



EMPIRE RESOURCES LIMITED

ABN 32 092 471 513

Annual Report

30 June 2014

Corporate Directory

| | | |
|---------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors | : | Thomas Revy David Sargeant Adrian Jessup |
| Company Secretary | : | Simon Storm |
| Registered Office | : | Registered Office and Principal Place of Business 53 Canning Highway Victoria Park WA 6100 Telephone: (08) 9361 3100 Facsimile: (08) 9361 3184 Email info@resourcesempire.com.au Website www.resourcesempire.com.au |
| Auditor | : | HLB Mann Judd Level 4 130 Stirling Street Perth WA 6000 |
| Share Registry | : | Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233 |
| Australian Securities Exchange | | Home Branch: Perth Code: ERL |
| ABN | : | 32 092 471 513 |

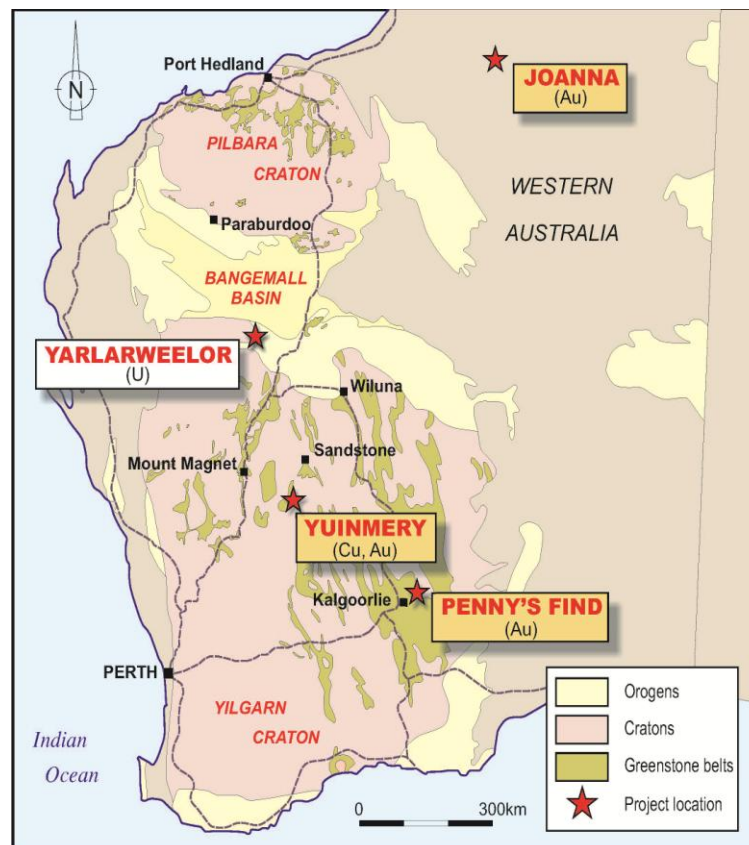
EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Empire Resources Ltd has a long term objective to become a successful mining house built on the discovery and development of world class mineral deposits.

In the short term, Empire Resources is committed to enhancing value for shareholders by obtaining cash flow from the Company's existing copper and gold deposits.

Empire's options for realising value include delineating reserves and commencing mining operations; entering into significant farm-out or royalty arrangements or by acquiring new opportunities to provide an early cash flow.



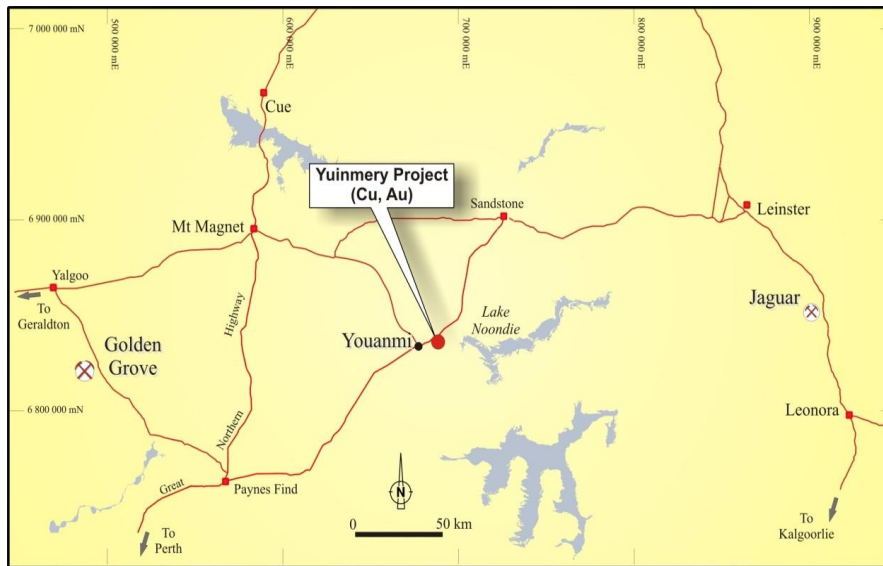
Yuinmery : Copper - Gold Project

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

The flagship project for Empire Resources is the 100 per cent owned Yuinmery project located 475 km northeast of Perth in Western Australia.

The Yuinmery project sits in the base metal rich Youanmi greenstone belt with the principal target being volcanogenic massive sulphide (VMS) deposits. Elsewhere in the world, VMS deposits typically occur in clusters with individual prospects often mined to great depths. Similar VMS deposits are found at the Golden Grove mine to the west and Jaguar mine to the east underlining the potential of Yuinmery.

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS



The potential of Youinmery arises from the calibre of drill intersections, with a string of high grade copper-gold results at two of the projects most advanced prospects – **Just Desserts and A Zone**.

Interest in Youinmery increased after the discovery of high grade copper-gold zones at the Just Desserts prospect. Assay results included **23m @ 2.7% Cu, 1.3g/t Au; 14m @ 2.6% Cu, 1.9g/t Au; 13m @ 2.6% Cu, 1.7g/t Au; 6m @ 3.8% Cu, 12.9g/t Au and 10m @ 4.2% Cu, 6.0g/t Au**.

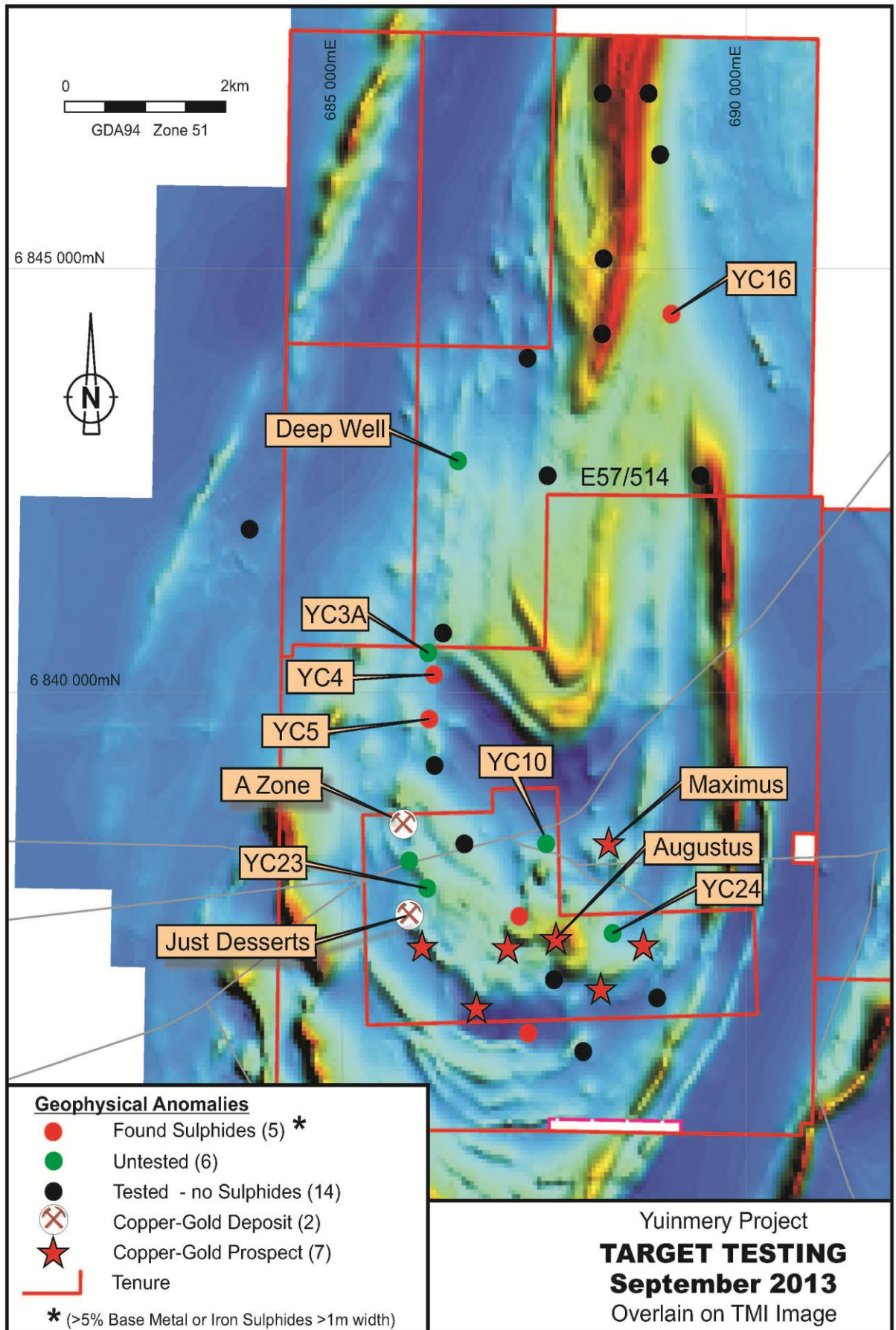
Details of a 2004 JORC compliant resource have been previously reported in the 2013 Annual Report and Quarterly Reports to the Australian Stock Exchange.

In 2010 Empire Resources entered into an option agreement to purchase an interest in adjoining tenements managed by La Mancha Resources Australia Pty Ltd. This deal meant Empire's tenement holding increased to 98 km² in this base metal rich province, giving the project significant scope as it develops.

