



EMPIRE RESOURCES LIMITED

ABN 32 092 471 513

Annual Report

30 June 2016

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

HIGHLIGHTS 2015 - 2016

Penny's Find

- High grade open pit reserve of 146,000 tonnes @ 4.62g/t Au for 21,700 ounces
- Bankable Feasibility Study completed
- Technically sound and financially viable project generating \$7.6 million free cash flow in less than a year based on A\$1,500/oz
- Every A\$100/oz rise in the gold price over \$1,500/oz generates extra \$2 million cash flow
- All mining approvals granted by the WA Dept. of Mines and Petroleum
- MoU signed with Lakewood Mill for toll treatment of Penny's Find ore
- First round of grade control drilling completed
- Mining tenders let
- Feasibility study commenced on potential underground extension

Yuinmery

- Updated resource estimation completed for the Just Desserts deposit - 1.27 million tonnes @ 1.9% Cu, 0.7g/t Au.

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Empire Resources Limited is a gold and copper focused explorer and mine developer with a track record of discoveries.

The two major projects in the Company's portfolio are the Penny's Find gold project, which is shortly to go into production and the Yuinmery copper - gold project where two volcanogenic massive sulphide deposits have been discovered to date.

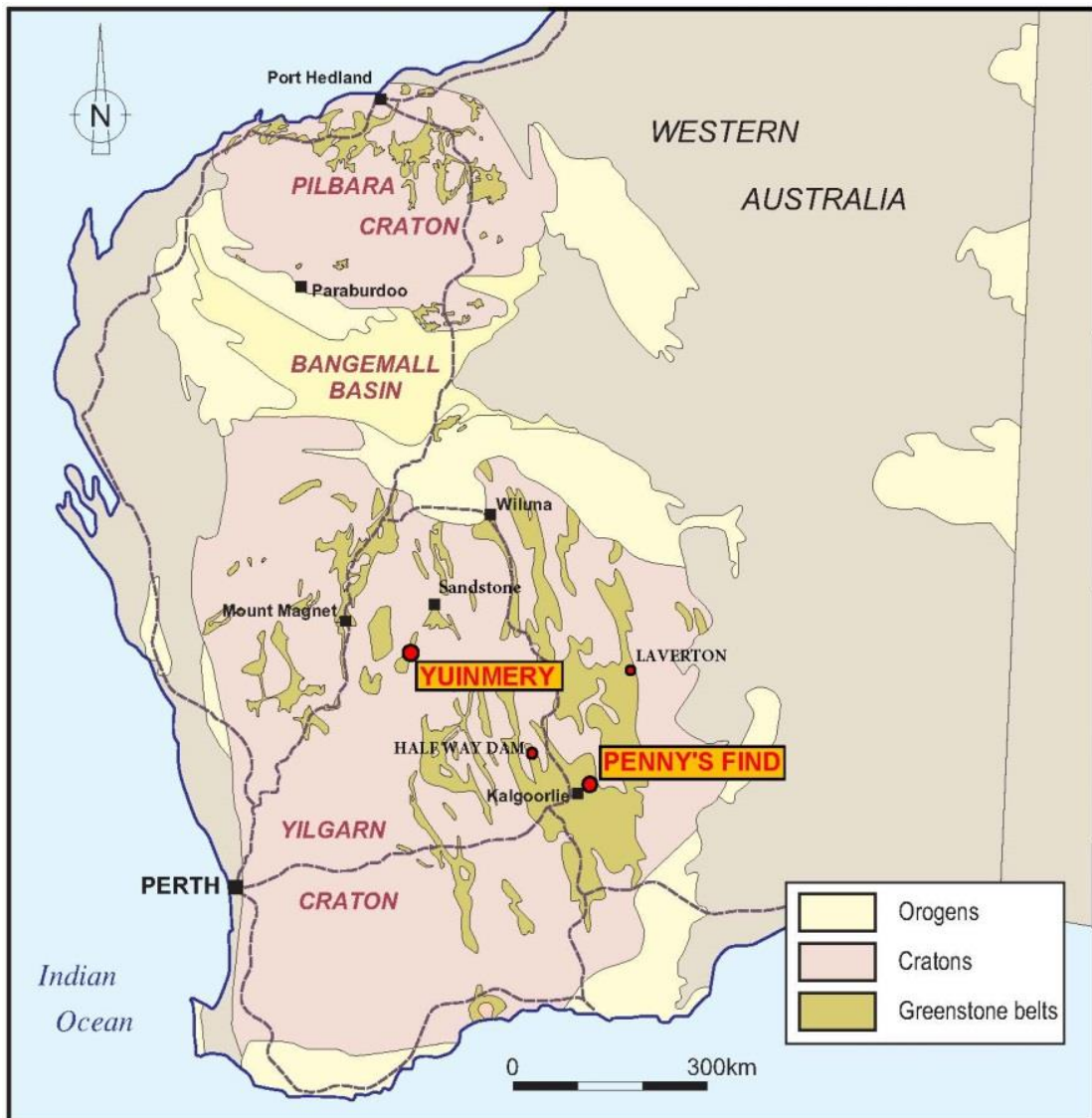


Figure 1 : Location of Empire Resources' projects

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.

Empire holds a 60% interest in and acts as Manager for the project with unlisted Brimstone Resources Ltd holding the remaining 40% interest.

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

Given the current high gold price of plus-AUD\$1,500 per ounce, Empire Resources and Brimstone Resources, as joint venture partners, agreed to bring the Penny's Find gold deposit into production as soon as possible. To this end, during the past year, a mine project manager was appointed and work commenced on obtaining mining approvals from the WA Department of Mines and Petroleum.

The Company is pleased to report that all approvals have been received allowing commencement of mining at Penny's Find.

