



**EMPIRE**

**RESOURCES LIMITED**

ACN 092 471 513

**ANNUAL REPORT 2007**







## 2. CHAIRMAN'S REPORT TO SHAREHOLDERS

Empire Resources Limited ('Empire' or 'the Company') was admitted to the official list of the Australian Securities Exchange Limited ('ASX') on Wednesday, 31 January 2007. The Company was founded on a solid exploration portfolio, with both geographic and commodity diversity incorporated to mitigate risk. Further, Empire's portfolio incorporated projects which, in the short term, could produce cash flow, as well as others that, in the longer term, may provide the basis of a significant commodity house if exploration proves successful.

Between them, Empire's management team have more than 125 years' experience in mineral exploration and development of mining projects. This team has been actively expanding the Company's portfolio to increase value for its shareholders.

Although the Company has been listed for only a short period of time, it has already made significant progress towards expanding the resource at Penny's Find, located within an historic goldfield close to Kalgoorlie. As a result, Empire may soon be able to proceed towards commercial development of the project.

In addition, the Company has planned a number of significant drilling campaigns for the first half of 2007-08. These will take place at the Torrens Project (Olympic Dam style copper-gold-uranium targets in South Australia), Yuinmery (polymetallic volcanogenic sulphide mineralisation in Western Australia) and Troy Creek (copper-gold-PGM in Western Australia).

Empire's Torrens Project lies within the geological corridor that also contains the Olympic Dam, Prominent Hill, Carrapateena and Punt Hill projects – all major iron oxide-copper-gold+uranium ('IOCG') deposits. Regional surveys indicate a similarity between these projects and Torrens when comparing the principal geophysical indicators; that is, magnetic and gravity signatures. Therefore, Empire has completed a new gravity survey to establish IOCG drill targets at Torrens.

The Company believes its Troy Creek Project, located near the northern boundary of the Yilgarn Craton (Western Australia), exhibits similar geophysical characteristics to those described in the paragraph above, making it a target for IOCG-style mineralisation; in addition, platinum group metals ('PGM') have been found in this environment.

At Empire's Yuinmery Project (also in the Yilgarn Craton), previously identified mineralisation contains gold and copper and demonstrates similarities with volcanogenic massive sulphides contained within projects such as the giant Golden Grove deposit, approximately 200 kilometres to the east. Currently at Yuinmery, the Company is targeting high-grade copper-gold mineralisation within eight drill targets due to be drilled in 2007-08.

Recent additions to Empire's portfolio include the Larkin's Find and Yarlalweelor Prospects, both of which add further nickel and uranium mineralisation to the Company's asset base. Larkin's Find comprises a modest nickel resource, one that Empire believes can be easily expanded. In the late 1970s, Agip Australia Pty Ltd identified primary uranium mineralisation at Yarlalweelor, which Empire plans to test using ground-based radiometric surveying and drilling.

Despite its short history in the public domain, the Company has taken major steps towards becoming a mineral producer. Empire's definition of exploration targets has continued to improve, as has its resource potential, and we believe both will contribute to an exciting future.

I thank you – the Company's shareholders – for your support, and look forward to maintaining a strong relationship with all of you in the future.

A handwritten signature in black ink, appearing to read "Adrian Griffin".

**Adrian Griffin**  
Chairman



### 3. REVIEW OF OPERATIONS

#### CORPORATE OBJECTIVES

Empire's long-term objective is to become a successful mining house by participation in the discovery and development of one or more world-class mineral deposits.

The short-term objective is to enhance value and obtain a cash flow from the Company's existing tenements in Australia, which have potential for gold, copper, uranium, nickel and PGM deposits. This value may be realised by identifying targets, delineating resources and entering into mining operations, as well as entering into significant farm-out or royalty arrangements or acquiring new opportunities to provide an early cash flow.

Empire has, since listing, primarily focused on the Penny's Find gold deposit, where an expanded resource has been defined. A pre-feasibility scoping study has commenced, to indicate which development or sale options provide the optimum economic return for the shareholders.

#### REVIEW OF EXPLORATION

In the short period since listing on the ASX on 1 February 2007, Empire has undertaken a vigorous exploration program. This has involved a major drilling program at Penny's Find, resulting in the definition of a gold resource at an improved tonnage and grade, together with preliminary metallurgical and engineering studies of this resource. Various geophysical surveys – such as gravity, ground electromagnetic and airborne magnetic and electromagnetic surveys – have been completed at the Yuinmery, Torrens and Troy Creek Projects, to accurately define drill targets. A new property at Yarlalweelor, containing uranium mineralisation, was acquired and a joint venture was entered into on a new property at Larkin's Find, containing a nickel-cobalt laterite resource as well as untested gold potential.



*Empire's projects in South and Western Australia.*





### PENNY'S FIND

The Penny's Find Project, situated in the Eastern Goldfields of Western Australia, lies 50 kilometres northeast of Kalgoorlie and 30 kilometres from the Kanowna Belle Gold Mine.

Within mining lease M27/156, gold mineralisation is associated with quartz veining developed at or near the northwest-trending sheared contact between volcanic rocks of intermediate to mafic composition and sediments. Strong weathering in the area has resulted in irregular surface leaching of gold and some supergene gold enrichment.

In the year to June 2007, the Company completed three reverse circulation drill-hole programs consisting of 78 holes totalling 7,245 metres. Most of this drilling was completed in the vicinity of some old prospecting pits and adjacent to a small, previously defined resource. The drilling resulted in numerous wide and/or high-grade gold intersections that included the following.

PFRC07-01	23 m @ 10.02 g/tAu from 33 m
PFRC07-03	5 m @ 9.60 g/tAu from 46 m
PFRC07-12	19 m @ 9.36 g/tAu from 19 m
PFRC07-15	8 m @ 11.07 g/tAu from 75 m
PFRC07-17	17 m @ 6.88 g/tAu from 41 m
PFRC07-32	8 m @ 22.58 g/tAu from 20 m
PFRC07-59	6 m @ 6.77 g/tAu from 178 m
PFRC07-60	13 m @ 7.25 g/tAu from 69 m
PFRC07-71	5 m @ 20.88 g/tAu from 162 m
PFRC07-72	14 m @ 5.34 g/tAu from 121 m
PFRC07-74	7 m @ 11.45 g/tAu from 89 m

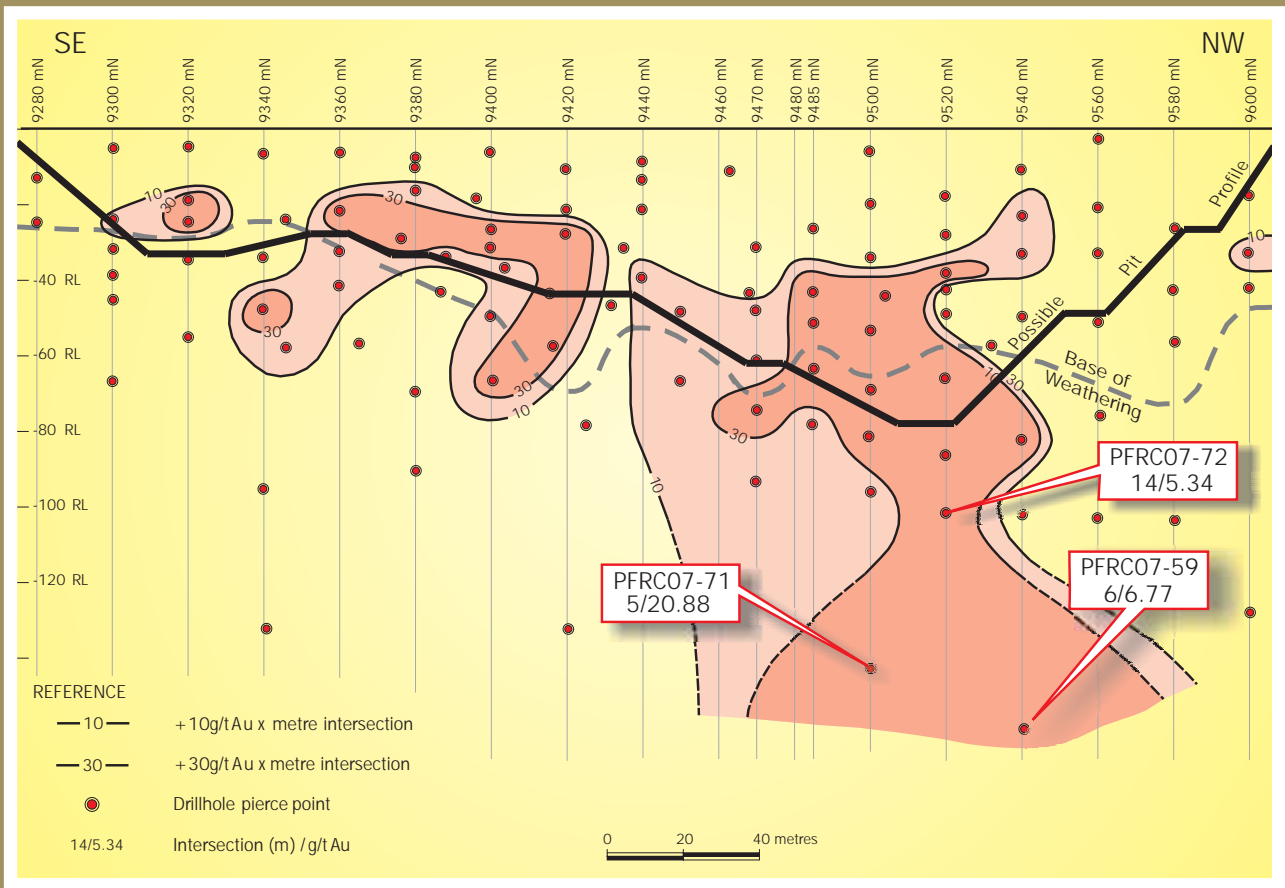
Due to the dip of the mineralisation, the reported drill intersections are close to true widths. The intersections obtained in holes PFRC07-59 and PFRC07-71 indicate that mineralisation remains open below a vertical depth of 140 metres, with a potential for high-grade shoots. Drill-hole PFRC07-66, located 160 metres to the north of drill-hole PFRC07-59, intersected 8 metres averaging 3.13 g/tAu from 144 metres, which may indicate the start of another high-grade shoot at depth (see long section). Diamond drilling is planned, to test the depth extensions of these potential high-grade shoots.

Screen fire assays of selected mineralised samples indicate the presence of coarse gold within quartz veins, with many samples recording over 50% of the contained gold reporting in the coarse fraction of the analysis (+75 micron). Initial metallurgical test work on samples of oxide and fresh mineralisation from Penny's Find indicate high recoveries by conventional gravity and cyanide extraction, with recoveries expected to be in the +97% range.