Of major interest to Empire Resources was an airborne electromagnetic (EM) survey completed by La Mancha over their tenements which revealed numerous untested conductive zones for base metal sulphides.

This deal has paid dividends, with subsequent exploration on the La Mancha tenements leading to the discovery of significant copper-gold mineralisation at the A Zone prospect and large widths of low grade platinum – palladium mineralisation (PGM) at the Constantine prospect which included intersections of up to 80m @ 0.49 g/t Pt+Pd.

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**



EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

The A Zone prospect is located 1.3 km north of Just Desserts, where drilling has confirmed a major copper-gold deposit exists.

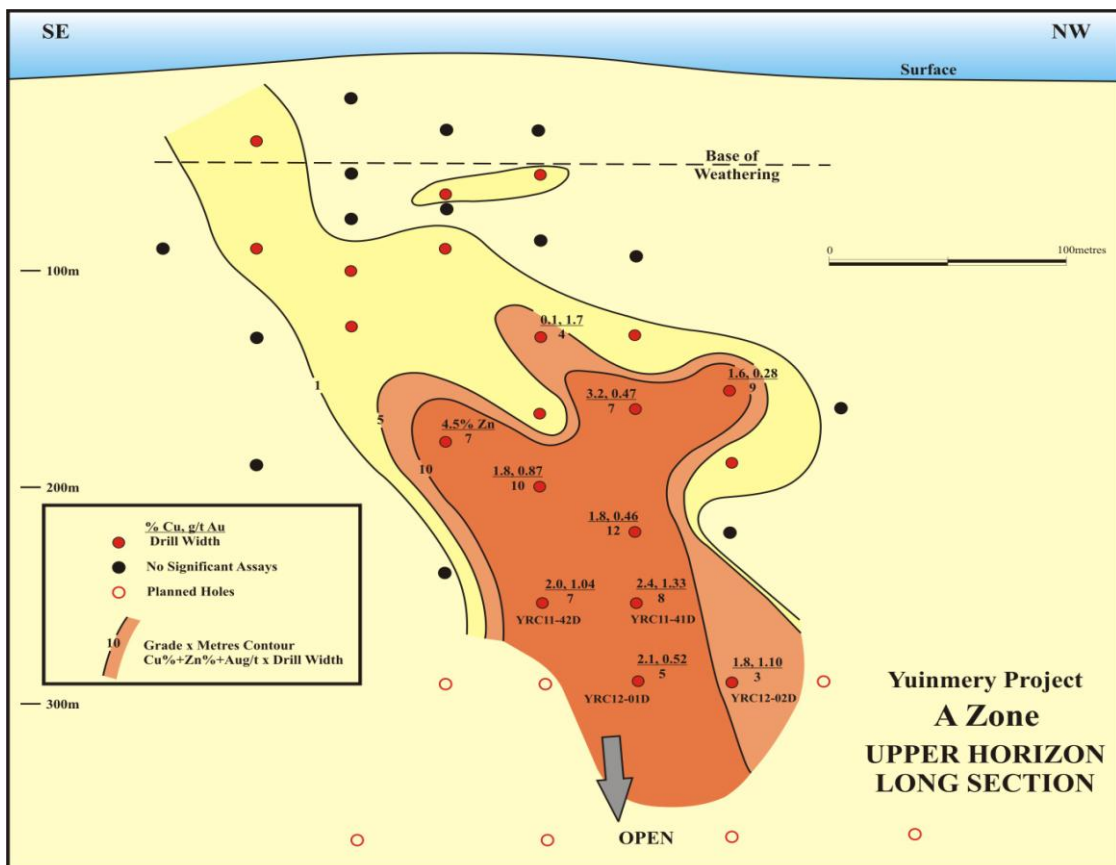
Previous intersections at A Zone include:

5m @ 4.4% Cu, 0.4g/t Au within 19m @ 1.8% Cu, 0.3g/t Au
4m @ 4.7% Cu, 0.5g/t Au within 7m @ 3.2% Cu, 0.3g/t Au
3m @ 8.2% Zn within 8m @ 4.0% Zn
7m @ 2.2% Cu, 0.6g/t Au within 12m @ 1.8% Cu, 0.5g/t Au
3m @ 4.0% Cu, 3.3g/t Au within 6m @ 3.0% Cu, 1.7g/t Au
5m @ 2.8% Cu, 1.2g/t Au within 10m @ 1.8% Cu, 0.9g/t Au

The copper-gold and zinc mineralisation at A Zone occurs in two horizons which dip eastwards and plunge to the north. The Upper Horizon hosts the major mineralisation and remains open at depth.

Ongoing drilling will allow Empire Resources to calculate a maiden resource at A Zone which will expand the total resource base of Yuinmery, lifting the economics of the total project.

During the past year discussions were held with various parties interested in entering joint venture arrangements to fund further exploration at Yuinmery.



EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

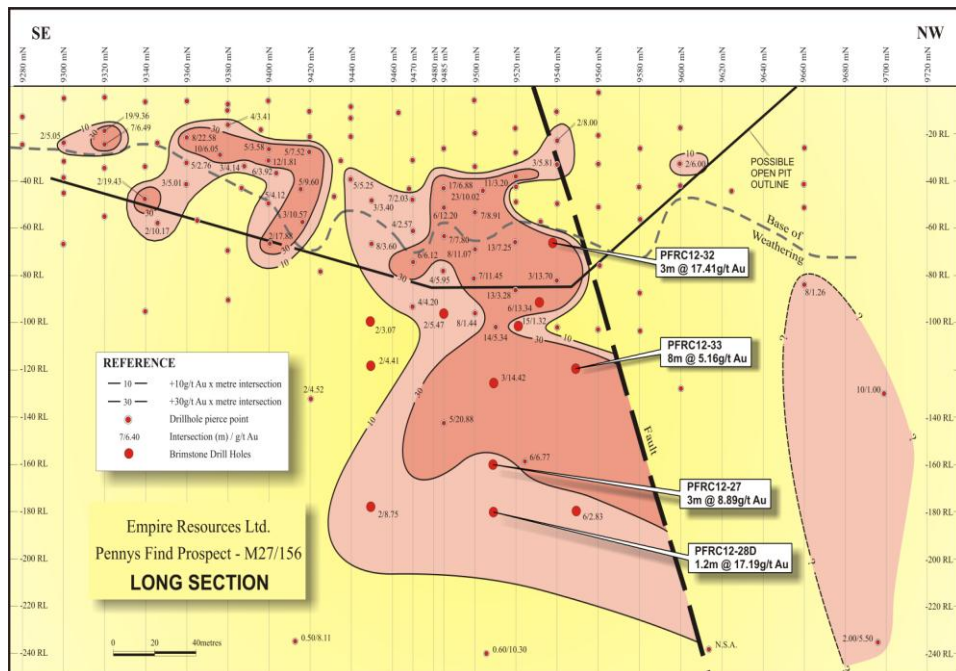
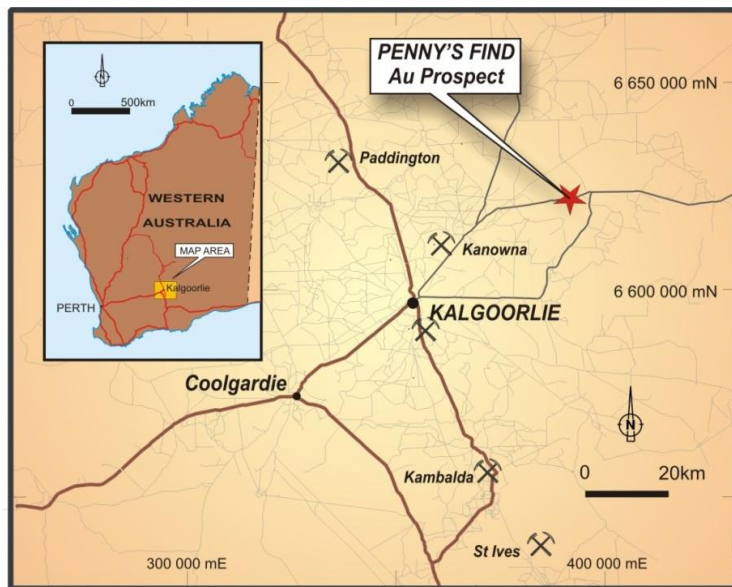
Penny's Find : Gold Project - 60% interest

Penny's Find is a near surface, high grade gold deposit situated in the Eastern Goldfields of Western Australia, within close proximity to the gold mining centres of Kalgoorlie and Kanowna Belle.

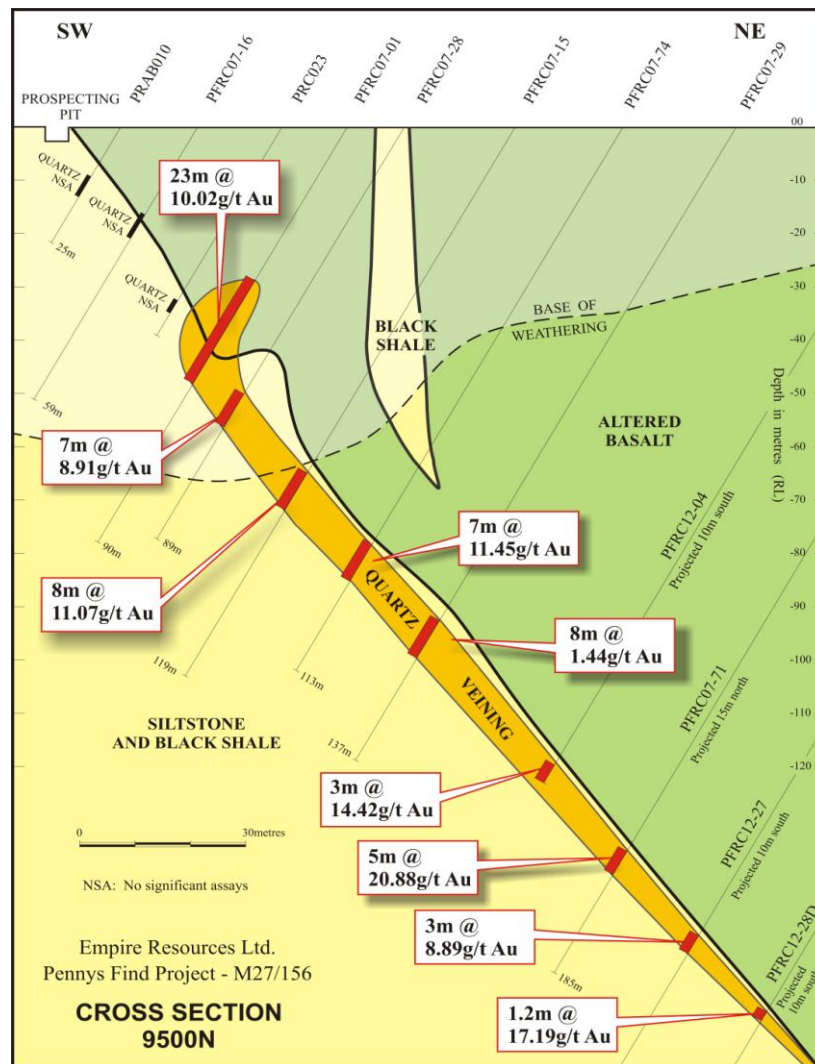
Details of a 2004 JORC compliant resource have been previously reported in the 2013 Annual Report and Quarterly Reports to the Australian Stock Exchange.