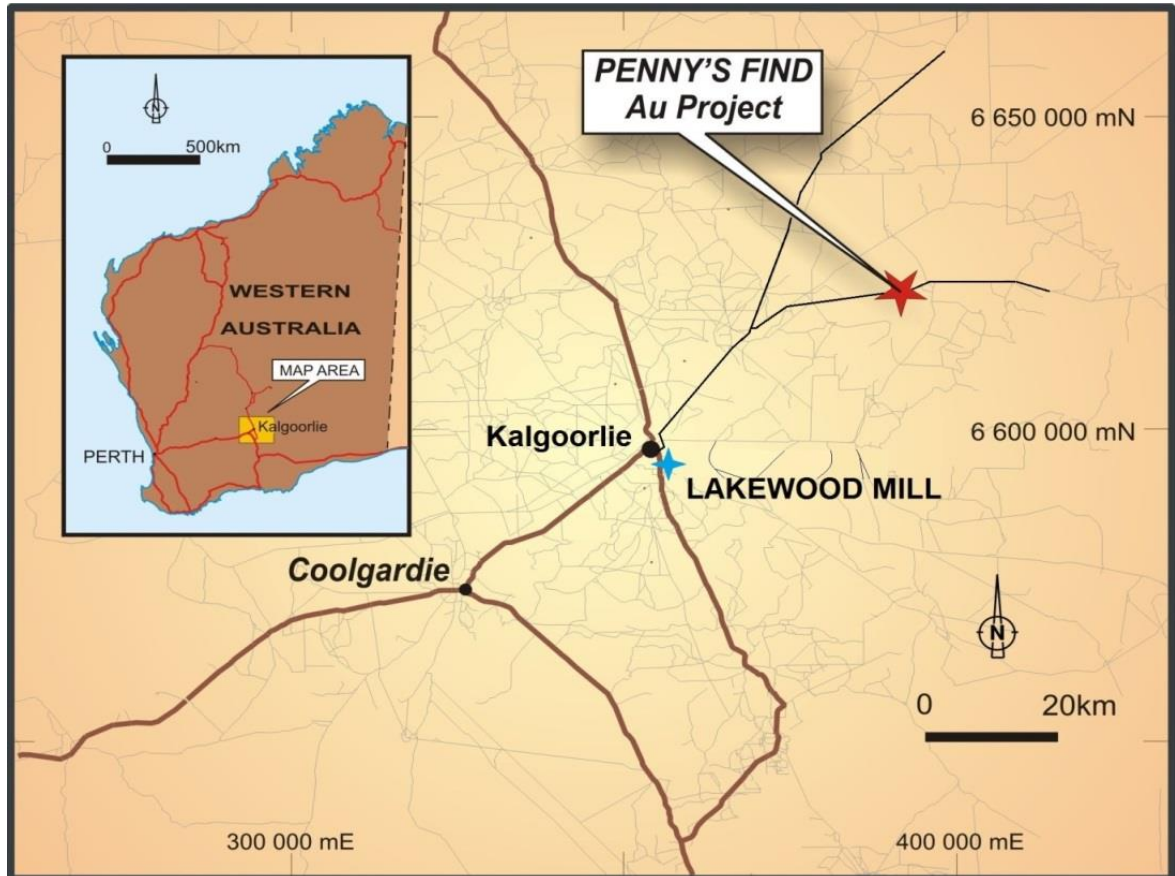


Figure 2 : Location of Penny's Find Project

High grade gold mineralisation at Penny Find's extends from surface to at least 250m depth and remains open at depth. The gold mineralisation is hosted by quartz veins at the sheared contact between sediments and basalt as shown in Figure 3.

Both oxide and fresh mineralisation are free milling with 98% and 99% recoveries achieved in testwork respectively. There is also a high gravity recoverable gold component, 53% for oxide and 85% for fresh.

The deposit is situated on granted Mining Lease 27/156.

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Resources

A new updated reportable resource estimation was completed for Penny's Find in August 2015. The new total indicated and inferred resource now stands at **470,000 tonnes @ 4.42g/t Au** for **66,800 ounces**. Table 1 lists the resource categories.

Table 1 : Penny's Find Resources

Reportable In Situ Mineral Resource by location and cut-off						
	Open Cut (0.5g/t)		Underground (1.5g/t)		Combined	
Class	Tonnes	Au g/t	Tonnes	Au g/t	Tonnes	Au g/t
Measured	-	-	-	-	-	-
Indicated	218,000	4.64	84,000	4.90	302,000	4.71
Inferred	82,000	1.79	86,000	5.89	168,000	3.89
TOTAL	300,000	3.86	170,000	5.40	470,000	4.42

Reserves and Bankable Feasibility Study

In June 2016, the joint venture partners completed a Bankable Feasibility Study (BFS) for the Penny's Find gold deposit.

The BFS, based on an open pit probable ore reserve of **146,000 tonnes @ 4.62g/t Au** (Table 2) shows Penny's Find to be a technically sound and financially viable project generating **\$7.6 million** undiscounted free cash flow in less than a year based on AUD\$1,500/oz.

Every AUD\$100/oz rise in the gold price over \$1,500/oz generates an extra \$2 million cash flow.

Table 2 : Ore Reserve Summary

PENNY'S FIND OPEN PIT ORE RESERVE - 2016			
DESCRIPTION	TONNES	GRADE	GOLD TO
		g/t Au	MILL (ozs)
PROVED	-	-	-
PROBABLE	146,000	4.62	21,700
TOTAL	146,000	4.62	21,700

The Penny's Find ore reserve is contained within a planned single open pit mined to a depth of 80m with ore trucked off site for treatment through a toll milling facility using conventional gravity recovery and a CIL circuit.