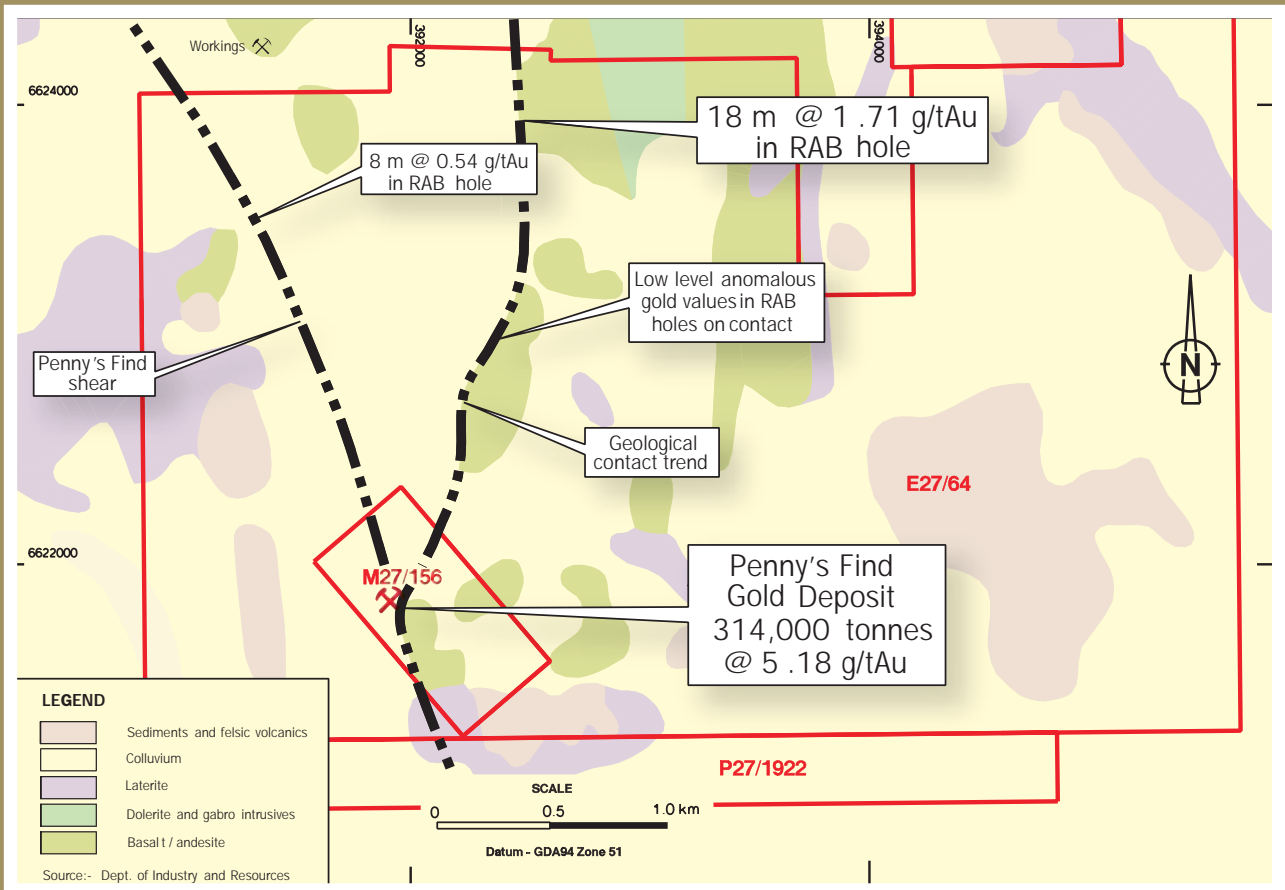
Resource modelling consultants Datageo Geological Consultants were engaged to estimate a resource figure for the gold mineralisation intersected in the reverse circulation drilling program. The resource grade was estimated using ordinary kriging based on the drill-hole data composited down hole to 1-metre intervals within constraining shapes representing the mineralisation. Assumed specific gravity values used were: oxide 2.0 tonnes per cubic metre ('t/cu.m'); transitional 2.2 t/cu.m, and fresh 2.5 t/cu.m.



Project Location of Penny's Find and Larkin's Find.



Penny's Find long section.



Penny's Find geological trends.





The mineral resource estimate is summarised in the following table.

#### PENNY'S FIND MINERAL RESOURCE

Category	Tonnes	Grade* (g/t Au)	Ounces
Measured	79,000	4.40	11,120
Indicated	132,000	3.98	16,880
Inferred	103,000	7.33	24,313
<b>TOTAL</b>	<b>314,000</b>	<b>5.18</b>	<b>52,313</b>

\* Grades are based on a minimum cut-off of 0.5 g/t Au and high assays cut to 25 g/t Au

A pre-feasibility study has commenced on the Penny's Find resource, looking at the various development options available to the Company.

Elsewhere within the Penny's Find Project area, potential exists for additional gold occurrences. One of these areas with exploration potential is the extension of the Penny's Find contact zone. This zone, which lies along the contact between volcanic rocks of intermediate and mafic composition and sediments, can be traced for several kilometres along strike in a northerly direction, based on aeromagnetic data interpretation and rotary air blast ('RAB') drilling geological logs. Subsequent to the end of the financial year, the Company has carried out a RAB drilling program testing along this contact. In all, 118 holes totalling 5,666 metres have been drilled. Results from this program include intercepts of 18 m @ 1.71 g/t Au from 44 metres to end of the hole in a drill-hole located 2 kilometres north of Penny's Find. This intersection lies near to the contact described above. The RAB program also located a potentially new area of gold mineralisation 2 kilometres northwest of Penny's Find, where a drill-hole testing the Penny's Find shear returned 8 m @ 0.54 g/t Au from 44 metres' depth. A reverse circulation drilling program will test these RAB intersections in the coming year.

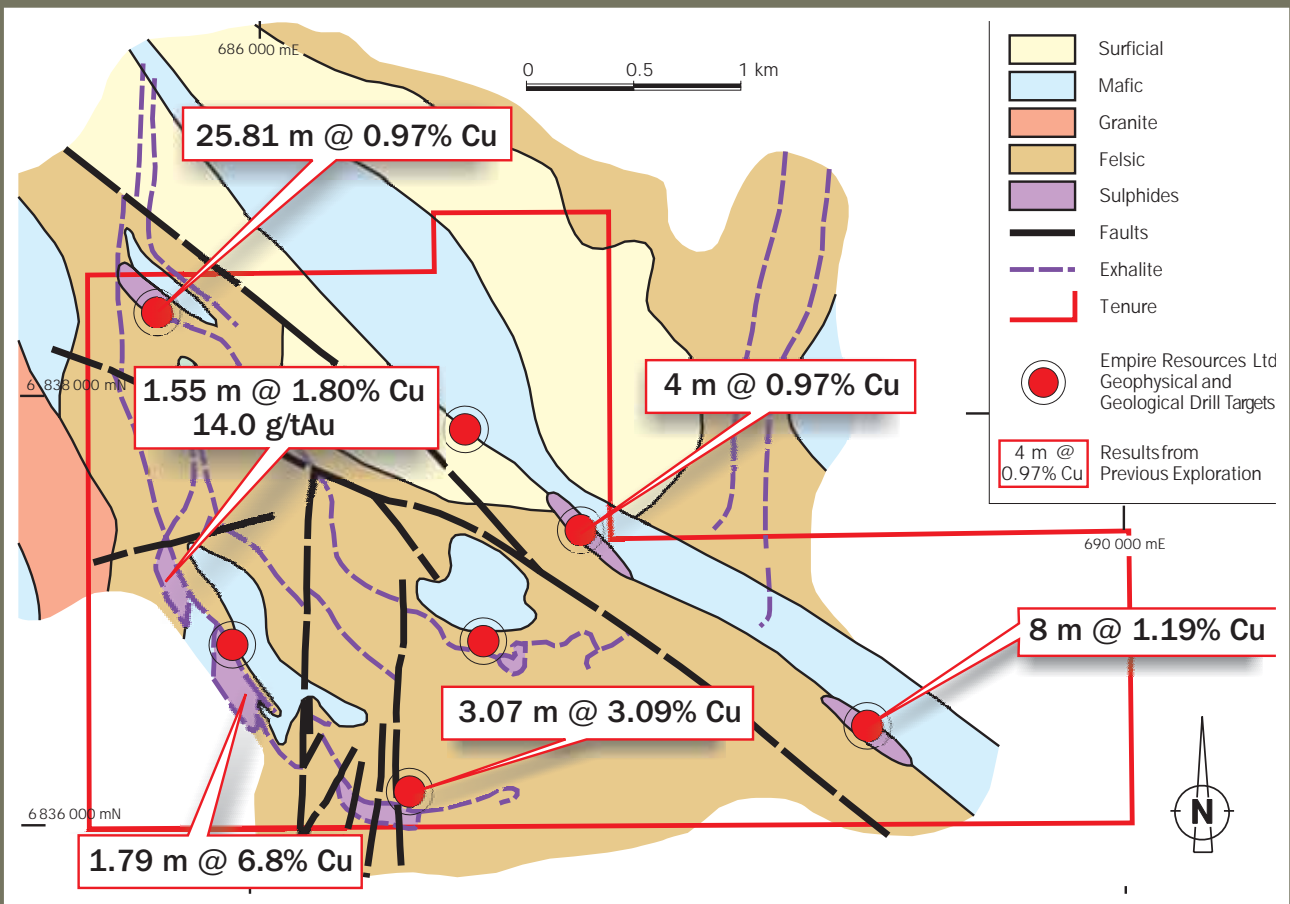
#### YUINMERY

The Yuinmery Copper-Gold Project is situated 475 kilometres northeast of Perth, within the Youanmi Greenstone Belt that forms part of the Archaean Yilgarn Craton. The Company holds a 9.2 square kilometre block of tenements, which cover a folded sequence of mafic and felsic volcanic rocks with ultramafic and mafic layered intrusives. Previous exploration within the project area has located copper and gold mineralisation in a volcanogenic massive sulphide environment, with drill intersections including 1.79 m @ 6.82% copper and 3.07 m @ 3.09% copper.

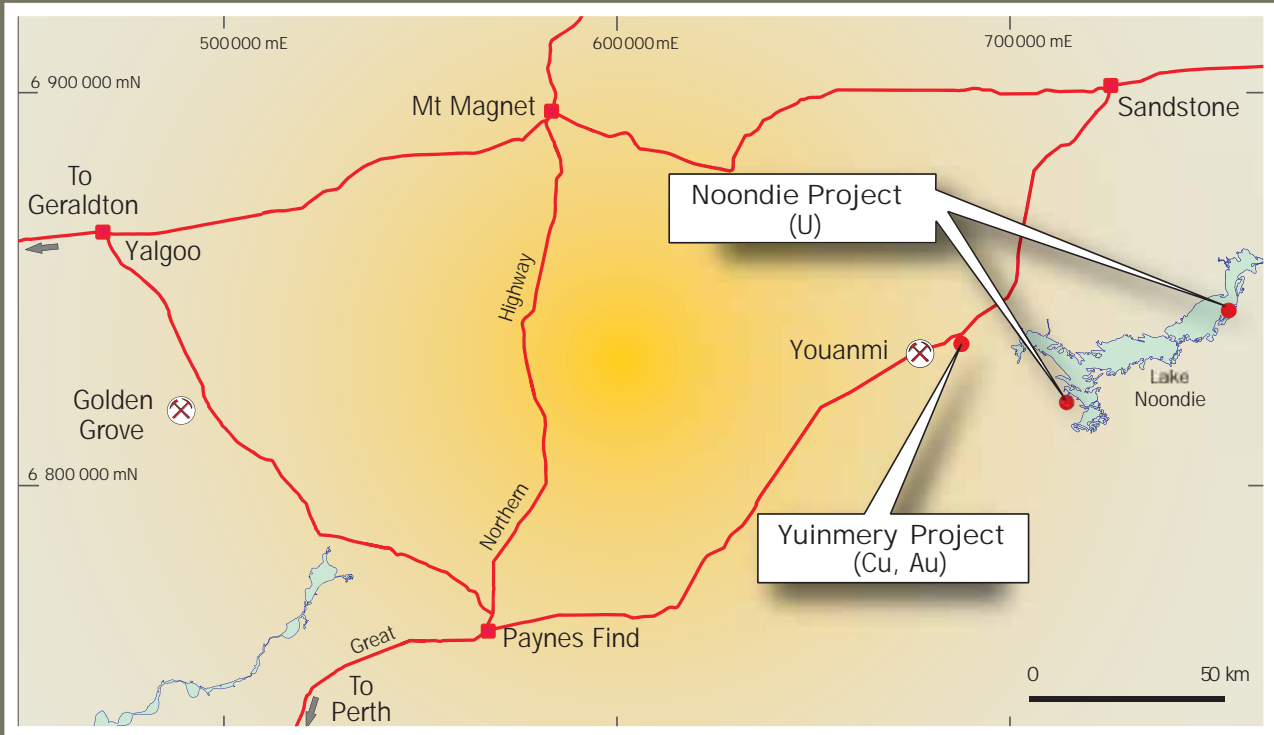
Since listing, the Company has acquired, processed and interpreted data from a SIROTEM ground geophysical survey, interpreted data from a helicopter-borne Skytem geophysical survey and integrated an aeromagnetic survey into the existing geological database. While the parameters of the Skytem geophysical survey proved inadequate to properly evaluate the area, interpretation of the ground geophysical survey identified a number of high-priority electrical conductors believed to be caused by massive sulphide mineralisation.

A reverse circulation drilling program to test various geophysical and/or geological targets is planned in the next financial year.