In the main lode, high grade, coarse gold mineralisation is hosted by quartz veins at the contact between shale and basalt. Metallurgical test work has shown both oxide and fresh mineralisation to be free milling with a high gravity recoverable gold component of >60% and a total gold recovery of >96%. The Penny's Find resource is located on granted mining lease M27/156.

Discussions are currently underway with potential buyers of this rich gold deposit. Brimstone Resources Ltd has confirmed its interest in disposing of its 40% interest in Penny's Find Project together with Empire.



EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS



Joanna : Gold Project – 80% interest

The Company has an 80% interest in a 277 km² exploration licence application located in the Great Sandy Desert, 270 km southeast of Broome, WA. The tenement lies adjacent to the Admiral Bay Fault and is considered prospective for gold and base metal mineralization.

Along strike to the northwest, the Admiral Bay Fault is associated with substantial lead – zinc mineralization.

Discussions are being held with parties interested in acquiring Empire's interest in this project.

Other Projects

After reviewing exploration results and future expenditure commitments, the Company relinquished its interests in the following projects during the past year: Point Kidman, Troy Creek and Damperwah.

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

Investment

As at the date of signing this annual report, Empire Resources holds a 17.6% interest in ASX listed company FYI Resources Ltd. FYI Resources Ltd is involved in exploration for potash minerals in Thailand and for uranium in Western Australia.



David Sargeant
Managing Director

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results has been compiled by Mr David Ross B.Sc(Hons), M.Sc, who is an employee of the Company. He is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. He has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". David Ross consents to the inclusion in the public release of the matters based on his information in the form and context in which it appears.

Empire Resources Limited

Directors' Report

Directors' Report

Your directors submit their report on Empire Resources Limited (the "Company") and its controlled entity (the "Group") for the financial year ended 30 June 2014.

Directors

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

Thomas Revy - Chairman (*Non-Executive*) – BAppSc. Grad Dip Bus.

Mr Revy is a mining professional with in excess of 30 years experience in the mining industry to date including operations, process design and commissioning, technical and general management, business development, project and company evaluation and corporate management. Countries where extensive work has been undertaken include Australia, PNG, Southern and Central Africa, Central and South America and China.

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

| Company | Position | Appointed | Resigned |
|--------------------|------------------------|------------|------------|
| Coppermoly Ltd | Non-executive Chairman | 20/05/2013 | 11/03/2014 |
| Ferum Crescent Ltd | Director | 19/02/2014 | - |

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 40 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 Dalgaranga Gold Project.

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

| Company | Position | Appointed |
|-------------------|------------------------|------------|
| FYI Resources Ltd | Non-executive Director | 30/11/2009 |

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 40 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 16 years, Mr Jessup has operated a geological consulting company. During that time, he was a founding director of Sylvania Resources Limited and remained on the board for two years. Prior to that, Mr Jessup was managing director of Giralda 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.

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

| Company | Position | Appointed |
|-------------------|------------------------|------------|
| FYI Resources Ltd | Non-executive Director | 30/11/2009 |

Empire Resources Limited

Directors' Report

Management

Simon Storm - Company Secretary – BCom. BCompt(Hons). CA, FGIA

Mr Storm is a Chartered Accountant with over 30 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.

He 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 10 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 27 years experience as an exploration geologist in Western Australia his 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 he 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 provision for income tax was \$882,503 (2013: \$1,582,177).

Review of results and operations

The operations and results of the Company for the financial year are reviewed below. This review includes information on the financial position of the Company, and its business strategies and prospects for future financial years.

Revenue

Revenue comprised interest received, down 80% on prior year as a consequence of lower cash balances. Other income of \$13,567 (2013: Nil) was the profit on sale of shares in FYI Resources Ltd.

Expenses

During the year, the Company continued exploration activities at its various exploration projects with expenditure on exploration decreasing 62% to \$349,390 (2013: \$925,988). The reduced expenditure has occurred as a consequence of availability of cash, with total expenditure reducing from \$2,080,809 to \$980,394.

Tax benefit

A tax benefit of \$97,891 (2013: \$498,632) was received in July 2014 as an R&D tax offset payment.

Cash and cash equivalents at 30 June 2014 decreased by 91% to \$18,152 (2013: \$197,857).

Operating cash flows

Cash flow used in operating activities increased by 4% to \$293,741 (2013: \$282,203). The payments to suppliers and employees decreased 68% to \$295,751 (2013: \$923,441) due to the cash position. The receipt of a R&D tax offset occurred in July 2014 compared with the receipt of a R&D tax offset in 2013 for the 2012 and 2011 financial years of \$498,632 and \$131,344 respectively.

Investing cash flows

Cash outflow for investing activities decreased by 88% to \$119,964 (2013: \$974,143) due to a decrease in exploration related expenditure.

Empire Resources Limited

Directors' Report

Financing cash flows

Cash flow from financing activities decreased by \$599,396 mainly due to a reduction in the proceeds from the issue of shares.

Statement of financial position

Current assets

Current assets decreased by 50% to \$148,409 (2013: \$296,949) mainly due to cash and cash equivalents decreasing 91% to \$18,152 (2013: \$197,857). Trade and other receivables increased by 39% to \$110,257 (2013: \$79,092) due to the R&D tax offset for the 2013 financial year.

Non-current assets

Non-current assets decreased by 39% to \$285,747 (2013: \$465,799) due to the increased share of the loss of the equity accounted investment in FYI Resources Ltd.

Current liabilities

Current liabilities increased by 160% to \$400,252 (2013: \$154,109), being an increase in trade and other payables as a consequence of availability of cash.

Debt position

The Company has \$50,000 unsecured loans from Directors which are expected to be repaid from the proceeds of a future share placement of ordinary shares

Review of Operations

CORPORATE - ongoing management of the Company's cash position remained critical throughout the year. Cash resources were boosted following a share placement in September 2013 of 10 million shares raising \$200,000 before costs. In addition, the Company, in July 2014, received an R&D tax offset payment totalling \$97,891, for test work used to evaluate and advance the high grade A Zone deposit at Yuinmery. A corporate advisory firm has been appointed to increase shareholder value with their fees for service being incentive driven and linked to share price improvement.

Significant Changes in State of Affairs

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 remuneration of each director of the Company and other key management personnel.

Remuneration Policy

The principles used to determine the nature and amount of remuneration are applied through a remuneration policy which 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 appropriate in aligning Directors' objectives with shareholder and businesses objectives.

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

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

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

- Rewards capability and experience,
- Reflects competitive reward for contributions to shareholder growth,
- Provides a clear structure for earning rewards, and
- Provides recognition for contribution.

Empire Resources Limited Directors' Report

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 director 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 Group. 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 director's fees will be \$42,000 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 9.25% are paid on these fees as required by law.

Share-based compensation

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and Employees of a high calibre, the Company has established the Empire Resources Limited Share Plan ("SP") and the Empire Resources Option Plan.

The Directors consider the plans are an appropriate method to:

- a) reward Directors and Employees for their past performance;
- b) provide long-term incentives to participate in the Company's future growth;
- c) motivate Directors and Employees and generate loyalty in Employees; and
- d) assist to retain the services of valuable Employees.

There were no options issued as share-based compensation to key management personnel during the current financial year or previous financial year.

No shares were issued during the year upon the exercise of options.

Executive Directors

Executive Directors provide their services via a consultancy arrangement. Directors do not receive any retirement benefits. 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.

In July 2014, Kirkdale Holdings Pty Ltd and Murilla Exploration Pty Ltd waived their entitlement to directors fees of \$199,650 each for services rendered from 1 August 2013 through to 30 June 2014. This adjustment is reflected in the following table.

Empire Resources Limited Directors' Report

Compensation of Key Management Personnel for the year ended 30 June 2014.

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 Fees | Consulting Fees | Short-term Benefits | Post-employment benefits | Share-based payments Value of shares & options | |
|-------------------------|-------------|----------------|-----------------|---------------------|--------------------------|------------------------------------------------|---------------|
| | | \$ | \$ | Total \$ | \$ | \$ | Total \$ |
| Directors | | | | | | | |
| Non-Executive | | | | | | | |
| Mr T Revy | 2014 | 42,000 | - | 42,000 | - | - | 42,000 |
| | 2013 | 30,000 | - | 30,000 | - | - | 30,000 |
| Executive | | | | | | | |
| Mr D Sargeant | 2014 | - | 18,150 | 18,150 | - | - | 18,150 |
| | 2013 | - | 217,800 | 217,800 | - | - | 217,800 |
| Mr A Jessup | 2014 | - | 18,150 | 18,150 | - | - | 18,150 |
| | 2013 | - | 217,800 | 217,800 | - | - | 217,800 |
| Total Directors | 2014 | 42,000 | 36,300 | 78,300 | - | - | 78,300 |
| | 2013 | 30,000 | 435,600 | 465,600 | - | - | 465,600 |
| Executives | | | | | | | |
| Mr S Storm | 2014 | - | 42,360 | 42,360 | - | - | 42,360 |
| | 2013 | - | 42,360 | 42,360 | - | - | 42,360 |
| Total Executives | 2014 | - | 42,360 | 42,360 | - | - | 42,360 |
| | 2013 | - | 42,360 | 42,360 | - | - | 42,360 |

Employment contracts

– Mr D Sargeant

By agreement dated 24 October 2009, 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) a term of three years;
- (b) requires the payment to Kirkdale of a fee of \$15,000 (GST excl) per month (increasing by 10% each year) and reimbursement of expenses;
- (c) provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement.

