penny's Find.

A Comparison of Visions

Your Board has a clear and bold vision to continue to build Empire as a gold miner, while optimising our in-house exploration expertise (which has a track record of new high-grade metals discoveries), to add to the gold inventory for Penny's Find and to commercially exploit our Yuinmery copper project.

Our assessment of the dissidents' requisition is that it:

- offers little more than a fee earning opportunity for related parties;
- was a delaying tactic for payment of substantial monies owed to your Company; and
- is an attempt to gain control of Empire cheaply without any fair return to ALL the shareholders and influence the dispute with Brimstone.

Your Board is firmly of the opinion that any reconstruction of the Empire's board structure which does not address the best interests of ALL shareholders and is underpinned by a sound forward gold mining strategy, will turn Empire into a listed entity weighed down by market sapping negatives.

Critically, it would seem the Brimstone interests and requisitioners have little forward vision for Empire other than to revert, at best, it to being a minerals explorer. This is a substantial stepdown from the Company's achievements to make the first, if at times challenging, in-roads into mining – a sector that attracts far more intensive interest from equity markets than applies to exploration.

In summary, your Board recommends the **Total Rejection** of all resolutions proposed by the requisitioners. Empire, under its current Board and Management, has brought the Company through the downturn in metals commodities to emerge with projects able to be matured as advanced exploration plays, or, as in Penny's Find case, the delivery of maiden open-pit mining outcomes. The prospect of underground mining at Penny's Find offers a more secure, longer term future for Empire.

As a result of this performance by your current Board and Management, your Company has funds in the bank, and development options for its future.

I invite you to continue your Empire journey with our strategy and management and reject the proposals.



Lee Christensen
Non-executive Chairman

For further information on the Company

Phone: +61 8 9361 3100

www.resourcesempire.com.au

Penny's Find Gold Mine Reportable in situ Mineral Resource below ultimate pit design Fresh mineralisation only <small>(previously advised to ASX 13 December 2017)</small>			
Class	Tonnes	Au g/t	Ounces
Indicated	147,000	8.06	38,000
Inferred	101,000	5.57	18,000
TOTAL	248,000	7.04	56,000

Competent Person - Mineral Resource Estimate

The information in this release concerning the Mineral Resources for the Penny's Find Deposit 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.

For personal use only