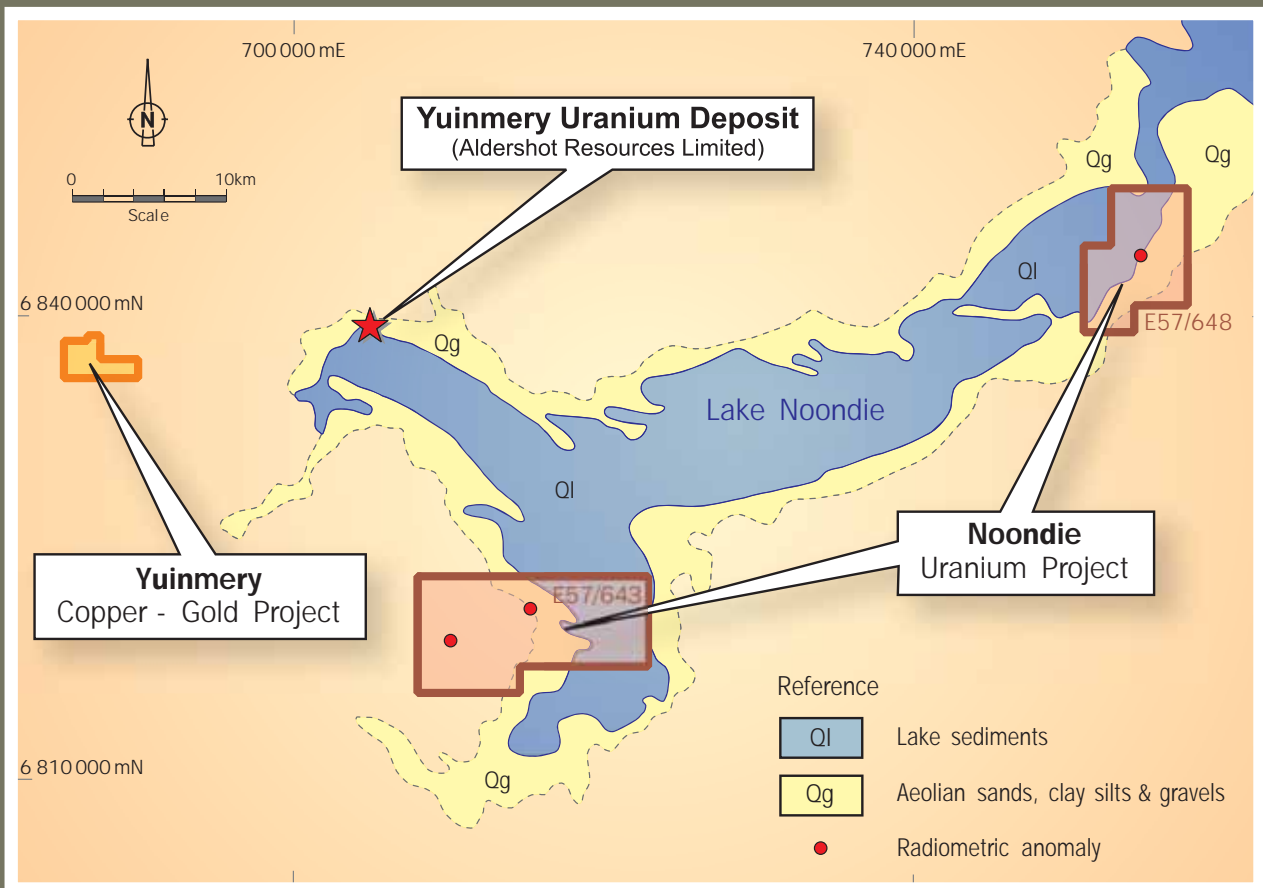




Yuinmery targets.



Location of Yuinmery and Noondie Projects.



Location of Yuinmery and Noondie Projects.





## TORRENS

Empire's Torrens Project comprises two granted exploration licences located in South Australia and situated approximately 100 kilometres northeast of Port Augusta. The area lies within the intra-cratonic Torrens Hinge Zone and an interpreted contained regional corridor of IOCG mineralisation that includes both the new copper-gold discovery at Carrapateena, 70 kilometres northwest of Empire's licences and the major Olympic Dam copper, gold and uranium mine.

Since listing, detailed gravity surveys have been completed in two separate areas within the Torrens copper-gold-uranium project area, to extend and complement previous surveys.

In the southern area, this survey was designed to define drill targets, and to extend to the east and upgrade the existing gravity coverage using a 200-metre by 200-metre grid pattern. Data was collected at 519 new gravity stations in this phase of the survey.

In the northern area, the survey completed a first-pass assessment of a poorly defined northwesterly-striking gravity high previously identified in a regional gravity survey. Data was collected on a 500-metre by 500-metre grid pattern from 558 new gravity stations in this phase of the survey.

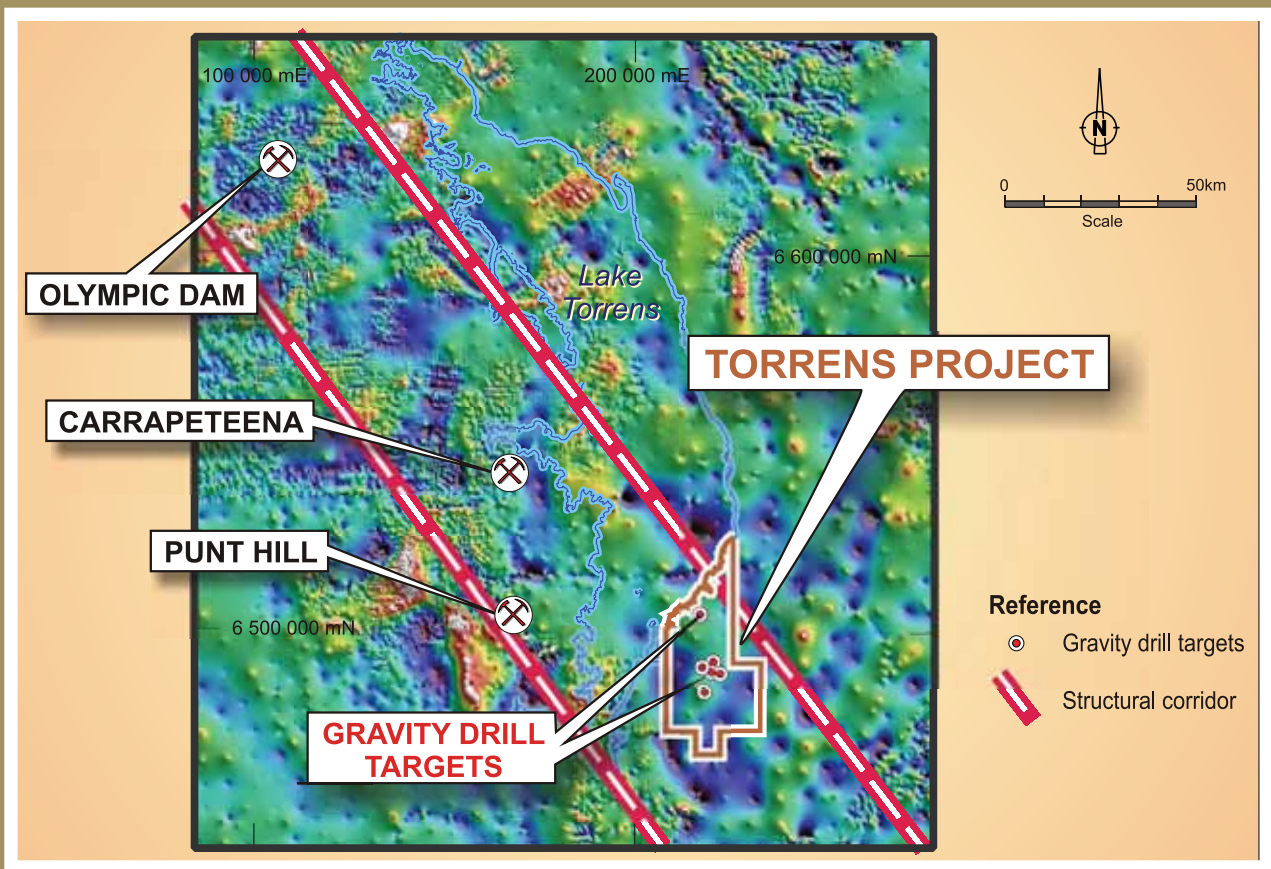
The gravity data from this survey has been processed and merged with the existing data set. A preliminary residual gravity image shows, in the southern area, the extension and clearly defined southeastern limits of the high-density domain that has been the focus of interest to date in the Torrens Project. The survey in the northern area has confirmed the presence of a large, complex gravity high within the tenement, consisting of a northwesterly-trending, high-density unit and at least one large, ovoid discrete gravity high. The source of the gravity anomalism is unknown.

Access tracks have been surveyed and Aboriginal site clearance is being undertaken. The Company intends to drill-test several of the gravity and magnetic features in the coming year.



Location of Torrens Project.



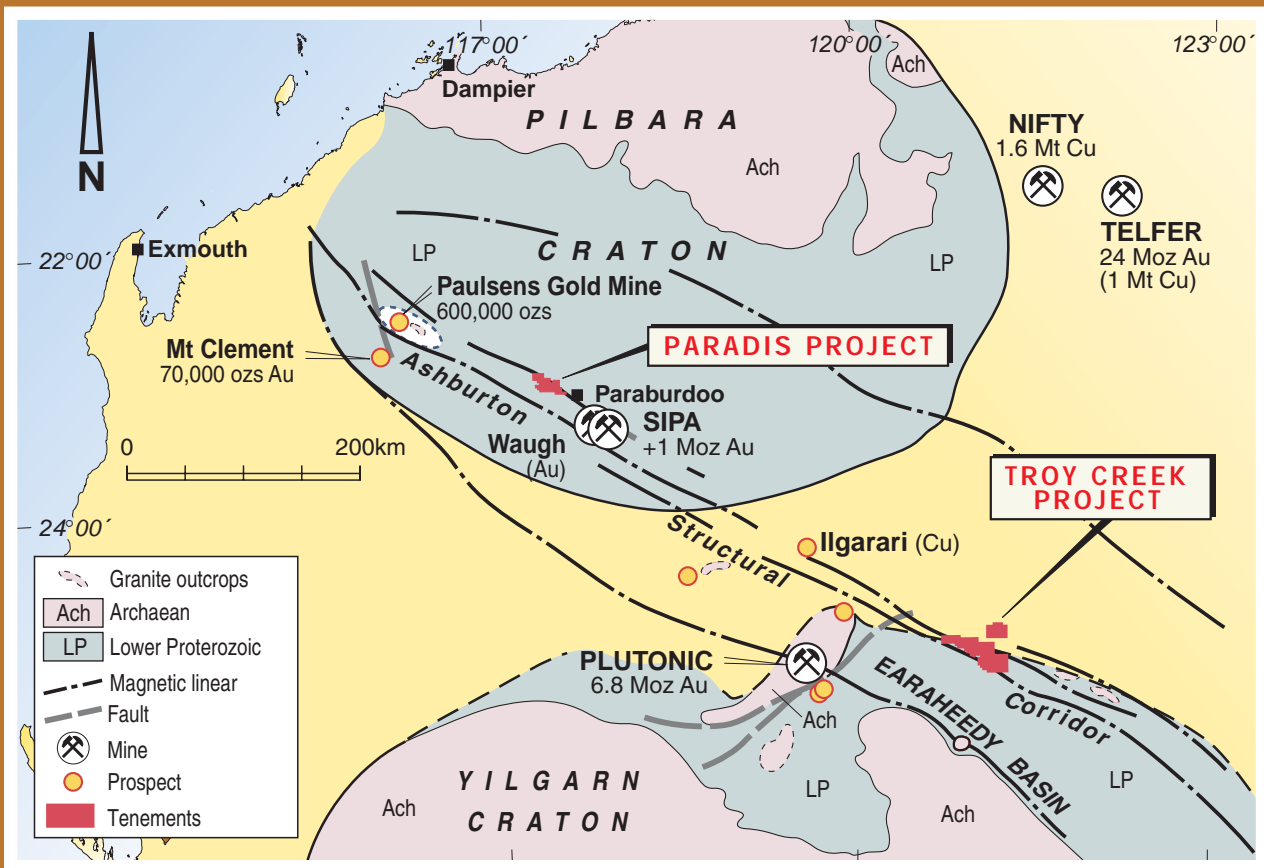


Location of Torrens drill targets.

**TROY CREEK**

The Troy Creek Copper-Gold-PGM Project is situated 900 kilometres northeast of Perth and 260 kilometres northeast of Wiluna. The Company's tenements cover an area of 522 square kilometres on the northern margin of the Palaeoproterozoic Earaheedy Basin. Previous exploration within the tenements has identified multi-element anomalous geochemistry in sedimentary rocks over a widespread area extending for over 20 kilometres' strike length. Within this area, separate drill intersections of 1.5 metres @ 2.98% copper, 9.6 metres @ 0.34% copper and 8 metres @ 0.79 g/t PGM and gold have been obtained.

In the year to date, the Company has completed geophysical surveys and resampling of selected drill samples and rock outcrops to define drill targets. Processing and modelling of existing aeromagnetic data was completed over a number of discrete magnetic anomalies. These anomalies have not been previously drill-tested and represent high-priority exploration targets. Two gravity surveys totalling 934 stations were designed to further evaluate the magnetic anomalies. Following interpretation and assessment of this work, several drilling targets will be tested later in the year.