– Mr A Jessup

By agreement dated 24 October 2009, 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.

Empire Resources Limited Directors' Report

The agreement has:

- (a) a term of three years;
- (b) requires the payment to Murilla of a fee of \$15,000 (GST excl) per month (increasing by 10% each year) and reimbursement of expenses;
- (c) provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement.

In November 2013, the Chairman agreed to continue with these employment contracts until further notice.

In July 2014, Kirkdale Holdings Pty Ltd and Murilla Exploration Pty Ltd waived their entitlement of \$199,650 each for services rendered from 1 August 2013 – 30 June 2014.

The Company has received short term loans from Mr Sargeant and Mr Jessup for \$30,000 and \$20,000 respectively. These amounts are unsecured and are expected to be repaid from the proceeds of a future share placement of ordinary shares. A coupon equivalent to the Australian Government Bond 2 year yield will be calculated at each month end and will be payable on settlement of the loans.

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.

The Company has entered into a consultancy agreement with Dorado Corporate Services Pty Ltd, an entity associated with Simon Storm, for the provision of company secretarial and accounting services. These fees comprise a retainer of \$3,530 per month together with fees of \$165 per hour, where the number of hours each month exceeds 20 by Mr Storm.

Equity Holdings

Equity instrument disclosures relating to directors and other key management personnel

Shareholdings

The number of ordinary shares in the Company held during the year by each director and other key management personnel, including their personally related entities or associates, are set out below.

2014 Shareholdings of Key Management Personnel

| Directors | Balance at the start of the period | Issued under share plan | On exercise of options | Shares acquired | Balance at the end of the period |
|---------------|------------------------------------|-------------------------|------------------------|-----------------|----------------------------------|
| Mr T Revy | 710,000 | - | - | - | 710,000 |
| Mr D Sargeant | 6,400,000 | - | - | - | 6,400,000 |
| Mr A Jessup | 2,567,555 | - | - | - | 2,567,555 |
| | 9,677,555 | - | - | - | 9,677,555 |

Executive

| | | | | | |
|------------|---------|---|---|---|---------|
| Mr S Storm | 183,000 | - | - | - | 183,000 |
| | 183,000 | - | - | - | 183,000 |

2013 Shareholdings of Key Management Personnel

| Directors | Balance at the start of the period | Issued under share plan | On exercise of options | Shares acquired | Balance at the end of the period |
|---------------|------------------------------------|-------------------------|------------------------|-----------------|----------------------------------|
| Mr T Revy | 710,000 | - | - | - | 710,000 |
| Mr D Sargeant | 6,400,000 | - | - | - | 6,400,000 |
| Mr A Jessup | 2,567,555 | - | - | - | 2,567,555 |
| | 9,677,555 | - | - | - | 9,677,555 |

Executive

| | | | | | |
|------------|---------|---|---|---|---------|
| Mr S Storm | 183,000 | - | - | - | 183,000 |
| | 183,000 | - | - | - | 183,000 |

Empire Resources Limited Directors' Report

All equity transactions with key management personnel, which relate to the Company's listed ordinary shares or options, have been entered into on an arm's length basis.

Option holdings

The number of options over ordinary shares in the Company held during the reporting period by each director and key management personnel, including their personally related entities, are set out below.

2014 Option holdings of Key Management Personnel

| Directors | Balance at the start of the period | Issued | Expired | Balance at the end of the period | Vested and exercisable at 30 June 2014 |
|---------------|------------------------------------|----------|----------|----------------------------------|----------------------------------------|
| Mr T Revy | 500,000 | - | - | 500,000 | - |
| Mr D Sargeant | 500,000 | - | - | 500,000 | - |
| Mr A Jessup | 500,000 | - | - | 500,000 | - |
| | <u>1,500,000</u> | <u>-</u> | <u>-</u> | <u>1,500,000</u> | <u>-</u> |

Executive

| | | | | | |
|------------|----------------|----------|----------|----------------|----------|
| Mr S Storm | 500,000 | - | - | 500,000 | - |
| | <u>500,000</u> | <u>-</u> | <u>-</u> | <u>500,000</u> | <u>-</u> |

2013 Option holdings of Key Management Personnel

| Directors | Balance at the start of the period | Issued | Expired | Balance at the end of the period | Vested and exercisable at 30 June 2013 |
|---------------|------------------------------------|----------|--------------------|----------------------------------|----------------------------------------|
| Mr T Revy | 1,000,000 | - | (500,000) | 500,000 | - |
| Mr D Sargeant | 1,000,000 | - | (500,000) | 500,000 | - |
| Mr A Jessup | 1,000,000 | - | (500,000) | 500,000 | - |
| | <u>3,000,000</u> | <u>-</u> | <u>(1,500,000)</u> | <u>1,500,000</u> | <u>-</u> |

Executive

| | | | | | |
|------------|------------------|----------|------------------|----------------|----------|
| Mr S Storm | 1,000,000 | - | (500,000) | 500,000 | - |
| | <u>1,000,000</u> | <u>-</u> | <u>(500,000)</u> | <u>500,000</u> | <u>-</u> |

End of Remuneration Report.

Share Options

At the date of this report unissued ordinary shares of the Company under option are:

| Grant Date | Date of Expiry | Exercise Price \$ | Number under Option |
|------------|----------------|-------------------|---------------------|
| 28-Nov-11 | 28-Nov-14 | 0.10 | 1,500,000 |
| 27-Jun-13 | 31-Aug-16 | 0.04 | 10,000,000 |
| 28-Jun-13 | 31-Aug-16 | 0.05 | 10,000,000 |
| 29-Jun-13 | 31-Aug-16 | 0.06 | 10,000,000 |
| | | | <u>31,500,000</u> |

Empire Resources Limited

Directors' Report

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 | Number of Ordinary Shares | | Number of Options | |
|---------------|---------------------------|-----------|-------------------|----------|
| | Direct | Indirect | Direct | Indirect |
| Mr T Revy | 350,000 | 360,000 | 500,000 | - |
| Mr D Sargeant | - | 6,400,000 | - | 500,000 |
| Mr A Jessup | 922,222 | 1,645,333 | 500,000 | - |

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

Disclosure of likely developments in the operations of the Company and the expected results of those operations in future financial years, and 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 2014 and the number of meetings attended by each director.

| Director | Directors' Meetings | |
|-------------------|---------------------|---|
| | A | B |
| Mr Thomas Revy | 4 | 4 |
| Mr David Sargeant | 4 | 4 |
| Mr Adrian Jessup | 4 | 4 |

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 entity, except where the liability

Empire Resources Limited Directors' Report

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

In August 2014, La Mancha Resources Australia Pty Limited ("La Mancha") agreed to extend the option agreement to purchase their interest in two granted exploration licences and two granted prospecting licences covering an area of approximately 85 square kilometres for a further period of two months to 7 October 2014. As agreed and announced in July 2013, should the Company wish to exercise its option to acquire this interest in the La Mancha tenements, \$1 million will be payable.

Other than this, no matter or circumstance has arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (HLB Mann Judd) for audit and non-audit services provided during the year are set out below.

During the period, the following fees were paid or payable for services provided by the auditors of the parent entity HLB Mann Judd, its related practices:

Assurance Services

HLB Mann Judd (Current Auditor)

1. Audit services

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

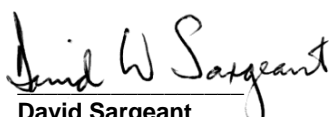
Total remuneration

| Consolidated | |
|----------------------------|----------------------------|
| Year ended 30 June 2014 | Year ended 30 June 2013 |
| \$ | \$ |
| 22,175 | 21,425 |
| <u>22,175</u> | <u>21,425</u> |

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires the company's auditors, HLB Mann Judd, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2014. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Director's Report.

Signed in accordance with a resolution of Directors.



David Sargeant
Director

Perth, Western Australia
26 September 2014

EMPIRE RESOURCES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

| | Note | Consolidated | |
|-----------------------------------------------------------------|------|------------------|--------------------|
| | | 2014 \$ | 2013 \$ |
| Interest income | 2 | 2,010 | 10,122 |
| Other income | 2 | 13,567 | - |
| Depreciation expense | 3 | (3,213) | (4,205) |
| Exploration expense | 3 | (349,390) | (925,988) |
| Employee benefits expense | | (27,276) | (46,941) |
| Management fee expense | | (36,300) | (435,600) |
| Directors fees | | (42,000) | (30,000) |
| Accounting expense | | (56,610) | (59,160) |
| Consultancy expense | | (12,848) | (65,445) |
| Share-based payment | | (107,768) | - |
| ASX expense | | (16,833) | (23,556) |
| Corporate relations expense | | (91,672) | (104,577) |
| Insurance expense | | (16,904) | (18,206) |
| Other expenses | | (82,092) | (132,297) |
| Share of loss of equity accounted investees | 8 | (153,065) | (244,956) |
| Loss before income tax | | (980,394) | (2,080,809) |
| Income tax benefit | 4 | 97,891 | 498,632 |
| Net loss for the year | | (882,503) | (1,582,177) |
| Other comprehensive income | | - | - |
| Share of comprehensive loss of equity accounted investees | | - | - |
| Income tax relating to components of other comprehensive income | | - | - |
| Other comprehensive loss for the year, net of tax | | - | - |
| Total comprehensive loss for the year | | (882,503) | (1,582,177) |
| Basic and diluted loss per share (cents per share) | 5 | (0.49) | (0.96) |

*The above Statement of Comprehensive Income
should be read in conjunction with the accompanying notes.*

EMPIRE RESOURCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

| | Note | Consolidated | |
|---------------------------------------------------|------|----------------|----------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 18,152 | 197,857 |
| Trade and other receivables | 7 | 110,257 | 79,092 |
| Other financial assets | | 20,000 | 20,000 |
| Total Current Assets | | 148,409 | 296,949 |
| NON-CURRENT ASSETS | | | |
| Investments accounted for using the equity method | 8 | 282,600 | 459,439 |
| Plant and equipment | 9 | 3,147 | 6,360 |
| Total Non-Current Assets | | 285,747 | 465,799 |
| TOTAL ASSETS | | 434,156 | 762,748 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 400,252 | 154,109 |
| Total Current Liabilities | | 400,252 | 154,109 |
| TOTAL LIABILITIES | | 400,252 | 154,109 |
| NET ASSETS | | 33,904 | 608,639 |
| EQUITY | | | |
| Issued capital | 11 | 17,170,103 | 16,970,103 |
| Reserves | 12 | 1,012,027 | 904,259 |
| Accumulated losses | | (18,148,226) | (17,265,723) |
| TOTAL EQUITY | | 33,904 | 608,639 |

*The above Statement of Financial Position
should be read in conjunction with the accompanying notes.*

EMPIRE RESOURCES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

| | Consolidated | | | |
|--------------------------------|----------------------|-----------------------------|--------------------------|----------------|
| | Issued Capital \$ | Accumulated Losses \$ | Option Reserves \$ | Total \$ |
| Balance at 1 July 2012 | 16,086,707 | (15,710,768) | 931,481 | 1,307,420 |
| Shares issued during the year | 950,000 | - | - | 950,000 |
| Options not vested | - | 27,222 | (27,222) | - |
| Equity issue expenses | (66,604) | - | - | (66,604) |
| Loss for the year | - | (1,582,177) | - | (1,582,177) |
| Balance at 30 June 2013 | 16,970,103 | (17,265,723) | 904,259 | 608,639 |
| Balance at 1 July 2013 | 16,970,103 | (17,265,723) | 904,259 | 608,639 |
| Shares issued during the year | 216,000 | - | - | 216,000 |
| Options issued during the year | - | - | 107,768 | 107,768 |
| Equity issue expenses | (16,000) | - | - | (16,000) |
| Loss for the year | - | (882,503) | - | (882,503) |
| Balance at 30 June 2014 | 17,170,103 | (18,148,226) | 1,012,027 | 33,904 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

EMPIRE RESOURCES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Consolidated | |
|--------------------------------------------------|-------------|------------------|------------------|
| | | 2014 \$ | 2013 \$ |
| Cashflows from Operating Activities | | | |
| Payments to suppliers and employees | | (295,751) | (923,441) |
| Interest received | | 2,010 | 11,262 |
| Other - R&D tax offset | | - | 629,976 |
| Net cash used in operating activities | 6(i) | (293,741) | (282,203) |
| Cash Flows from Investing Activities | | | |
| Purchase of plant and equipment | | (1,818) | (2,854) |
| Proceeds from sale of investment | | 37,341 | - |
| Exploration and evaluation expenditure | | (155,487) | (971,289) |
| Net cash used in investing activities | | (119,964) | (974,143) |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of equity securities | | 200,000 | 900,000 |
| Equity securities issue costs | | (16,000) | (66,604) |
| Proceeds from borrowings | | 50,000 | - |
| Net cash provided by financing activities | | 234,000 | 833,396 |
| Net (decrease) in cash held | | (179,705) | (422,950) |
| Cash at the beginning of the financial year | | 197,857 | 620,807 |
| Cash at the end of the financial year | 6 | 18,152 | 197,857 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies

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

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied by the controlled entity and are consistent with those in the 30 June 2013 financial report.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. It has been prepared on the historical cost basis. 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).

The financial report was authorised for issue by the Board on 26 September 2014.

(b) Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$882,503 (2013: \$1,582,177) and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of \$293,741 (2013: \$282,203), investing activities of \$69,964 (2013: \$974,143) and a cash inflow from financing activities of \$184,000 (2013: \$833,396). Cash flows from financing activities arose from capital raisings that are disclosed in Note 11(a). After consideration of these financial conditions, the Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the Group:

- The Group has successfully completed capital raisings during the year as disclosed in Note 11(a) and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is budgeted to occur in the twelve month period from the date of this financial report;
- The Group has working capital deficit of \$251,843 (2013: working capital surplus \$142,840) at balance date and expenditure commitments for the next 12 months of \$307,001 (2013: \$616,669), as disclosed in Note 14 (ii), and retains the ability to sell its shares in FYI Resources Ltd, in the event that the capital raisings are delayed or partial; and
- The Company and Group have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in mineral exploration and development assets.

The directors also anticipate that a further equity raising will be required and will be completed in 2014. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will be able to realise its assets and extinguish its liabilities in the normal course of business.

(c) Basis of Consolidation

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

Details of the controlled entity are contained in Note 8(b) to the financial statements. The controlled entity has 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 a controlled entity enters or leaves the consolidated Group during the year, their operating results are included/excluded from the date control was obtained or until the date control ceased.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

(d) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a Group entity transacts with its associate, profits and losses resulting from those transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(e) Plant and Equipment

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

The carrying amount of plant & equipment is reviewed annually by 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 asset's 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 straight line basis 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:

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

| | |
|---------------------------|--------|
| 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 date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets 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 statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to the assets are then transferred to accumulated losses.

(f) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(g) Cash & Cash Equivalents

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 Statement of Financial Position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Acquisition of Assets

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. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(i) Impairment of assets

At each reporting date, the Group 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 Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) 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.

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.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not classified as loans and receivables, held to maturity investments or fair value through profit or loss. 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.

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 statement of comprehensive income.

(k) Exploration and Development Expenditure

Exploration, evaluation and acquisition costs are expensed in the year they are incurred. Development costs are capitalised. Where commercial production in an area of interest has commenced, the associated costs in)

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

respect of the area of interest in the development phase, together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated life of the mine on a units of production basis.

(l) Employee Entitlements

Salaries, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve 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.

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives; and
- the Employee Share Loan Plan (ESLP), which provides benefits to all employees, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black Scholes model, further details of which are given in Note 18. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Empire Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share (see Note 5).

The Group expenses equity-settled share-based payments such as share and option issues after ascribing a fair value to the shares and/or options issued. The fair value of option and share plan issues of option and share plan shares are recognised as an expense together with a corresponding increase in the share based payments reserve or the share option reserve in equity over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when options are exercised.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

The value of shares issued to employees financed by way of a non recourse loan under the employee Share Plan is recognised with a corresponding increase in equity when the company receives funds from either the employees repaying the loan or upon the loan termination, pursuant to the rules of the share plan. All shares issued under the plan with non recourse loans are considered, for accounting purposes, to be options.

(m) Trade and other receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful debts is raised where some doubt as to collection exists.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Leases

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

Operating lease payments are charged as expenses in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(q) Revenue Recognition

Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised as follows:

(i) Interest

Interest earned is recognised as and when it is receivable, including interest which is accrued and is readily convertible to cash within two working days. Accrued interest is recorded as part of other debtors.

(ii) Sundry income

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.

(r) Goods and Services Tax (GST)

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 Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

(s) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black and Scholes model, using the assumptions detailed in Note 18.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 18.

This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(t) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Empire Resources Ltd.

The Group operates only in one business and geographical segment being predominantly in the area of mineral exploration in Western Australia. The Group considers its business operations in mineral exploration to be its primary reporting function.

(v) Loss per share

Basic loss per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

1. Statement of Significant Accounting Policies (continued)

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Parent Entity Financial Information

The financial information for the parent entity, Empire Resources Limited disclosed in Note 22 has been prepared on the same basis as the Group.

2. Revenue

| | Consolidated | |
|-------------------|---------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Revenue | | |
| Interest received | 2,010 | 10,122 |
| Other income | 13,567 | - |
| | 15,577 | 10,122 |

3. Loss from ordinary activities

| | Consolidated | |
|--------------------------------------------------------------------------------|--------------|---------|
| | 2014 | 2013 |
| | \$ | \$ |
| Loss before income tax | | |
| The loss from ordinary activities before income tax has been determined after: | | |
| (a) Expenses | | |
| Depreciation | 3,213 | 4,205 |
| Exploration costs expensed | 349,390 | 925,988 |

4. Income tax

(a) Income tax recognised in loss

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

4. Income tax (continued)

(b) Numerical reconciliation between income tax expense and the loss before income tax

| | Consolidated | |
|-----------------------------------------------------------------------------|------------------|-------------|
| | 2014 \$ | 2013 \$ |
| Loss before tax | (980,394) | (2,080,809) |
| Income tax benefit at 30% (2013:30%) | 294,118 | 624,243 |
| Tax effect of: | | |
| - deductible capital raising expenditure | 25,831 | 24,871 |
| - non deductible expenditure | (45,998) | (74,154) |
| - deductible temporary differences | (24,225) | (5,442) |
| - share based payment | (32,330) | - |
| Deferred tax asset not recognised | (217,396) | (569,518) |
| R&D tax incentive (from prior year) | 97,891 | 498,632 |
| Income tax benefit attributable to loss from ordinary activities before tax | 97,891 | 498,632 |

(c) Unrecognised deferred tax balances

| | | |
|-----------------------------------------------------------|-------------------|------------|
| Tax losses attributable to members of the group - revenue | 12,882,322 | 12,375,433 |
| Potential tax benefit at 30% | 3,864,697 | 3,712,630 |
| <i>Deferred tax asset asset not booked</i> | | |
| Amounts recognised in statement of comprehensive income | | |
| -employee provisions | 6,799 | 10,811 |
| -other | 35,623 | 6,750 |
| Amounts recognised in equity | | |
| - share issue costs | 36,221 | 57,252 |
| Net unrecognised deferred tax asset at 30% | 3,943,340 | 3,787,443 |