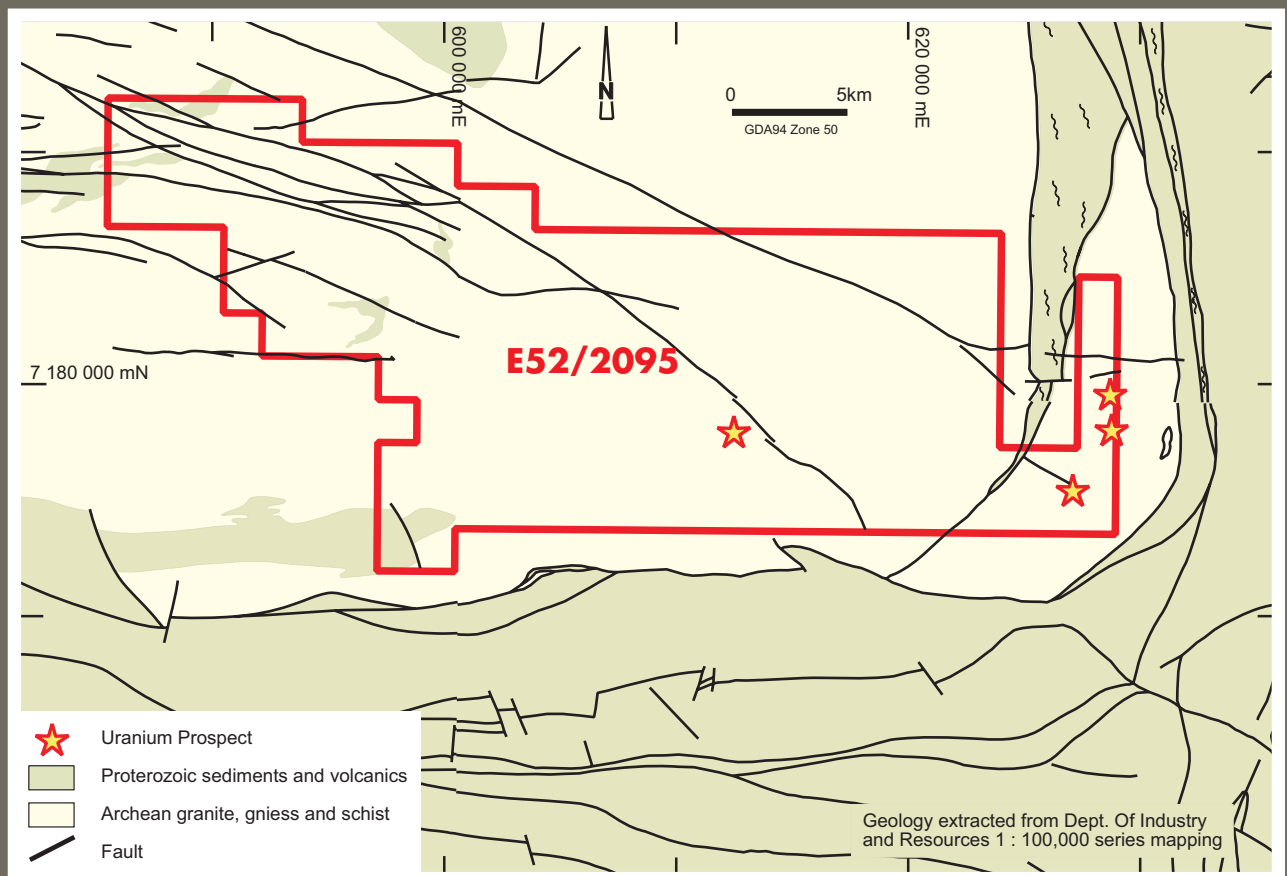
Location of Troy Creek and Paradis Project.



## YARLARWEELOR

The Company acquired a 100% interest in the Yarlarweelor Uranium Project in June 2007. This acquisition involved the application for an exploration licence covering several known uranium occurrences. Previous exploration within the application area between 1978 and 1982 located both primary and secondary uranium mineralisation at a number of locations. This mineralisation occurs in Palaeo-proterozoic quartz-biotite schist units that are folded and faulted into the Archaean Despair Granite. Elsewhere within the project area, anomalous radioactivity is associated with older Archaean leucocratic granitic gneisses.

Exploration reports held by the Department of Industry and Resources record many drill intersections with anomalous radioactivity. These include intercepts of two metres assaying 630 parts per million ('ppm') uranium and 24 metres assaying 310 ppm uranium. While the true widths of these intersections are not known, the Company is encouraged by the geological setting, the widespread anomalous radioactivity and the presence of potentially economic grades of primary uranium mineralisation in drill holes. A major exploration program is planned upon grant of the tenement.



*Yarlarweelor regional geology.*



### LARKIN'S FIND

The Company entered into a farm-in and joint venture of the Larkin's Find Nickel and Gold Project whereby it may earn an 80% interest in a lateritic nickel resource with additional untested gold potential. The project area of approximately 33 square kilometres was granted on 13 August 2007. It is situated approximately 85 kilometres southeast of the Murrin Murrin Nickel Mine and 155 kilometres north-northeast of Kalgoorlie in Western Australia.

Previous exploration in the Larkin's Find area has located widespread lateritic nickel-cobalt mineralisation. Based on the results of this exploration, the Company engaged Burger Geological Services Pty Ltd to estimate a resource for this mineralisation and report on additional exploration possibilities within the project area. This work outlined an inferred resource of 5.2 million tonnes assaying 0.8% nickel and 0.08% cobalt using a 0.6% nickel cut-off grade. Additional untested areas with further exploration potential were identified.

The Company believes that the Larkin's Find Project area is under-explored for nickel and has had only minimal previous exploration for gold. Programs testing both the gold and the nickel potential are planned for the coming year. Exploration for gold will target northeast-trending splay structures that strike from a regionally extensive northwest-trending structure known as the Claypan Fault. This fault and structural zone hosts gold mineralisation approximately 3 kilometres north of the tenement boundary at Gardner's Find.

Future nickel exploration will be directed towards drilling untested targets to increase the size of the resource. Beneficiation test work is planned to assess the amenability of increasing the grade of the current inferred resource.







## NOONDIE

The Noondie Project comprises two exploration licence applications that are prospective for palaeochannel calcrete-type uranium deposits. The licence applications are located on the margin of Lake Noondie, between 30 and 65 kilometres southeast and east of the Company's Yuinmery Project and approximately 100 kilometres south of the town of Sandstone. Lake Noondie is a large Tertiary-Recent drainage system extending for almost 100 kilometres in length and is up to 25 kilometres wide.

These licence applications cover isolated airborne radiometric anomalies first identified in 1968. One covers the confluence of two palaeochannel drainage systems and represents a favourable location for the deposition and accumulation of uranium minerals. Field inspection confirmed that the aerial anomalies are sourced from the drainage system and not the basement granite rocks that were the original source of uranium minerals. No previously recorded ground exploration has been undertaken within the licence areas, despite the fact that potentially economic uranium mineralisation has been drilled elsewhere within Lake Noondie.

Upon grant of the tenements, the Company will undertake airborne and ground radiometric surveys over the licence area. These will be followed by a program of aircore drilling on regularly spaced lines across the broad channel area, to define mineralised zones to the extent of the previously located anomalies.



## PARADIS

The Paradis Project, located 25 kilometres west of Paraburdoo, contains late Archaean rocks on the southern margin of the Pilbara Craton. The project area, which comprises two exploration licence applications in which the Company has a 100% interest, covers an area of 230 square kilometres. The Paradis Project is situated within the major west-northwest/east-southeast structural corridor (also known as the Ashburton Structural Corridor) that hosts the Mt. Olympus, Waugh and Paulsens deposits, which contain a combined total in excess of 1 million ounces of gold.

While there has been no recorded drilling within the project area, previous explorers did locate surface samples assaying up to 0.31 g/t PGM and gold. Anomalous precious metal values associated with alteration minerals and occurring in proximity to geological structures trending northwest/southeast are found throughout the project area.

Empire intends to carry out surface and stream sediment geochemical sampling upon grant of the tenements. This will be followed by drill-testing of geochemical and structural targets.

#### 4. CORPORATE GOVERNANCE

To the extent that they are applicable, and given its circumstances, the Company adopts the Ten Essential Corporate Governance Principles and Best Practice Recommendations ('Recommendations') published by the Corporate Governance Council of the ASX.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be afforded further consideration.

The Board sets out below its 'If not, why not?' report in relation to matters of corporate governance in which the Company's practices depart from the Recommendations.

##### (a) Principle 1 Recommendation 1.1

###### *Notification of Departure*

Empire has not formally disclosed the functions reserved to the Board and those delegated to management.

###### *Explanation for Departure*

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established an informal framework for the management of the Company and the roles and responsibilities of the Board and management. Due to the small size of the Board and of the Company, the Board does not think that it is necessary to formally document the roles of Board and management, as it believes that these roles are being carried out in practice and are clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased. The Company has two executives, being the managing director and an executive director. The managing director is responsible for ensuring that the Company achieves the goals established by the Board.

The appointments of non-executive directors are formalised in accordance with the regulatory requirements and the Company's constitution.

##### (b) Principle 2 Recommendations 2.1 and 2.2

###### *Notification of departure*

The Company does not have a majority of independent directors, with only one of the three Board members being independent.

###### *Explanation for departure*

The Board considers that the current composition of the Board is adequate for the Company's current size and operations and includes an appropriate mix of skills and expertise relevant to the Company's business. The current Board structure presently consists of the non-executive chairman, the managing director and one executive director, only one of whom is independent. The Company considers that each of the directors possesses the skills and experience suitable for building the Company. The Board takes the responsibilities of best practice in corporate governance seriously. It is the Board's intention to appoint another independent director as and when the size and complexity of its operations change and a suitable candidate is identified.

##### (c) Principle 2 Recommendation 2.4 and Principle 4 Recommendations 4.2 and 4.3

###### *Notification of Departure*

Separate audit and nomination committees have not been formed.

###### *Explanation for Departure*

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or special committees is justified at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate ethical standards.

In particular, the Board as a whole considers those matters that would usually be the responsibility of an audit committee and a nomination committee. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

##### (d) Principle 3 Recommendation 3.1

###### *Notification of Departure*

Empire has not established a formal code of conduct.

###### *Explanation for Departure*

The Board considers that its business practices, as determined by the Board and key executives, are the equivalent of a code of conduct.



(e) **Principle 5 Recommendation 5.1**

*Notification of Departure*

Empire has not established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

*Explanation for Departure*

The directors have a long history of involvement with public listed companies and are familiar with the disclosure requirements of the ASX listing rules.

The Company has in place informal procedures that it believes are sufficient for ensuring compliance with ASX Listing Rule disclosure requirements and accountability for compliance. The Board has nominated the managing director and the company secretary as being responsible for all matters relating to disclosure.

(f) **Principle 6 Recommendation 6.1**

*Notification of Departure*

Empire has not established a formal shareholder communication strategy.

*Explanation for Departure*

While the Company has not established a formal shareholder communication strategy, it actively communicates with its shareholders in order to identify their expectations and actively promotes shareholder involvement in the Company. It achieves this by posting on its website copies of all information lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company are available on request.

(g) **Principle 7 Recommendation 7.1**

*Notification of Departure*

Empire has an informal risk oversight and management policy and internal compliance and control system.

*Explanation for Departure*

The Board does not currently have formal procedures in place but is aware of the various risks that affect the Company and its particular business. Section 8 of the prospectus dated 7 November 2006 provides a summary of the relevant risk factors that may affect the Company. As the Company develops, the Board will develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

(h) **Principle 8 Recommendation 8.1**

*Notification of Departure*

Empire does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

*Explanation for Departure*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations of the Company justifies this.

(i) **Principle 9 Recommendations 9.1, 9.2, 9.3, 9.4**

*Notification of departure*

Empire does not have a formal remuneration policy and has not established a separate remuneration committee. Non-executive directors may receive options.

*Explanation for Departure*

The current remuneration of the directors is disclosed in the Directors' Report. Non-executive directors receive a fixed fee for their services and may also receive options. The issue of options to non-executive directors may be an appropriate method of providing sufficient incentive and reward while maintaining cash reserves.

Due to the Company's early stage of development and small size, it does not consider that a separate remuneration committee would add any efficiency to the process of determining the levels of remuneration for the directors and key executives. The Board believes it is more appropriate to set aside time at specified Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with regulatory requirements, especially in respect of related party transactions; that is, none of the directors will participate in any deliberations regarding their own remuneration or related issues.



## 5. DIRECTORS' REPORT

Your directors submit their report on Empire and its controlled entities for the financial year ended 30 June 2007.