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

5. Loss per share

| | Consolidated | |
|------------------------------------------------------------------------------------------------------------|--------------------|---------------|
| | 2014 Cents | 2013 Cents |
| Basic and diluted loss per share (cents per share) | (0.49) | (0.96) |
| Loss used in the calculation of basic EPS | (882,503) | (1,582,177) |
| Weighted average number of shares outstanding during the year used in calculations of basic loss per share | 179,933,592 | 164,437,702 |

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

6. Cash and cash equivalents

| | Consolidated | |
|--------------------------|---------------|----------------|
| | 2014 \$ | 2013 \$ |
| Cash at bank and in hand | 18,152 | 197,857 |
| | 18,152 | 197,857 |

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

| | Consolidated | |
|------------------------------------------------------------------------------------|------------------|------------------|
| | 2014 \$ | 2013 \$ |
| Loss after income tax | (882,503) | (1,582,177) |
| Depreciation | 3,213 | 4,205 |
| Share based payments expense | 107,768 | - |
| Profit on Sale of Investments | (13,567) | - |
| Exploration expenditure not capitalised | 349,390 | 925,988 |
| Share of loss of equity accounted investees | 153,065 | 244,956 |
| | (282,634) | (407,028) |
| Changes in assets and liabilities, net of the effects of purchase of subsidiaries: | | |
| (Increase)/decrease in trade and other receivables | (97,461) | 133,029 |
| (Decrease)/increase in trade and other payables | 103,058 | (18,704) |
| (Decrease)/increase in employee benefits | (16,704) | 10,500 |
| Net cash outflow from operating activities | (293,741) | (282,203) |

7. Trade and other Receivables

| | Consolidated | |
|-------------------|----------------|---------------|
| | 2014 \$ | 2013 \$ |
| Current | | |
| Trade receivables | 12,366 | 55,080 |
| Other receivables | 97,891 | 24,012 |
| | 110,257 | 79,092 |

Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

8. Investments

(a) Investments accounted for using the Equity Method

| | Consolidated | |
|-----------------------------------------------------------------------------------|--------------|-----------|
| | 2014 | 2013 |
| | \$ | \$ |
| Reconciliation of movements in investments accounted for using the equity method: | | |
| Balance at 1 July | 459,439 | 704,395 |
| Share of loss | (153,065) | (244,956) |
| Sale of shares | (23,774) | - |
| Balance at 30 June | 282,600 | 459,439 |

| Name of entity | Principal activity | Country of incorporation | Ownership interest | | Market Value | |
|-------------------|---------------------|--------------------------|--------------------|------|--------------|---------|
| | | | 2014 | 2013 | 2014 | 2013 |
| | | | % | % | \$ | \$ |
| Associated entity | | | | | | |
| FYI Resources Ltd | Mineral exploration | Australia | 19% | 24% | 540,000 | 641,490 |

The Group has reviewed the carrying value of its investment in FYI Resources Ltd and considers that it is not stated in excess of its recoverable amount in the accounts.

| | Consolidated | |
|-----------------------------------------------------------------------|--------------|-----------|
| | 2014 | 2013 |
| | \$ | \$ |
| Summarised financial information of associates: | | |
| Financial position | | |
| Total assets | 2,497,471 | 2,495,418 |
| Total liabilities | (393,764) | (170,430) |
| Net assets | 2,103,707 | 2,324,988 |
| Group's share of associates' net assets | 398,737 | 562,696 |
| Financial performance | | |
| Total revenue | 42,685 | 18,015 |
| Total loss for the year | (741,297) | (959,850) |
| Group's share of associate's profit/(loss) | (153,065) | (244,956) |
| Group's share of associate's comprehensive loss | - | - |
| Capital commitments and contingent liabilities of associate: | | |
| Share of capital commitments incurred jointly with other investors | 230,765 | 299,765 |
| Share of contingent liabilities incurred jointly with other investors | - | - |
| | - | - |

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

8. Investments (continued)

(b) Investments in subsidiary

| Controlled entity | Country of incorporation | Percentage Owned | Percentage Owned |
|----------------------------------------------------------------------|--------------------------|------------------|------------------|
| | | 2014 % | 2013 % |
| Parent Entity: Empire Resources Limited | Australia | | |
| Subsidiary of Empire Resources Limited: Torrens Resources Pty Ltd | Australia | 100 | 100 |

9. Plant & equipment

| | Consolidated | |
|----------------------------------|-----------------|------------|
| | 2014 \$ | 2013 \$ |
| Plant and Equipment | | |
| Cost | 41,825 | 41,825 |
| Accumulated depreciation | (38,678) | (35,465) |
| | 3,147 | 6,360 |
| Motor Vehicles | | |
| Cost | 90,217 | 90,217 |
| Accumulated depreciation | (90,217) | (90,217) |
| | - | - |
| Total Plant and Equipment | 3,147 | 6,360 |

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

| | Consolidated | |
|----------------------------------------|----------------|------------|
| | 2014 \$ | 2013 \$ |
| Plant and Equipment | | |
| Balance at the beginning of year | 6,360 | 5,893 |
| Additions | - | 4,672 |
| Depreciation expense | (3,213) | (4,205) |
| Carrying amount at the end of the year | 3,147 | 6,360 |

9. Trade and other payables

| | Consolidated | |
|-----------------------------|----------------|------------|
| | 2014 \$ | 2013 \$ |
| Trade payables and accruals | 313,432 | 110,425 |
| Employee benefits | 36,820 | 43,684 |
| Director loans | 50,000 | - |
| | 400,252 | 154,109 |

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

10. 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 | |
|------------------------------------------------------------|-------------------|------------|
| | 2014 | 2013 |
| | \$ | \$ |
| 182,645,921 (2013: 171,645,921) fully paid ordinary shares | 17,170,103 | 16,970,103 |

(i) Ordinary shares - number

| | Consolidated | |
|-------------------------------------------------------------------------------------------------|--------------------|-------------|
| | 2014 | 2013 |
| | No. | No. |
| At 1 July | 171,645,921 | 150,645,921 |
| Share placement - 20,000,000 on 2 November 2012 at \$0.045 | - | 20,000,000 |
| Shares issued pursuant to a Farm-in and JV Agreement - 400,000 on 8 November 2012 at \$0.05 | - | 400,000 |
| Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 8 November 2012 at \$0.05 | - | 600,000 |
| Share placement - 10,000,000 on 20 September 2013 at \$0.02 | 10,000,000 | - |
| Shares issued pursuant to a Farm-in and JV Agreement - 1,000,000 on 17 December 2013 at \$0.016 | 1,000,000 | - |
| Balance at 30 June | 182,645,921 | 171,645,921 |

(ii) Ordinary shares – value

| | | |
|-------------------------------------------------------------------------------------------------|-------------------|------------|
| At 1 July | 16,970,103 | 16,086,707 |
| Share placement - 20,000,000 on 2 November 2012 at \$0.045 | - | 900,000 |
| Shares issued pursuant to a Farm-in and JV Agreement - 400,000 on 8 November 2012 at \$0.05 | - | 20,000 |
| Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 8 November 2012 at \$0.05 | - | 30,000 |
| Share placement - 10,000,000 on 20 September 2013 at \$0.02 | 200,000 | - |
| Shares issued pursuant to a Farm-in and JV Agreement - 1,000,000 on 17 December 2013 at \$0.016 | 16,000 | - |
| Less share issue costs | (16,000) | (66,604) |
| Balance at 30 June | 17,170,103 | 16,970,103 |

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

11. Issued capital (continued)

(b) Options

As at 30 June 2014 (30 June 2013: 33,000,000) the Company had the following options on issue over ordinary shares:-

| Grant Date | Date of Expiry | Exercise Price \$ | Number under Option |
|------------|----------------|-------------------|---------------------|
| 9-Aug-11 | 9-Aug-14 | 0.09 | 1,500,000 |
| 28-Nov-11 | 28-Nov-14 | 0.10 | 1,500,000 |
| 27-Jun-13 | 31-Aug-16 | 0.04 | 10,000,000 |
| 28-Jun-13 | 31-Aug-16 | 0.05 | 10,000,000 |
| 29-Jun-13 | 31-Aug-16 | 0.06 | 10,000,000 |
| | | | 33,000,000 |

11. Reserves

| | Consolidated | |
|----------|--------------|------------|
| | 2014 \$ | 2013 \$ |
| Reserves | 1,012,027 | 904,259 |

Reserves comprise the following:

Options reserve

| | | |
|-----------------------------------------|-----------|----------|
| Balance as at start of financial year | 904,259 | 931,481 |
| Share-based payment | 107,768 | - |
| Options not vested | - | (27,222) |
| Balance as at end of the financial year | 1,012,027 | 904,259 |

Details of certain components of the option reserve arising as a consequence of equity based payments are included in Note 18.

12. Financial risk management

The Group's financial situation is not complex. It's activities may expose it to a variety of financial risks in the future: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. At that stage the Group's overall risk management program will focus on the unpredictability of the financial markets and seek to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under an approved framework covering a risk management policy and internal compliance and control by management. The Board identifies, evaluates and approves measures to address financial risks.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

13. Financial risk management (continued)

The Group hold the following financial instruments:

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2014 \$ | 2013 \$ |
| Financial assets | | |
| Cash and cash equivalents | 18,152 | 197,857 |
| Trade and other receivables | 110,257 | 79,092 |
| Term deposit | 20,000 | 20,000 |
| | 148,409 | 296,949 |
| Financial liabilities | | |
| Trade and other payables | 400,252 | 154,109 |

(a) Market risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash deposits to be applied to exploration and development of areas of interest. Deposits at variable rates expose the Group to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk. During 2014 and 2013, the Group's deposits at variable rates were denominated in Australian Dollars.

As at the reporting date, the Group had the following variable rate deposits and there were no interest rate swap contracts outstanding:

| | Weighted average interest rate | Balance | Weighted average interest rate | Balance |
|-------------------------------------------------|--------------------------------------|------------|--------------------------------------|------------|
| | 2014 % | 2014 \$ | 2013 % | 2013 \$ |
| Deposit | | 20,000 | | 20,000 |
| Other cash available | | 18,152 | | 197,857 |
| Net exposure to cash flow interest rate risk | 2.2% | 38,152 | 2.6% | 217,857 |

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into the renewal of existing positions.