Empire and its controlled entities comprise a company limited by shares that is incorporated and domiciled in Australia.

### DIRECTORS

The Company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Adrian Griffin  
Chairman (*Non-Executive*)  
BSc., MAusIMM

Mr Griffin graduated from the University of Melbourne in 1975 and is a member of the Australasian Institute of Mining and Metallurgy ('AusIMM') and the Geological Society of Australia. He began his professional career with exploration for base metals in Tasmania, and went on to develop mine planning, grade control and exploration methods in iron ore with BHP.

In the 1980s, Mr Griffin was operations manager for a number of public companies involved in the mining and production of gold and base metals throughout Australia and southeast Asia. In 1988, he managed the commissioning of underground production at the Bellevue Gold Mine in Western Australia.

Mr Griffin began consulting to the mining industry in 1990 and has held board positions with a number of public companies since then. His management experience is broad, encompassing as it does exploration, financing, development, commissioning and the production of a wide range of mineral commodities.

Mr Griffin has been a director of the following listed companies during the past three years.

Company	Position	Appointed
Dwyka Resources Ltd	Non-executive director	1/12/2005
Northern Uranium Ltd	Non-executive director	12/06/2006
Empire Resources Ltd	Chairman	3/02/2004
Hodges Resources Ltd	Managing director	17/08/2005
Reedy Lagoon Corporation Ltd	Non-executive director	9/05/2007
Washington Resources Ltd	Managing director	7/09/2004





David Sargeant  
Managing Director  
BSc., MAusIMM

Mr Sargeant – who holds a Bachelor of Science degree in economic geology from the University of Sydney – has more than 35 years' experience as a geologist, consultant and company director. As such, he has been involved in numerous mineral exploration, ore deposit evaluation and mining development projects and is a member of AusIMM and the Geological Society of Australia.

During his career, Mr Sargeant has held a range of senior positions, including that of senior geologist with Newmont Pty Ltd and senior supervisory geologist with Esso Australia Ltd at the time of the Harbour Lights Gold Mine discovery and development. Further, Mr Sargeant was the first chief geologist at Telfer Gold Mine during exploration, development and production at that project. In addition, he was exploration manager for the Adelaide Petroleum NL group of companies, manager of resources development for Sabminco NL and a technical director of Western Reefs Limited during the period in which that company became a successful producer at the Dalgarranga Gold Project.

Adrian Jessup  
Executive Director  
BSc., MAusIMM

Mr Jessup also holds a Bachelor of Science degree (with honours) in economic geology from the University of Sydney and has more than 35 years' continuous experience as a geologist, company director and consultant involved in mineral exploration, ore deposit evaluation and mining. He is a member of AusIMM, the Geological Society of Australia and the Australian Institute of Geoscientists.

For the last 12 years, Mr Jessup has operated a geological consulting company. During that time, he was a founding director of Sylvania Resources Ltd and remained on the board for two years. Prior to that, Mr Jessup was managing director of Giralia Resources NL for eight years, from the company's inception in 1987. Previously, he had worked for AMAX Exploration Inc., as a senior geologist and as regional manager in charge of that company's mineral exploration in Western Australia.





## MANAGEMENT

**Simon Storm**  
Company Secretary  
BCom., BCompt(Hons), CA, FCIS

Mr Storm is a chartered accountant with more than 20 years' of Australian and international experience in the accounting profession and commerce. He commenced his career with Deloitte Haskins & Sells in Africa, then London, before joining Price Waterhouse in Perth.

Mr Storm has held various senior finance and/or company secretarial roles with listed and unlisted entities in the banking, resources, construction, telecommunications and property development industries. In the last five years, he has provided consulting services – covering accounting, financial and company secretarial matters – to various companies in these sectors.

**David Ross**  
Exploration Manager  
BSc.(Hons), MSc., MAusIMM

Mr Ross holds a Bachelor of Science degree (with honours) in geology from Aberdeen University, Scotland and a Master of Science degree in economic geology from McMaster University in Canada. He is a member of the AusIMM, the Geological Society of Australia and the Australian Institute of Geoscientists.

With over 20 years' experience as an exploration geologist in Western Australia, Mr Ross' career has seen him involved with numerous mineral exploration, ore deposit evaluation and mine development projects for both gold and base metals. He has held senior geologist positions with Brunswick NL and Giralia Resources and was geological superintendent for Australian Resources at the Gidgee Gold Mine. Most recently, Mr Ross held the position of chief geologist with De Grey Mining Ltd, where he was instrumental in the discovery of the Orchard Well VMS deposits.

## Principal Activities

During the period, the principal activities of the Company consisted of mineral exploration and evaluation of properties in Australia. There has been no significant change in these activities during the financial period.

## Dividends

No dividends have been paid during the period and no dividends have been recommended by the directors.

## Result for the Financial Period

Loss from ordinary activities after income tax expense was \$234,737 (2006: \$33,450)

## Review of Operations

A review of the operations during the financial year is set out on pages 2 to 15.

Significant changes in the state of affairs of the Company during the financial year were as follows.

- Under the Yuinmery joint venture agreement, the Company acquired an interest in the Yuinmery copper-gold tenements in October 2006 in exchange for 250,000 shares in the Company.
- Lodgement of a prospectus dated 7 November 2006 with the Australian Securities and Investment Commission ('ASIC'), and a supplementary prospectus dated 1 December 2006, which subsequently resulted in the raising of \$5,500,000 by the issue of 27,500,000 shares.
- Listing of the Company's shares with the ASX on 1 February 2007.
- The Company acquired a 100% interest in the Yarlweelor Uranium Project in exchange for 5,000,000 shares in the Company in June 2007.



- The Company acquired a 100% interest in the Penny's Find Gold Project in exchange for 2,000,000 shares in the Company (1,000,000 deferred) and \$120,000 in cash (\$90,000 deferred) in January 2007.
- The Company acquired the share capital of Torrens Resources Pty Ltd in January 2007, in exchange for 5,000,000 shares in the Company and \$100,000 in cash (\$90,000 deferred) in January 2007.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company.

#### Remuneration Report (Audited)

This report details the amount and nature of the remuneration of each director of the Company and the executives receiving the highest remuneration.

#### Remuneration Policy

The principles used to determine the nature and amount of remuneration are applied through a remuneration policy that ensures the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration policy, setting the terms and conditions for the executive directors, has been developed by the Board after seeking professional advice and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The remuneration policy is to provide a fixed remuneration component. The Board believes that this remuneration policy is appropriate, given the stage of development of the Company and the activities which it undertakes, and is also appropriate in aligning the directors' objectives with shareholders' and businesses' objectives.

The remuneration framework has regard to shareholders' interests in the following ways:

- it focuses on sustained growth, as well as focusing the directors on key non-financial drivers of value, and
- it attracts and retains high-calibre directors.

The remuneration framework has regard to directors' interests in the following ways:

- it rewards capability and experience,
- it reflects competitive reward for contributions to shareholder growth,
- it provides a clear structure for earning rewards, and
- it provides recognition for contribution.

#### Non-executive directors

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to directors is subject to approval by shareholders at a general meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may receive options.

The directors have resolved that non-executive directors' fees will be \$25,000 per annum for the chairman, inclusive of statutory superannuation contributions. Shareholders have approved aggregate remuneration for all non-executive directors at an amount of \$100,000 per annum. Where applicable, superannuation contributions of 9% are paid on these fees, as required by law.

At this stage, options are not issued as part of remuneration for long-term incentives.

#### Executives

Executive directors receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Directors do not receive any retirement benefits. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation. Options are not issued as part of remuneration for long-term incentives.

All remuneration paid to directors and executives is valued at cost to the Company and expensed.

#### Compensation of Key Management Personnel for the Year Ended 30 June 2007.

The following table discloses the remuneration of the key management personnel (directors and executive officers) of the Company. The information in this table is audited.

Directors		Directors' fees	Consulting fees	Short-term benefits	Post-employment benefits	Share-based payments	Total
				Value of options			
<b>Specified directors</b>							
<b>Non-executive</b>							
Mr A Griffin	2007	12,500	-	12,500	-	-	12,500
	2006	-	-	-	-	-	-
<b>Executive</b>							
Mr D Sargeant	2007	-	50,000	50,000	-	-	50,000
	2006	-	-	-	-	-	-
Mr A Jessup	2007	-	50,000	50,000	-	-	50,000
	2006	-	-	-	-	-	-
<b>Total specified</b>	<b>2007</b>	<b>12,500</b>	<b>100,000</b>	<b>112,500</b>	<b>-</b>	<b>-</b>	<b>112,500</b>
	2006	-	-	-	-	-	-
<b>Specified executives</b>							
Mr S Shah – company secretary to 30 April 07	2007	-	30,960	30,960	-	-	30,960
	2006	-	10,539	10,539	-	-	10,539
Mr S Storm – company secretary from 30 April 07	2007	-	8,100	8,100	-	-	8,100
	2006	-	-	-	-	-	-
<b>Total specified</b>	<b>2007</b>	<b>-</b>	<b>39,060</b>	<b>39,060</b>	<b>-</b>	<b>-</b>	<b>39,060</b>
	2006	-	10,539	10,539	-	-	10,539

#### Employment contracts

##### Mr D Sargeant

By agreement dated 24 October 2006, the Company and Kirkdale Holdings Pty Ltd (ACN 009 096 388) ('Kirkdale') agreed the terms and conditions under which Kirkdale would provide the services of Mr Sargeant as managing director of the Company.

The agreement has:

- a term of three years;
- requires the payment to Kirkdale of a fee of \$10,000 per month (increasing by 10% each year) and reimbursement of expenses;
- provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement. This provision will require ratification by shareholders in order to be effective.

##### Mr A Jessup

By agreement dated 24 October 2006, the Company and Murilla Exploration Pty Ltd (ACN 068 277 190) ('Murilla') agreed the terms and conditions under which Murilla would provide the services of Mr Jessup as an executive officer of the Company.

The agreement has:

- a term of three years;
- requires the payment to Murilla of a fee of \$10,000 per month (increasing by 10% each year) and reimbursement of expenses;
- provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement. This provision will require ratification by shareholders for it to be effective.

Directors may be paid additional fees for special duties or services outside the scope of the ordinary duties of a director. Directors will also be reimbursed for all reasonable expenses incurred in the course of their duties.

#### Share Options

In all, 30,709,075 options over unissued ordinary shares with an exercise price of \$0.25 were granted during or since the end of the financial year.

At the date of this report, unissued ordinary shares of the Company under option are as follows.

Grant date	Date of expiry	Exercise price (\$)	Number under option
19 Jun 07	30 Jun 09	0.25	27,709,075
1 Feb 07	31 Dec 10	0.25	3,000,000
			<b>30,709,075</b>

#### Directors' Interest

The relevant interest of each director in the shares and options over shares issued by the Company at the date of this report is as follows.

Director	Ordinary shares		Options	
	Direct	Indirect	Direct	Indirect
Mr A Griffin	-	-	300,000	-
Mr D Sargeant	-	5,100,000	-	2,849,999
Mr A Jessup	722,222	645,333	361,111	622,666



## Company Performance

Comments on performance are set out in the review of operations.

## Significant Changes in the State of Affairs

There were no other significant changes in the state of affairs of the Company, other than those noted in the review of operations.

## Likely Developments and Expected Results

The likely developments in the operation of the Company and the expected results of those operations in future financial years are as follows.

- It will focus on the exploration of its portfolio of mining tenements and the acquisition of new projects and/or assets.
- It will begin a pre-feasibility scoping study of the economics of mining and treating the gold resource presently defined at Penny's Find.
- It has planned a number of significant drilling campaigns for the first half of 2007-08 at the Torrens Project (Olympic Dam-style copper-gold-uranium targets in South Australia), Yuinmery (polymetallic volcanogenic sulphide mineralisation in Western Australia), Troy Creek and Larkin's Find (nickel in Western Australia).

Disclosure of any further information has not been included in this report because, in the reasonable opinion of the directors, to do so would be likely to prejudice the business activities of the Company.

## Environmental Regulation

The Company's operations were subject to environmental regulations under both Commonwealth and state legislation in relation to its exploration activities.

The directors are not aware of any breaches during the period covered by this report.

## Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the period ended 30 June 2007 and the number of meetings attended by each director.

Director	Directors' meetings	
	A	B
Mr A Griffin	5	5
Mr D Sargeant	5	5
Mr A Jessup	5	5

A = meetings attended

B = meetings held whilst a director

As at the date of this report, the Company has not formed any committees, as the directors consider that at present the size of the Company does not warrant such. Audit, corporate governance, director nomination and remuneration matters are all handled by the full Board.