Sensitivity – Consolidated and Parent entity

During 2014, if interest rates had been 1% higher or lower than the prevailing rates realised, with all other variables held constant, there would be an immaterial change in post-tax profit for the year. Equity would not have been impacted.

(b) Credit risk

The Group has no significant concentrations of credit risk. Cash transactions are limited to high credit quality financial institutions.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables and committed transactions. In relation to other credit risk areas management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

13. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group will aim at maintaining flexibility in funding by accessing appropriate committed credit lines available from different counterparties where appropriate and possible. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

Financing arrangements

The Consolidated and Parent entity have short term loans from Directors. Details are included in Note 16.

| | Weighted Average Effective Interest Rate | Floating Interest Rate \$ | Fixed Interest Rate Maturing Within Year \$ | Non-interest bearing \$ | Total \$ |
|------------------------------------|---------------------------------------------------|---------------------------------|------------------------------------------------------|-------------------------------|----------------|
| 30 June 2014 | | | | | |
| Financial Assets: | | | | | |
| Cash and cash equivalents | 2.2% | 18,152 | - | - | 18,152 |
| Trade and other receivables | | - | - | 110,257 | 110,257 |
| Other financial assets | | - | 20,000 | - | 20,000 |
| Total Financial Assets | | 18,152 | 20,000 | 110,257 | 148,409 |
| Financial Liabilities: | | | | | |
| Trade and other payables | | - | - | 350,252 | 350,252 |
| Short-term borrowings | | 50,000 | - | - | 50,000 |
| Total financial liabilities | | 50,000 | - | 350,252 | 400,252 |

| | Weighted Average Effective Interest Rate | Floating Interest Rate \$ | Fixed Interest Rate Maturing Within Year \$ | Non-interest bearing \$ | Total \$ |
|------------------------------------|---------------------------------------------------|---------------------------------|------------------------------------------------------|-------------------------------|----------------|
| 30 June 2013 | | | | | |
| Financial Assets: | | | | | |
| Cash and cash equivalents | 2.6% | 197,857 | - | - | 197,857 |
| Trade and other receivables | | - | - | 79,092 | 79,092 |
| Other financial assets | | - | 20,000 | - | 20,000 |
| Total Financial Assets | | 197,857 | 20,000 | 79,092 | 296,949 |
| Financial Liabilities: | | | | | |
| Trade and other payables | | - | - | 154,109 | 154,109 |
| Total financial liabilities | | - | - | 154,109 | 154,109 |

Maturities of financial assets and liabilities

The note above analyses the Consolidated and parent entity's financial liabilities. The liabilities comprise trade and other payables that are non interest bearing and will mature within 12 months and Director loans that are interest bearing and will be repaid from the proceeds of a future share placement of ordinary shares. The amounts disclosed are the contractual undiscounted cash flows. There are no derivatives.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

13. Financial risk management (continued)

Maturity analysis of financial assets and liability based on management's expectation

| Year ended 30 June 2014 | <6 months | 6-12 months | 1-5 years | >5 years | Total |
|------------------------------|------------------|---------------|-----------|----------|------------------|
| Consolidated | | | | | |
| Financial assets | | | | | |
| Cash & cash equivalents | 18,152 | - | - | - | 18,152 |
| Trade & other receivables | 110,257 | - | - | - | 110,257 |
| Other financial assets | - | 20,000 | - | - | 20,000 |
| | <u>128,409</u> | <u>20,000</u> | - | - | <u>148,409</u> |
| Financial liabilities | | | | | |
| Trade & other payables | (350,252) | - | - | - | (350,252) |
| Short-term borrowings | (50,000) | - | - | - | (50,000) |
| Net maturity | <u>(271,843)</u> | <u>20,000</u> | - | - | <u>(251,843)</u> |

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques or cost (impaired if appropriate). The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

13. Capital and Leasing Commitments

| Consolidated | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

(i) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

| | | |
|----------------------------------|----------------------|---------------|
| Payable - minimum lease payments | | |
| - not later than 12 months | 39,852 | 57,000 |
| - between 12 months and 5 years | 43,173 | 4,750 |
| - greater than 5 years | - | - |
| | <u>83,025</u> | <u>61,750</u> |

The company entered into an operating lease on 1 August 2007 for office space it occupies in Victoria Park. The fourth term of the lease is 2 years and expires on 31 July 2016.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

14. Capital and Leasing Commitments(continued)

| Consolidated | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

(ii) Expenditure commitments contracted for:

Exploration Tenements

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 | 307,001 | 616,669 |
| - between 12 months and 5 years | 1,228,004 | 2,466,676 |
| - greater than 5 years | - | - |
| | 1,535,005 | 3,083,345 |

These commitments are based on the Group holding the tenements for the next 5 years.

15. Directors and other key management personnel

(i) Details of Key Management Personnel

Chairman – non-executive

Mr T Revy (from 8 January 2010)

Managing Director

Mr D Sargeant (from 13 April 2000)

Executive director

Mr A Jessup (from 15 August 2003)

Company Secretary

Mr S Storm (from 30 April 2007)

(ii) Compensation of Key Management Personnel

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Short-term employee benefits | 120,660 | 507,690 |
| | 120,660 | 507,690 |

The amounts outstanding to Key Management Personnel at the reporting date are included in Note 16.

16. Related Parties

Directors and executives

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

17. Related Parties (continued)

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

| | Consolidated | |
|----------------------------------------------------|---------------|---------------|
| | 2014 \$ | 2013 \$ |
| Amounts payable to Key Management Personnel | | |
| Kirkdale Holdings Pty Ltd - Mr D Sargeant | 10,722 | 20,530 |
| Murilla Exploration Pty Ltd - Mr A Jessup | 11,650 | 19,965 |
| Mr T Revy | 42,000 | 7,500 |
| Dorado Corporate Services Pty Ltd | 3,883 | 3,883 |
| | 68,255 | 51,878 |
| Amounts received from Directors as unsecured loans | | |
| DW Sargeant Pty Ltd - Mr D Sargeant | 30,000 | - |
| Mr A Jessup | 20,000 | - |
| Total | 50,000 | - |

The amounts received from Directors as unsecured loans are expected to be repaid from the proceeds of a future share placement of ordinary shares. A coupon equivalent to the Australian Government Bond 2 year yield will be calculated at each month end and will be payable on maturity.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

| Related party | | Revenue from Related Parties \$ | Reimbursement of Expenditure Related Parties \$ | Amounts owed by Related Parties as at 30 June \$ | Amounts Owed to Related parties as at 30 June \$ |
|---------------------|------|---------------------------------------|----------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------|
| Consolidated | | | | | |
| Associate: | | | | | |
| FYI Resources Ltd | 2014 | - | 68,323 | 12,366 | - |
| | 2013 | - | 94,070 | 55,080 | - |

Associate

The Group has a 19% interest in FYI Resources Limited (2013: 24%).

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

18. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd.

| Consolidated | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

Amounts received or due and receivable by HLB Mann Judd for:

| | | |
|---------------------------------------------------------|---------------|---------------|
| Audit or review of the financial reports of the Company | 22,175 | 21,425 |
| Other services | - | - |
| | 22,175 | 21,425 |

19. Share Based Payments

(a) Option plan

The Company has established an option share plan, which is also available to directors, employees and some consultants, known as the 2010 Empire Resources Option Plan and was approved by shareholders on 25 June 2010.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

| | Number | Weighted average exercise price | Number | Weighted average exercise price |
|------------------------------------------|-------------------|---------------------------------|-------------|---------------------------------|
| | 2014 | 2014 | 2013 | 2013 |
| Outstanding at the beginning of the year | 33,000,000 | \$0.09 | 5,700,000 | \$0.11 |
| Granted during the year ¹ | - | - | 30,000,000 | \$0.05 |
| Expired during the year ² | - | - | (2,700,000) | \$0.14 |
| Outstanding at the end of the year | 33,000,000 | \$0.09 | 33,000,000 | \$0.09 |
| Exercisable at the end of the year | - | - | - | - |

¹ These options were granted to a corporate advisory firm who has been appointed to increase shareholder value.

² These options did not meet the vesting requirements and expired on 25 June 2013.

On 9 August 2014, 1,500,000 unlisted options expired.

The fair value of the equity-settled share options is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

18. Share Based Payments (continued)

The following table lists the inputs to the model used for the year ended 30 June 2014:

| | Grant Date | Expiry date | Exercise price | Vesting Period | Fair value at grant date of options | Expected Volatility | Option life | Dividend yield | Risk-free interest rate | Grant date share price |
|-----------------------------------------|------------|-------------|----------------|----------------|-------------------------------------|---------------------|-------------|----------------|-------------------------|------------------------|
| Key Management Personnel options | 09-Aug-11 | 09-Aug-14 | \$0.09 | 09-Aug-14 | \$0.03 | 106% | 3 years | 0% | 4.75% | \$0.05 |
| Key Management Personnel options | 20-Nov-11 | 20-Nov-14 | \$0.10 | 20-Nov-14 | \$0.04 | 106% | 3 years | 0% | 4.51% | \$0.07 |
| Employee options | 09-Aug-11 | 09-Aug-14 | \$0.09 | 09-Aug-14 | \$0.03 | 106% | 3 years | 0% | 4.75% | \$0.05 |
| Consultant options | 09-Aug-11 | 09-Aug-14 | \$0.09 | 09-Aug-14 | \$0.03 | 106% | 3 years | 0% | 4.75% | \$0.05 |
| Consultant options | 27-Jun-13 | 31-Aug-16 | \$0.04 | 31-Aug-16 | \$0.01 | 150% | 3.2 years | 0% | 3.00% | \$0.02 |
| Consultant options | 27-Jun-13 | 31-Aug-16 | \$0.05 | 31-Aug-16 | \$0.01 | 150% | 3.2 years | 0% | 3.00% | \$0.02 |
| Consultant options | 27-Jun-13 | 31-Aug-16 | \$0.06 | 31-Aug-16 | \$0.01 | 150% | 3.2 years | 0% | 3.00% | \$0.02 |

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | Consolidated | |
|----------------------|--------------|------|
| | 2014 | 2013 |
| Share based payments | \$ 107,768 | \$ - |

19. Segment Information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Empire Resources Ltd.

Consistent with prior year, the Group operates only in one business and geographical segment being predominantly in the area of mining and exploration in Australia. The Group considers its business operations in mineral exploration to be its primary reporting function.