## Proceedings on Behalf of the Company

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237 of the *Corporations Act 2001*.

## Indemnification and Insurance of Directors and Officers

### Indemnification

The Company has agreed to indemnify current directors and officers and past directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

### Insurance

The directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

## Events subsequent to reporting date

No matter or circumstance has arisen, since the end of the financial year, that significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

## Non-audit Services

There were no non-audit services provided to the Company by the auditors during the year.

## Auditors' Independence Declaration

Section 307C of the *Corporations Act 2001* requires the Company's auditors, RSM Bird Cameron, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2007. This written Auditors' Independence Declaration is attached to the Auditors' Independent Audit Report to the members and forms part of this Director's Report.

Signed in accordance with a resolution of directors.

  
**David Sargeant**  
Managing Director

Perth, Western Australia  
24 September 2007

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES

6. INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated group		Parent entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	130,155	130	130,155	130
Other income	2	-	8,835	-	8,835
Depreciation expense	3	(5,422)	(1,041)	(5,422)	(1,041)
Employee benefits expense		(52,742)	-	(52,742)	-
Management fee expense		(100,000)	-	(100,000)	-
Accounting expense		(38,281)	-	(38,281)	-
Consultancy expense		(30,640)	-	(30,640)	-
Other expenses		(137,807)	(41,374)	(137,807)	(41,374)
<b>Loss before income tax</b>		<b>(234,737)</b>	(33,450)	<b>(234,737)</b>	(33,450)
Income tax expense	4	-	-	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(234,737)</b>	(33,450)	<b>(234,737)</b>	(33,450)
Basic and diluted loss per share (cents per share)	5	(0.67)	(0.19)		

*The above income statement should be read in conjunction with the accompanying notes.*



EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES

7. BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated group		Parent entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	4,327,553	8,289	4,327,493	8,229
Trade and other receivables	7	134,903	-	134,903	-
<b>Total Current Assets</b>		<b>4,462,456</b>	8,289	<b>4,462,396</b>	8,229
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	7	-	2,020	74,722	2,020
Financial assets	8	-	-	1,100,000	-
Plant and equipment	9	64,293	1,025	64,293	1,025
Exploration and evaluation expenditure	10	4,403,560	1,057,940	3,228,838	1,057,940
<b>Total Non-current Assets</b>		<b>4,467,853</b>	1,060,985	<b>4,467,853</b>	1,060,985
<b>TOTAL ASSETS</b>		<b>8,930,309</b>	1,069,274	<b>8,930,249</b>	1,069,214
<b>CURRENT LIABILITIES</b>					
Trade and other payables	11	521,265	145,101	520,415	144,251
<b>Total Current Liabilities</b>		<b>521,265</b>	145,101	<b>520,415</b>	144,251
<b>TOTAL LIABILITIES</b>		<b>521,265</b>	145,101	<b>520,415</b>	144,251
<b>NET ASSETS</b>		<b>8,409,044</b>	924,173	<b>8,409,834</b>	924,963
<b>EQUITY</b>					
Issued capital	12	8,745,721	1,518,700	8,745,721	1,518,700
Reserves	13	492,587	-	492,587	-
Accumulated losses		(829,264)	(594,527)	(828,474)	(593,737)
<b>TOTAL EQUITY</b>		<b>8,409,044</b>	924,173	<b>8,409,834</b>	924,963

*The above balance sheet should be read in conjunction with the accompanying notes.*

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES

8. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated group			
	Share capital ordinary	Retained profits	Option reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2005</b>	1,450,416	(561,077)	–	889,339
Shares issued during the year	85,000	–	–	85,000
Share issue expenses	(7,881)	–	–	(7,881)
Cancellation of preference shares	(8,835)	–	–	(8,835)
Loss attributable to members of the parent entity	–	(33,450)	–	(33,450)
<b>Balance at 30 June 2006</b>	1,518,700	(594,527)	–	924,173
<b>Balance at 1 July 2006</b>	1,518,700	(594,527)	–	924,173
Shares issued during the year	7,925,483	–	–	7,925,483
Options issued during the year	–	–	509,591	509,591
Equity issue expenses	(698,462)	–	(17,004)	(715,466)
Loss attributable to members of the parent entity	–	(234,737)	–	(234,737)
<b>Balance at 30 June 2007</b>	8,745,721	(829,264)	492,587	8,409,044

	Parent entity			
	Share capital ordinary	Retained profits	Option reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2005</b>	1,450,416	(560,287)	–	890,129
Shares issued during the year	85,000	–	–	85,000
Share issue expenses	(7,881)	–	–	(7,881)
Cancellation of preference shares	(8,835)	–	–	(8,835)
Loss attributable to members of the parent entity	–	(33,450)	–	(33,450)
<b>Balance at 30 June 2006</b>	1,518,700	(593,737)	–	924,963
<b>Balance at 1 July 2006</b>	1,518,700	(593,737)	–	924,963
Shares issued during the year	7,925,483	–	–	7,925,483
Options issued during the year	–	–	509,591	509,591
Equity issue expenses	(698,462)	–	(17,004)	(715,466)
Loss attributable to members of the parent entity	–	(234,737)	–	(234,737)
<b>Balance at 30 June 2007</b>	8,745,721	(828,474)	492,587	8,409,834



EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES

9. CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated group		Parent entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Activities</b>					
Payments to suppliers and employees		(308,686)	(33,244)	(308,686)	(33,244)
Interest received		130,155	130	130,155	130
<b>Net cash used in operating activities</b>	21 (i)	<b>(178,531)</b>	<b>(33,114)</b>	<b>(178,531)</b>	<b>(33,114)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of property, plant and equipment		(68,690)	–	(68,690)	–
Payment for renewal or purchase of prospects		(208,358)	–	(308,358)	–
Loans – payments made		(10,000)	(20,000)	(10,000)	(20,000)
Exploration and evaluation expenditure		(779,765)	(85,695)	(679,765)	(85,695)
Proceeds from borrowings		–	60,000	–	60,000
<b>Net cash used in investing activities</b>		<b>(1,066,813)</b>	<b>(45,695)</b>	<b>(1,066,813)</b>	<b>(45,695)</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from issue of equity securities		6,047,574	75,000	6,047,574	75,000
Equity securities issue costs		(482,966)	(3,002)	(482,966)	(3,002)
<b>Net cash provided by financing activities</b>		<b>5,564,608</b>	<b>71,998</b>	<b>5,564,608</b>	<b>71,998</b>
<b>Net increase in cash held</b>		<b>4,319,264</b>	<b>(6,811)</b>	<b>4,319,264</b>	<b>(6,811)</b>
Cash at the beginning of the financial year		8,289	15,100	8,229	15,040
Cash at the end of the financial year	6	4,327,553	8,289	4,327,493	8,229

*The above cash flow statement should be read in conjunction with the accompanying notes.*

**EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES**  
**10. NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007**

**1. Statement of Significant Accounting Policies**

The financial report covers the consolidated entity of Empire Resources Limited ('Empire' or 'the Company') and its controlled entities and Empire as an individual parent entity. Empire is a listed public company limited by shares, incorporated and domiciled in Australia.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. It is prepared on the basis of historical costs, except for the revaluation of selected non-current assets that have been measured at fair value. The financial report is presented in Australian dollars.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the consolidated financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards ('IFRS').

No new Australian Accounting Standards that have been issued but are not yet effective have been applied in the preparation of this financial report. Such standards are not expected to have a material impact on the consolidated entity's financial report on initial application, with the exception of AASB 7 "Financial Instruments Disclosure", which will require various additional disclosures regarding financial instruments. The financial report was authorised for issue by the Board on 24 September 2007.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied by the entities in the consolidated entity unless otherwise stated. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Principles of Consolidation**

A controlled entity is any entity that Empire has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 8 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities enter or leave the consolidated group during the year, their operating results are included/excluded from the date control was obtained or until the date control ceased.

**(b) Plant and Equipment**

Plant and equipment is measured on the cost basis, less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. Recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation is calculated on the prime cost method and is brought to account over the estimated useful lives of all plant and equipment from the time the asset is held ready for use. The depreciation rates used are:

Office furniture	15-33%
Office computer equipment	33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement when revalued assets are sold. Amounts included in the revaluation reserve relating to the assets are then transferred to accumulated losses.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

(c)	<p><b>Income Tax</b></p> <p>The Company adopts the liability method of tax-effect accounting, whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.</p> <p>Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.</p> <p>Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement, except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.</p> <p>Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available, against which deductible temporary differences can be utilised.</p> <p>The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.</p> <p>Empire and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group will notify the Tax Office of its intention to form an income tax consolidated group to apply from 31 January 2007. The tax consolidated group has entered a tax-sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to profit before tax of the tax consolidated group.</p>	(d)	<p><b>Cash and Cash Equivalents</b></p> <p>Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.</p>
		(e)	<p><b>Acquisition of Assets</b></p> <p>The purchase method of accounting is used for all acquisitions of assets, regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of the acquisition, plus costs incidental to the acquisition.</p> <p>Transaction costs arising on the issue of equity instruments are recognised directly in equity.</p>
		(f)	<p><b>Impairment of Assets</b></p> <p>At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.</p> <p>Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.</p> <p>Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.</p>



1. **Statement of Significant Accounting Policies (cont.)**

(g) **Financial Instruments**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

*Financial assets at fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Held-to-maturity investments*

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

*Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*Derivative instruments*

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered, to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(h) **Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area, according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest, to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

<p>(i) <b>Employee Entitlements</b></p> <p><i>Salaries, wages and annual leave</i></p> <p>Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other creditors in respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.</p>	<p>(m) <b>Leased Non-current Assets</b></p> <p>A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits</p> <p>Operating lease payments are charged to the Profit and Loss in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.</p>
<p>(j) <b>Trade Receivables</b></p> <p>All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.</p> <p>Collectability of trade debtors is reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.</p>	<p>(n) <b>Revenue Recognition</b></p> <p>Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised as follows.</p> <p>(i) <i>Interest</i></p> <p>Interest earned is recognised as and when it is receivable, including interest that is accrued and is readily convertible to cash within two working days. Accrued interest is recoded as part of other debtors.</p>
<p>(k) <b>Trade Creditors</b></p> <p>These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.</p>	<p>(ii) <i>Sundry income</i></p> <p>Sundry income is recognised as and when it is receivable. Income receivable, but not received at balance date, is recorded as part of other debtors.</p>
<p>(l) <b>Recoverable Amount of Non-current Assets</b></p> <p>The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.</p> <p>Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.</p> <p>The expected net cash flows used in determining recoverable amount are not discounted to their present value.</p>	<p>(o) <b>Goods and Services Tax ('GST')</b></p> <p>Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.</p>
	<p>(p) <b>Critical Accounting Estimates and Judgements</b></p> <p>Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.</p> <p>The Company is of the view that there are no critical accounting estimates and judgements in this financial report, other than in respect of judgements made about the carrying value of mineral exploration and evaluation expenditure.</p>
	<p>(q) <b>Comparative Figures</b></p> <p>When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.</p>

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

2. Revenue

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenue				
Interest received	130,155	130	130,155	130
Other income	-	8,835	-	8,835
	<b>130,155</b>	<b>8,965</b>	<b>130,155</b>	<b>8,965</b>

3. Loss from Ordinary Activities

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loss before income tax				
The loss from ordinary activities before income tax has been determined after:				
(a) Expenses				
Depreciation	5,422	1,041	5,422	1,041
Exploration costs written off	830	6,608	830	6,608
Auditors' remuneration for audit and review of the financial report	7,500	6,100	7,500	6,100

4. Income Tax

(a) Income Tax Recognised in Profit

No income tax is payable by the parent or consolidated entities as they both recorded losses for income tax purposes for the year, as a tax consolidated group.

(b) Numerical Reconciliation Between Income Tax Expense and the Loss Before Income Tax

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loss before tax	(234,737)	(33,450)	(234,737)	(33,450)
Income tax benefit at 30% (2006:30%)	(70,421)	(10,035)	(70,421)	(10,035)
Tax effect of:				
- non-deductible expenses	-	(12,927)	-	(12,927)
- deductible capital raising expenditure	(34,187)	-	(34,187)	-
- deductible temporary differences	(320,571)	(47,479)	(320,571)	(47,479)
- deductible exploration acquisition consideration	(330,000)	-	-	-
Deferred tax asset not recognised	755,179	70,441	425,179	70,441
Income tax benefit attributable to loss from ordinary activities before tax	-	-	-	-



EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

4. **Income Tax (cont.)**

(c) **Unrecognised Deferred Tax Balances**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Tax losses attributable to members of the tax consolidated group – revenue	3,824,970	1,307,716	2,724,970	1,307,706
Potential tax benefit at 30%	1,147,491	392,312	817,491	392,312
Deferred tax liability not booked – revaluation of mineral exploration tenements	(330,000)	–	–	–
Net unrecognised deferred tax asset at 30%	817,491	392,312	817,491	392,312

A deferred tax asset attributable to income tax losses has not been recognised at balance date as the probability criteria disclosed in Note 1(c) is not satisfied and such benefit will only be available if the conditions of deductibility also disclosed in Note 1(c) are satisfied.

For the purposes of taxation, Empire and its 100% owned Australian subsidiary are a tax consolidated group. The head entity of the tax consolidated group is Empire.

The group has not entered into a tax-sharing agreement and an election for the purposes of tax consolidation has not yet been made.

5. **Loss per Share**

	Consolidated group	
	2007	2006
	Cents	Cents
Basic and diluted loss per share (cents per share)	(0.67)	(0.19)
Loss used in the calculation of basic EPS	(234,737)	(33,450)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	35,053,193	17,946,049

Diluted loss per share has not been disclosed as it is not materially different from basic loss per share.

6. **Cash and Cash Equivalents**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and in hand	4,327,553	8,289	4,327,493	8,229
	4,327,553	8,289	4,327,493	8,229

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

7. **Receivables**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Current</b>				
Other receivables	134,903	-	134,903	-
	134,903	-	134,903	-
<b>Non-current</b>				
Amount receivable from controlled entity	-	-	167,552	92,830
Provision for impairment of loans to controlled entities	-	-	(92,830)	(92,830)
Other debtors	-	2,020	-	2,020
	-	2,020	74,722	2,020

8. **Financial Assets**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Unlisted investments, at cost				
Shares in controlled entities	-	-	1,148,200	48,200
Provision for impairment	-	-	(48,200)	(48,200)
	-	-	1,100,000	-

**- Controlled entities**

	Country of incorporation	Percentage owned	
		2007	2006
		\$	\$
Parent entity:			
Empire	Australia	-	-
Subsidiaries of Empire:			
PGM Technologies Oceania Pty Ltd	Australia	100	100
Torrens Resources Pty Ltd	Australia	100	-
Subsidiaries of PGM Technologies Oceania Pty Ltd:			
Seasafe Pty Ltd <sup>1</sup>	Australia	-	-

1. Seasafe Pty Ltd ceased to be a subsidiary during 2006.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

9. **Plant and Equipment**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Plant and equipment				
Cost	21,323	6,496	21,323	6,496
Accumulated depreciation	(7,351)	(5,471)	(7,351)	(5,471)
	13,972	1,025	13,972	1,025
Motor vehicles				
Cost	53,863	–	53,863	–
Accumulated depreciation	(3,542)	–	(3,542)	–
	50,321	–	50,321	–
<b>Total plant and equipment</b>	<b>64,293</b>	<b>1,025</b>	<b>64,293</b>	<b>1,025</b>

Movements in the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are as set out below.

<b>Plant and equipment</b>				
Balance at the beginning of year	1,025	2,066	1,025	2,066
Additions	14,827	–	14,827	–
Depreciation expense	(1,880)	(1,041)	(1,880)	(1,041)
Carrying amount at the end of the year	13,972	1,025	13,972	1,025
<b>Motor vehicles</b>				
Balance at the beginning of year	–	–	–	–
Additions	53,863	–	53,863	–
Depreciation expense	(3,542)	–	(3,542)	–
Carrying amount at the end of the year	50,321	–	50,321	–

10. **Exploration and Evaluation Expenditure**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Exploration phase				
– at cost	3,303,560	1,057,940	3,228,838	1,057,940
– at fair value	1,100,000	–	–	–
	4,403,560	1,057,940	3,228,838	1,057,940
Balance 1 July	1,057,940	908,124	1,057,940	908,124
Exploration properties acquired	993,358	–	1,423,358	–
Acquisition at fair value of tenements of Torrens Resources Pty Ltd	1,100,000	–	–	–
Expenditure incurred during the year	1,253,092	156,424	748,370	156,424
Expenditure written off during the year	(830)	(6,608)	(830)	(6,608)
Balance 30 June	4,403,560	1,057,940	3,228,838	1,057,940

Ultimate recoupment of costs carried forward in respect of areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation or, alternatively, sale of respective areas at an amount at least equivalent to the carrying value.



EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

**11. Trade and Other Payables**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade payables and accruals	424,838	105,101	423,988	104,251
Employee benefits	6,427	-	6,427	-
Non-interest-bearing loans	90,000	40,000	90,000	40,000
	<b>521,265</b>	<b>145,101</b>	<b>520,415</b>	<b>144,251</b>

**12. Issued Capital**

**(a) Ordinary Shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of and amounts paid on the shares.

On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
60,418,192 (2006: 18,663,333 ) fully paid ordinary shares	<b>8,745,721</b>	1,518,700	<b>8,745,721</b>	1,518,700

	2007	2006	2007	2006
	No.	No.	No.	No.
<b>(i) Ordinary shares – number</b>				
At 1 July 2006	<b>18,663,309</b>	17,813,309	<b>18,663,309</b>	17,813,309
Shares issued – 850,000 on 4 May 2006	-	850,000	-	850,000
Shares issued – 229,883 on 15 August 2006 at \$0.10 Challenge Drilling	<b>229,883</b>	-	<b>229,883</b>	-
Shares issued – 250,000 on 27 October 2006 at \$0.10 Yuinmery	<b>250,000</b>	-	<b>250,000</b>	-
Shares issued – 500,000 on 3 November 2006 at \$0.10	<b>500,000</b>	-	<b>500,000</b>	-
Shares issued – 2,275,000 on 13 November 2006 at \$0.10	<b>2,275,000</b>	-	<b>2,275,000</b>	-
Shares issued – 27,500,000 on 29 January 2007 at \$0.20 IPO	<b>27,500,000</b>	-	<b>27,500,000</b>	-
Shares issued – 5,000,000 on 29 January 2007 at \$0.20 Torrens	<b>5,000,000</b>	-	<b>5,000,000</b>	-
Shares issued – 1,000,000 on 29 January 2007 at \$0.20 Penny's Find	<b>1,000,000</b>	-	<b>1,000,000</b>	-
Shares issued – 5,000,000 on 7 June 2007 at \$0.18 Yarlarweelor	<b>5,000,000</b>	-	<b>5,000,000</b>	-
<b>Balance at 30 June 2007</b>	<b>60,418,192</b>	18,663,309	<b>60,418,192</b>	18,663,309

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

12. Issued Capital (cont.)

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(ii) Ordinary shares – value</b>				
At 1 July 2007	1,518,700	1,441,580	1,518,700	1,441,580
Shares issued – 850,000 on 4 May 2006	-	85,000	-	85,000
Shares issued – 229,883 on 15 August 2006 at \$0.10 Challenge Drilling	22,983	-	22,983	-
Shares issued – 250,000 on 27 October 2007 at \$0.10 Yunmery	25,000	-	25,000	-
Shares issued – 500,000 on 3 November 2006 at \$0.10	50,000	-	50,000	-
Shares issued – 2,275,000 on 13 November 2006 at \$0.10	227,500	-	227,500	-
Shares issued – 27,500,000 on 29 January 2007 at \$0.20 IPO	5,500,000	-	5,500,000	-
Shares issued – 5,000,000 on 29 January 2007 at \$0.20 Torrens	1,000,000	-	1,000,000	-
Shares issued – 1,000,000 on 29 January 2007 at \$0.20 Penny's Find	200,000	-	200,000	-
Shares issued – 5,000,000 on 7 June 2007 at \$0.18 Yarlarweelor	900,000	-	900,000	-
Less share issue costs	(698,462)	(7,880)	(698,462)	(7,880)
<b>Balance at 30 June 2007</b>	<b>8,745,721</b>	<b>1,518,700</b>	<b>8,745,721</b>	<b>1,518,700</b>

On 25 November 2005 shareholders approved a share consolidation whereby every three (3) fully paid shares in the capital of the Company were consolidated into two (2) fully paid ordinary shares. The number of shares shown are reflected on a post-consolidation basis.

(b) Options

As at 30 June 2007 (30 June 2006: nil), the Company had the following options on issue over ordinary shares.

Grant date	Date of expiry	Exercise price (\$)	Number under option
19-Jun-07	30-Jun-09	0.25	27,709,075
01-Feb-07	31-Dec-10	0.25	3,000,000
			30,709,075

13. Reserves

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Reserves	492,587	-	492,587	-
Reserves comprise the following.				
<b>Options reserve</b>				
Balance as at start of financial year	-	-	-	-
Options issued – 3,000,000 on 1 February 2007 at a deemed price of 7.5 cents – expiry 31 December 2010	232,500	-	232,500	-
Options issued – 27,709,075 on 15 June 2007 at \$0.01 – expiry 30 June 2009	277,091	-	277,091	-
Less share issue costs	(17,004)	-	(17,004)	-
<b>Balance as at end of the financial year</b>	<b>492,587</b>	<b>-</b>	<b>492,587</b>	<b>-</b>

Details of certain components of the option reserve arising as a consequence of equity based payments are included in Note 13.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

14. Financial Instruments

30 June 2007	Weighted average effective	Floating interest rate	Fixed interest rate maturing			Non-interest bearing	Total
			Within year	1 to 5 years	Over 5 years		
			\$	\$	\$		
<b>Financial Assets:</b>							
Cash and cash equivalents	6.0%	4,327,553	-	-	-	-	4,327,553
Trade and other receivables		-	-	-	-	134,903	134,903
<b>Total Financial Assets</b>		<b>4,327,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,903</b>	<b>4,462,456</b>
<b>Financial Liabilities:</b>							
Trade and other payables		-	-	-	-	521,265	521,265
Short-term borrowings		-	-	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>521,265</b>	<b>521,265</b>

30 June 2006	Weighted average effective	Floating interest rate	Fixed interest rate maturing			Non-interest-bearing	Total
			Within year	1 to 5 years	Over 5 years		
			\$	\$	\$		
<b>Financial Assets:</b>							
Cash and cash equivalents	3.0%	8,289	-	-	-	-	8,289
Trade and other receivables		-	-	-	-	2,020	2,020
<b>Total Financial Assets</b>		<b>8,289</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,020</b>	<b>10,309</b>
<b>Financial Liabilities:</b>							
Trade and other payables		-	-	-	-	145,101	145,101
Short-term borrowings		-	-	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,101</b>	<b>145,101</b>

(i) *Credit risk exposure*

The credit risk exposure to the Company to financial assets that have been recognised on the Balance Sheet is not materially different from the carrying amount net of any provision for doubtful debts.

(ii) *Interest rate risk exposure*

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

(iii) *Liquidity and cash flow interest rate risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Company invests in financial instruments that, under normal market conditions, are readily convertible to cash.

(iv) *Net fair value of assets and liabilities*

The net fair values of financial assets and financial liabilities of the Company approximate their carrying values.



EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

**15. Capital and Leasing Commitments**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>(i) Operating lease commitments</b>				
Non-cancellable operating leases contracted for but not capitalised in the financial statements.				
Payable – minimum lease payments				
– not later than 12 months	28,617	–	28,617	–
– between 12 months and 5 years	68,289	–	68,289	–
– greater than 5 years	–	–	–	–
	<b>96,906</b>	<b>–</b>	<b>96,906</b>	<b>–</b>

The company entered into an operating lease on 1 August 2007 for office space it occupies in Victoria Park. The term of the lease is 3 years and expires on 1 August 2010.

<b>(ii) Expenditure commitments contracted for: exploration tenements</b>				
In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements. These obligations are not provided for in the financial statements and are payable:				
– not later than 12 months	164,331	140,000	113,482	140,000
– between 12 months and 5 years	657,324	560,000	453,928	560,000
– greater than 5 years.	–	–	–	–
	<b>821,655</b>	<b>700,000</b>	<b>567,410</b>	<b>700,000</b>

**16. Directors and Executive Disclosures**

**(i) Details of key management personnel**

Chairman (non-executive)

Mr A Griffin (from 3 February 2004)

Managing director

Mr D Sargeant (from 13 April 2000)

Executive director

Mr A Jessup (from 15 August 2003)

**(ii) Compensation of key management personnel**

The Company has applied the exemption under Corporations Amendments Regulation 2005, which exempts listed entities from providing remuneration disclosures in relation to their specified directors in their annual financial reports by Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities". These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

**(iii) Shareholdings of key management personnel**

Shares held directly and indirectly in the Company are as follows.