20. Contingent assets

Penny's Find

The Company entered into a sale agreement in March 2011 for the Penny's Find gold project with Brimstone Resources Limited (**Brimstone**) and Brimstone paid the Company \$500,000 as part of its obligations under that agreement. The March 2011 agreement was superseded by an agreement entered into in February 2012.

The February 2012 agreement:

- acknowledged the previous cash payment of \$500,000 (GST inclusive) to earn a 40% interest in the project; and
- required Brimstone to conduct of a 4 hole drilling programme to be completed by 31 March 2012; and
- gave Brimstone the right to earn a 51% interest in the project by incurring exploration and development expenditure of a further \$750,000 by 30 September 2012; and
- gave Brimstone the right to earn a 75% interest in the project by incurring exploration and development expenditure of a further \$750,000 by 30 June 2013; and
- subject to compliance with the previous earning requirements, gave Brimstone an election to purchase 100% of the project for \$2.5 million plus a 2% gross royalty on gold produced in excess of the current JORC resource of 52,500 ozs gold. The royalty would only apply when the gold price is above A\$700/oz and would not exceed A\$50 per ounce of gold recovered.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

20. Contingent assets (continued)

The Company has advised Brimstone that in the opinion of the Company, Brimstone has failed to comply with its earn in obligations and the Company has reserved its rights in relation to that matter. In the opinion of the Company, Brimstone has failed to earn a 51% interest in the project and Brimstone has either:

- forfeited the 40% interest it previously acquired by failing to adequately conduct the 4 hole drilling programme; or
- retained its 40% interest in the project.

The Company does not believe that Brimstone has earned a 51% interest in the project and the percentage interest earned by Brimstone in the project is subject to dispute. Discussions are continuing with Brimstone to resolve this matter.

21. Events after the Balance Date

In August 2014, La Mancha Resources Australia Pty Limited ("La Mancha") agreed to extend the option agreement to purchase their interest in two granted exploration licences and two granted prospecting licences covering an area of approximately 85 square kilometres for a further period of two months to 7 October 2014. As agreed and announced in July 2013, should the Company wish to exercise its option to acquire this interest in the La Mancha tenements, \$1 million will be payable.

Other than this, 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 Company.

Empire Resources Limited

Notes to the Financial Statements 30 June 2014

21. Parent Entity Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

| | Parent Entity | |
|---------------------------------------------------|------------------|--------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 18,152 | 197,857 |
| Trade and other receivables | 110,257 | 79,092 |
| Other financial assets | 20,000 | 20,000 |
| Total Current Assets | 148,409 | 296,949 |
| NON-CURRENT ASSETS | | |
| Trade and other receivables | 706 | 470 |
| Investments accounted for using the equity method | 282,600 | 459,439 |
| Plant and equipment | 3,147 | 6,360 |
| Total Non-Current Assets | 286,453 | 466,269 |
| TOTAL ASSETS | 434,862 | 763,218 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 400,252 | 154,109 |
| Total Current Liabilities | 400,252 | 154,109 |
| TOTAL LIABILITIES | 400,252 | 154,109 |
| NET ASSETS | 34,610 | 609,109 |
| EQUITY | | |
| Issued capital | 17,170,103 | 16,970,103 |
| Reserves | 1,012,027 | 904,259 |
| Accumulated losses | (18,147,520) | (17,265,253) |
| TOTAL EQUITY | 34,610 | 609,109 |
| Loss before income tax expense | (980,158) | (2,080,579) |
| Income tax benefit | 97,891 | 498,632 |
| Other comprehensive loss for the year, net of tax | - | - |
| Total comprehensive loss for the year | (882,267) | (1,581,947) |

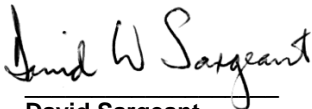
DIRECTORS' DECLARATION

1. In the directors' opinion:

- (a) the financial statements and notes set out on pages 18 to 44 are in accordance with the Corporations Act 2001 including:
 - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

This declaration is made in accordance with a resolution of the directors.



David Sargeant
Director

Perth, Western Australia
26 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Empire Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



**Perth, Western Australia
26 September 2014**

**N G Neill
Partner**

INDEPENDENT AUDITOR'S 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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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. Those 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.

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 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Empire Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 (b) in the financial report which indicates that the directors anticipate that a further equity raising will be required and will be completed in the year to meet the ongoing working capital requirements of the consolidated entity. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the consolidated entity will be able to realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Empire Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants



N G Neill
Partner

Perth, Western Australia
26 September 2014

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2014.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

| Category (size of holding) | Number of Holders |
|----------------------------|-------------------|
| 1 - 1,000 | 23 |
| 1,001 - 5,000 | 65 |
| 5,001 - 10,000 | 118 |
| 10,001 - 100,000 | 349 |
| 100,001 - and over | 204 |
| | <u>759</u> |

The number of shareholdings held in less than marketable parcels is 560.

(b) Twenty largest shareholders

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

| SHAREHOLDERS | Number of shares held | % Holding |
|------------------------------|-----------------------|---------------|
| 1 FITALL GROUP LTD | 20,000,000 | 10.95% |
| 2 BLAMNCO TRADING PTY LTD | 9,000,000 | 4.93% |
| 3 TRONES INVESTMENTS PTY LTD | 5,915,000 | 3.24% |
| 4 MARTINI 5 PTY LTD | 5,300,010 | 2.90% |
| 5 RBJ NOMINEES PTY LTD | 5,000,000 | 2.74% |
| 6 DETROIT EQUITIES INC | 5,000,000 | 2.74% |
| 7 KIRKDALE HOLDINGS PTY LTD | 3,300,000 | 1.81% |
| 8 AGENS PTY LTD | 3,275,806 | 1.79% |
| 9 MEEKAL PTY LTD | 3,098,333 | 1.70% |
| 10 A N SUPER PTY LTD | 3,000,000 | 1.64% |
| 11 ARMCO BARRIERS PTY LTD | 2,795,000 | 1.53% |
| 12 WESTORIA RESOURCE INV LTD | 2,700,000 | 1.48% |
| 13 RESOURCE ASSETS PTY LTD | 2,400,000 | 1.31% |
| 14 SUHARITDUMRONG SUKHON | 2,268,500 | 1.24% |
| 15 SECOND NAREMI PTY LTD | 2,110,245 | 1.16% |
| 16 COLTRANGE PTY LTD | 2,000,000 | 1.10% |
| 17 CANARY PTY LTD | 2,000,000 | 1.10% |
| 18 ALLUA HLDGS PTY LTD | 2,000,000 | 1.10% |
| 19 PURITAN STYLE PTY LTD | 2,000,000 | 1.10% |
| 20 MCCUBBING BRIAN | 1,900,000 | 1.04% |
| | <u>85,062,894</u> | <u>46.60%</u> |

(c) Substantial Shareholder

| Shareholder | Number of shares |
|------------------|-------------------|
| FITALL GROUP LTD | <u>20,000,000</u> |

(d) Stock Exchange Listing

Listing has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited except for the following which are not quoted by virtue of restriction agreements.

Quoted shares on ASX and total issued share capital 182,645,921

(e) Voting rights

All shares carry one vote per unit without restriction.

(f) Unlisted options

Unlisted options (Ex Price 9.8 cents; Exp 28 November 2014) 1,500,000

Options issued to William Buck Financial Services (WA) Pty Ltd:-

Tranche 1 - 10 Million options with an exercise price of 4 cents each, when the share price maintains a 30 day VWAP of 4 cents or more-expiring 31 Aug 2016 10,000,000

Tranche 2 - 10 Million options with an exercise price of 5 cents each, when the share price maintains a 30 day VWAP of 5 cents or more-expiring 31 Aug 2016 10,000,000

Tranche 3 - 10 Million options at an exercise price of 6 cents each, when the share price maintains a 30 day VWAP of 6 cents or more-expiring 31 Aug 2016 10,000,000

**INTERESTS IN MINING AND EXPLORATION TENEMENTS
AT 24 SEPTEMBER 2014**

| PROJECT | TENEMENT | INTEREST | REMARKS |
|---------------------|----------|---------------------------|---------|
| PENNY'S FIND | E27/410 | 60% | |
| | E27/420 | 60% | |
| | M27/156 | 60% | |
| | P27/1713 | 60% | |
| | P27/1714 | 60% | |
| | P27/1715 | 60% | |
| | P27/1716 | 60% | |
| | P27/1717 | 60% | |
| | P27/1718 | 60% | |
| | P27/1719 | 60% | |
| | P27/1720 | 60% | |
| | P27/1721 | 60% | |
| | P27/1722 | 60% | |
| | P27/1723 | 60% | |
| | P27/1724 | 60% | |
| | P27/1725 | 60% | |
| | P27/1726 | 60% | |
| | P27/1727 | 60% | |
| | P27/1728 | 60% | |
| | P27/1729 | 60% | |
| | P27/1730 | 60% | |
| | P27/1731 | 60% | |
| | P27/1814 | 60% | |
| | P27/1922 | 60% | |
| | P27/1923 | 60% | |
| | P27/1962 | 60% | |
| | P27/2007 | 60% | |
| | P27/2008 | 60% | |
| YUINMERY | M57/265 | 100% | |
| | P57/1214 | 100% | |
| | P57/1215 | 100% | |
| | P57/1216 | 100% | |
| | P57/1217 | 100% | |
| | E57/766 | 100% | |
| YUINMERY | E57/514 | Option for 91.4% Interest | |
| OPTION | E57/681 | Option for 91.4% Interest | |
| | P57/1130 | Option for 91.4% Interest | |
| | P57/1131 | Option for 91.4% Interest | |
| JOANNA | E45/4113 | 80% | |