	Balance at the start of the period	Issued under share plan	On exercise of options	Net change other	Balance at the end of the period
<b>Directors</b>					
Mr Adrian Griffin	–	–	–	–	–
Mr David Sargeant	4,788,895	–	–	311,105	5,100,000
Mr Adrian Jessup	1,067,555	–	–	300,000	1,367,555
	<b>5,856,450</b>	<b>–</b>	<b>–</b>	<b>611,105</b>	<b>6,467,555</b>

All equity transactions with key management personnel that relate to the Company's listed ordinary shares have been entered into on an arms-length basis.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

**17. Related Parties**

**Directors and Specified Executives**

Disclosures relating to the remuneration and shareholdings of directors and specified executives are set out in the Directors' Report and Note 17 respectively.

Other transactions with directors, their associates and director-related entities are as follows.

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Party				
Amounts received from companies associated with certain directors:				
Kirkdale Holdings Pty Ltd	-	30,000	-	30,000
Mr Adrian Jessup	-	30,000	-	30,000
<b>Total</b>	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>30,000</b>
Amounts paid to companies associated with certain directors for management services:				
Kirkdale Holdings Pty Ltd – Mr D Sargeant	<b>50,000</b>	-	<b>50,000</b>	-
Murilla Exploration Pty Ltd – Mr A Jessup	<b>50,000</b>	-	<b>50,000</b>	-
<b>Total</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>
Amounts payable to directors for directors' fees:				
Mr Adrian Griffin	<b>12,500</b>	-	<b>12,500</b>	-

**18. Remuneration of Auditors**

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Amounts received or due and receivable by the auditors for:				
Audit or review of the financial reports of the Company	<b>7,500</b>	6,100	<b>7,500</b>	6,100
Other services	-	-	-	-
<b>Total</b>	<b>7,500</b>	<b>6,100</b>	<b>7,500</b>	<b>6,100</b>

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

**19. Cash Flow Information**

(i) *Reconciliation of cash flow from operations with loss after income tax*

	Consolidated group		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loss after income tax	(234,737)	(33,450)	(234,737)	(33,450)
Depreciation	5,422	1,041	5,422	1,041
Other income	-	(8,835)	-	(8,835)
Exploration expenditure written off	830	6,608	830	6,608
	(228,485)	(34,636)	(228,485)	(34,636)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:				
(increase)/decrease in trade and other receivables	-	2,001	-	2,001
(decrease)/increase in trade and other payables	43,527	(479)	43,527	(479)
(decrease)/increase in employee benefits	6,427	-	6,427	-
Net cash outflow from operating activities	(178,531)	(33,114)	(178,531)	(33,114)

(ii) *Businesses acquired*

During the financial year, the Group acquired Torrens Resources Pty Ltd. The net cash outflow on acquisition was \$100,000. Details of the transaction are as follows.

	Torrens Resources Pty Ltd		
	Book value	Fair value adjustment	Fair value
	(\$)	(\$)	(\$)
Purchase consideration			
- cash			100,000
- 5,000,000 ordinary shares at \$0.20 per share			1,000,000
			1,100,000
Fair value of assets and liabilities held at acquisition date:			
non-current assets			
deferred exploration and evaluation expenditure	-	1,100,000	1,100,000
mining tenement	1,716	(1,716)	-
	1,716	1,098,284	1,100,000

(iii) *Non-cash financing and investment transactions*

During the current financial year, the Company issued 5,000,000 ordinary shares at 20 cents with a value of \$1,000,000 to acquire the business indicated in (ii) above. The issue cost is not reflected in the cash flow statement.

During the current financial year, the Company issued 3,000,000 options at a deemed value of 7.5 cents per option (\$232,500) as part payment for share issue expenses. The issue is not reflected in the cash flow statement.

**20. Events After the Balance Sheet Date**

Since 30 June 2007, there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.



---

## 11. DIRECTORS' DECLARATION

---

The Directors of the company declare that:

the financial statements and notes, as set out on 24 to 41, are in accordance with the *Corporations Act 2001* and:

1. (a) comply with accounting Standards and the Corporations Regulations 2001; and  
(b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company.

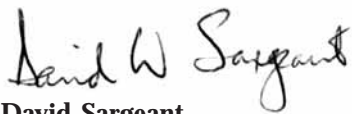
The chief executive officer and chief finance officer have each declared that:

2. (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;  
(b) the financial statements and notes for the financial year comply with the Accounting Standards, and  
(c) the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

---

The declaration is made in accordance with a resolution of the Board of Directors.

---



**David Sargeant**  
Managing Director

---

Perth, Western Australia  
24 September 2007

---

## 12. INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EMPIRE RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Empire Resources Limited ("the company"), which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### **Auditor's Opinion on the Financial Report**

In our opinion:

- (a) the financial report of the company is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report**

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

Perth, WA

Dated: 24 September 2007

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*S C Cubitt*  
S C CUBITT  
Partner



13. AUDITOR'S INDEPENDENT DECLARATION  
TO THE BOARD OF DIRECTORS OF  
EMPIRE RESOURCES LIMITED

As lead audit partner for the audit of the financial report of Empire Resources Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*S C Cubitt*

Perth, WA

Dated: *24 September 2007*

S C CUBITT  
Partner

## 14. ADDITIONAL INFORMATION

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 12 September 2007.

(a) **Distribution of Shares**

The numbers of shareholders, by size of holding are as follows.

Category (size of holding)	Number of holders
1-1,000	8
1,001-5,000	87
5,001-10,000	162
10,001-100,000	426
100,001 and over	102
	785

The number of shareholdings held in less than marketable parcels is 24.

(b) **Twenty Largest Shareholders**

The names of the twenty largest holders of quoted shares are:

	SHAREHOLDERS	Number of shares held	Holding (%)
(%)			
1	KIRKDALE HOLDINGS PTY LTD	3,300,000	5.5
2	MR BRENTON ANTHONY PARRY	2,500,000	4.1
3	ZETEK RESOURCES PTY LTD	2,472,000	4.1
4	MRS SUKHON SUHARITDUMRONG	2,268,500	3.7
5	DW SARGEANT PTY LTD	1,800,000	3.0
6	ANZ NOMINEES LIMITED	1,185,000	2.0
7	MR ARTUR BIRKNER	1,182,500	2.0
8	RUBYSTAR NOMINEES PTY LTD	1,000,000	1.7
9	RBJ NOMINEES PTY LTD	1,000,000	1.7
10	AGENS PTY LTD	900,000	1.5
11	COLTRANGE PTY LTD	800,000	1.3
12	MR ADRIAN MARTIN LAMBERT JESSUP	722,222	1.2
13	ELY PLACE NOMINEES LTD	666,666	1.1
14	MR JIM JEFFREYS	644,949	1.1
15	MURILLA EXPL PL	633,333	1.0
16	ALCARDO INVESTMENTS LIMITED	579,000	1.0
17	MR BRETT WADE TOLHURST	550,000	0.9
18	MR RICHARD JAMES HARRIS	529,000	0.9
19	MR CHUNLIN PAN AND MRS JIAN CHENG	503,600	0.8
20	MR CHUNG YUEN CHOI	500,000	0.8%
		23,736,770	39.2%

**Stock exchange listing** – listing has been granted for all the ordinary shares of the company on all member exchanges of the ASX, except for the following, which are not quoted by virtue of restriction agreements.

<b>Quoted</b> shares on ASX	47,589,498
<b>Unquoted</b> – escrowed until:	
24 Oct 07	902,500
3 Nov 07	535,000
29 Jan 08	6,000,000
1 Feb 09	5,491,194
<b>Total issued share capital</b>	<b>60,518,192</b>

(c) **Twenty Largest Option Holders**

The names of the twenty largest holders of quoted options are as follows.

	<b>OPTION HOLDERS</b>	<b>Number of options held</b>	<b>Holding (%)</b>
1	DW SARGEANT PTY LTD	2,849,999	10.3
2	MRS SUKHON SUHARITDUMRONG	1,134,250	4.1
3	MURILLA EXPLORATION PTY LTD	616,666	2.2
4	MR ARTUR BIRKNER	591,250	2.1
5	RUBYSTAR NOMINEES PTY LTD	500,000	1.8
6	ALCARDO INVESTMENTS LIMITED	494,500	1.8
7	AGENS PTY LTD	450,000	1.6
8	CAMIRA HOLDINGS PTY LTD	375,000	1.4
9	MR ADRIAN MARTIN LAMBERT JESSUP	361,111	1.3
10	ELY PLACE NOMINEES LTD	333,333	1.2
11	MR JIM JEFFREYS	322,474	1.2
12	MR ADRIAN CHRISTOPHER GRIFFIN	300,000	1.1
13	AYMVESS PTY LIMITED	300,000	1.1
14	COLTRANGE PTY LTD	300,000	1.1
15	WHI SECURITIES PTY LTD	287,500	1.0
16	MR RICHARD JAMES AND MRS SUSAN ELIZABETH HARRIS	274,500	1.0
17	CITIVIEW PTY LTD	250,000	0.9
18	BLAMNCO TRADING PTY LTD	250,000	0.9
19	NATIONAL NOMINEES LTD	250,000	0.9
20	ALCARDO INVESTMENTS LIMITED	250,000	0.9
		10,490,583	37.9

**Stock exchange listing** – listing has been granted for 27,709,075 options over ordinary shares of the Company on all member exchanges of the ASX.

(d) **Substantial Shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are as follows.

<b>Shareholder</b>	<b>Number of shares</b>
David Sargeant	4,888,895

(e) **Voting Rights**

All shares carry one vote per unit without restriction.

(f) **Listing Rule 4.10.19**

The Company outlined in the prospectus dated 7 November 2006 that it intended to spend funds raised under that prospectus on exploration and resource evaluation of its projects, in order to advance its exploration prospects to a stage at which further evaluation and mining development could be financed by joint venture funding, debt or additional equity funds.

The Company can confirm that from admission on 31 January 2007 to 30 June 2007, it used the cash that it had at the time of admission in a way consistent with its business objectives.



INTERESTS IN MINING AND EXPLORATION TENEMENTS as at 20 August 2007

PROJECT	TENEMENT	INTEREST	REMARKS
TROY CREEK	E69/1486	100%	
	E69/1728	100%	
	E69/1729	100%	
	E69/1826	100%	
	E69/2358	100%	
	M69/84		Application not yet granted
	M69/85		Application not yet granted
	M69/86		Application not yet granted
	M69/87		Application not yet granted
	M69/88		Application not yet granted
	M69/89		Application not yet granted
	M69/90		Application not yet granted
	P69/40		Application not yet granted
	P69/41		Application not yet granted
	P69/42		Application not yet granted
P69/43		Application not yet granted	
P69/44		Application not yet granted	
P69/45		Application not yet granted	
PENNY'S FIND	E27/64	100%	
	E27/221	100%	
	E27/255	100%	
	M27/156	100%	
	M27/241		Application not yet granted
	M27/269		Application not yet granted
	M27/292		Application not yet granted
	M27/298		Application not yet granted
	M27/299		Application not yet granted
	M27/300		Application not yet granted
	M27/301		Application not yet granted
	P27/1226	100%	
	P27/1251	100%	
	P27/1455		Application not yet granted
	P27/1713		Application not yet granted
	P27/1714		Application not yet granted
	P27/1715		Application not yet granted
	P27/1716		Application not yet granted
	P27/1717		Application not yet granted
	P27/1718		Application not yet granted
P27/1719		Application not yet granted	
P27/1720		Application not yet granted	
P27/1721		Application not yet granted	
P27/1722		Application not yet granted	
P27/1723		Application not yet granted	
P27/1724		Application not yet granted	
P27/1725		Application not yet granted	
P27/1726		Application not yet granted	
P27/1727		Application not yet granted	
P27/1728		Application not yet granted	
P27/1729		Application not yet granted	
P27/1730		Application not yet granted	
P27/1731		Application not yet granted	
P27/1814		Application not yet granted	
P27/1815		Application not yet granted	
P27/1992		Application not yet granted	
LARKIN'S FIND	E39/1248	Earning up to 80%	
YUINMERY	M57/265	Earning up to 90%	
	M57/357		Application not yet granted
	P57/743	Earning up to 90%	
	P57/744	Earning up to 90%	
	P57/745	Earning up to 90%	
	P57/746	Earning up to 90%	
	P57/1214		Application not yet granted
	P57/1215		Application not yet granted
	P57/1216		Application not yet granted
P57/1217		Application not yet granted	
E57/735		Application not yet granted	
PARADIS	E47/1200		Application not yet granted
	E47/1203		Application not yet granted
NOONDIE	E57/643		Application not yet granted
	E57/648		Application not yet granted
YARLARWEELOK	E52/2095		Application not yet granted
TORRENS	EL3081	100%	
	EL3530	100%	