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**

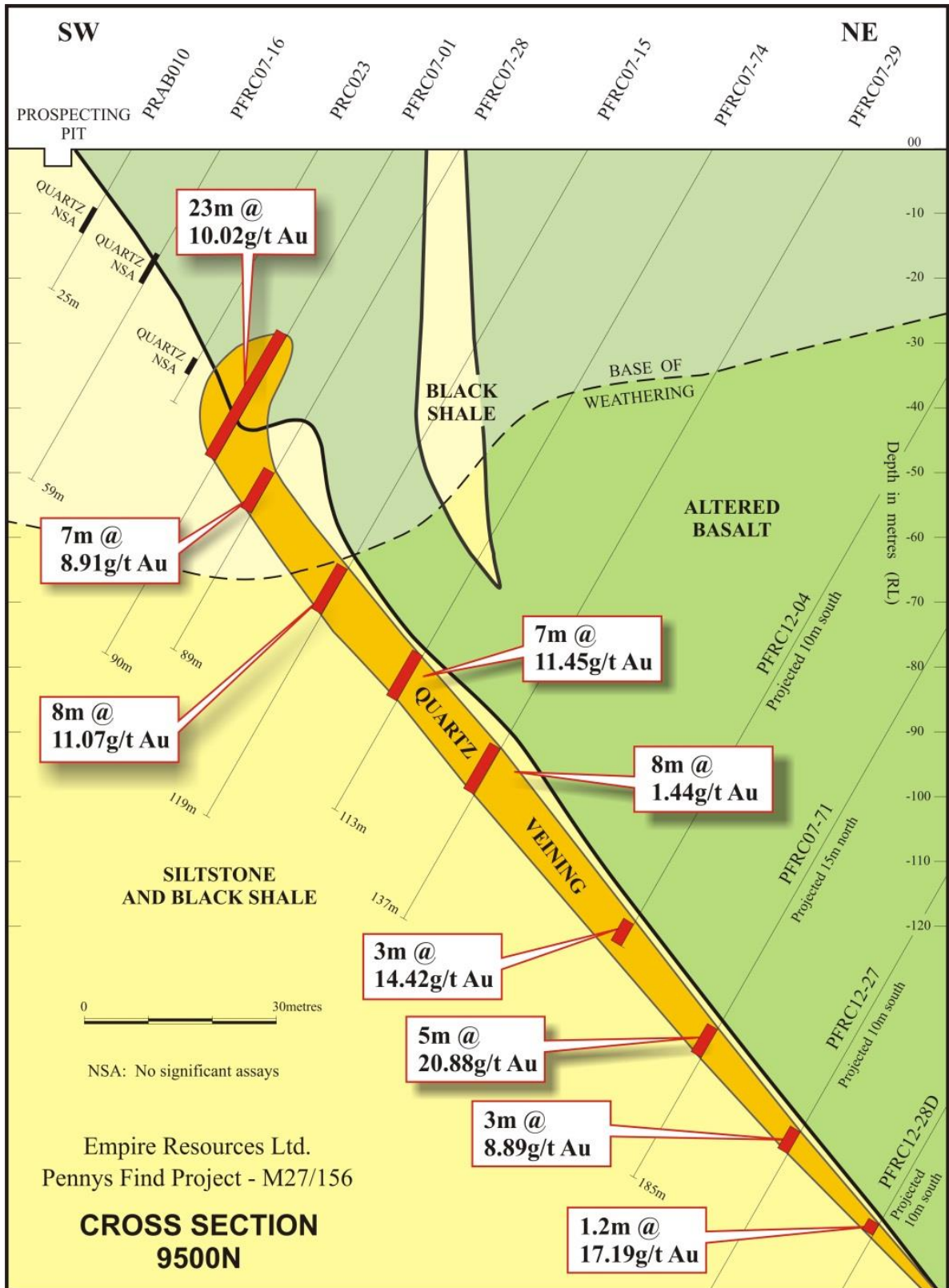


Figure 3 : Penny's Find – Geological Cross Section

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

All approvals to commence mining have been issued by the WA Department of Mines and Petroleum with mining expected to commence in the December 2016 quarter. Tenders for the mining contract are currently being reviewed. Figure 4 shows the layout of the planned open pit mine.

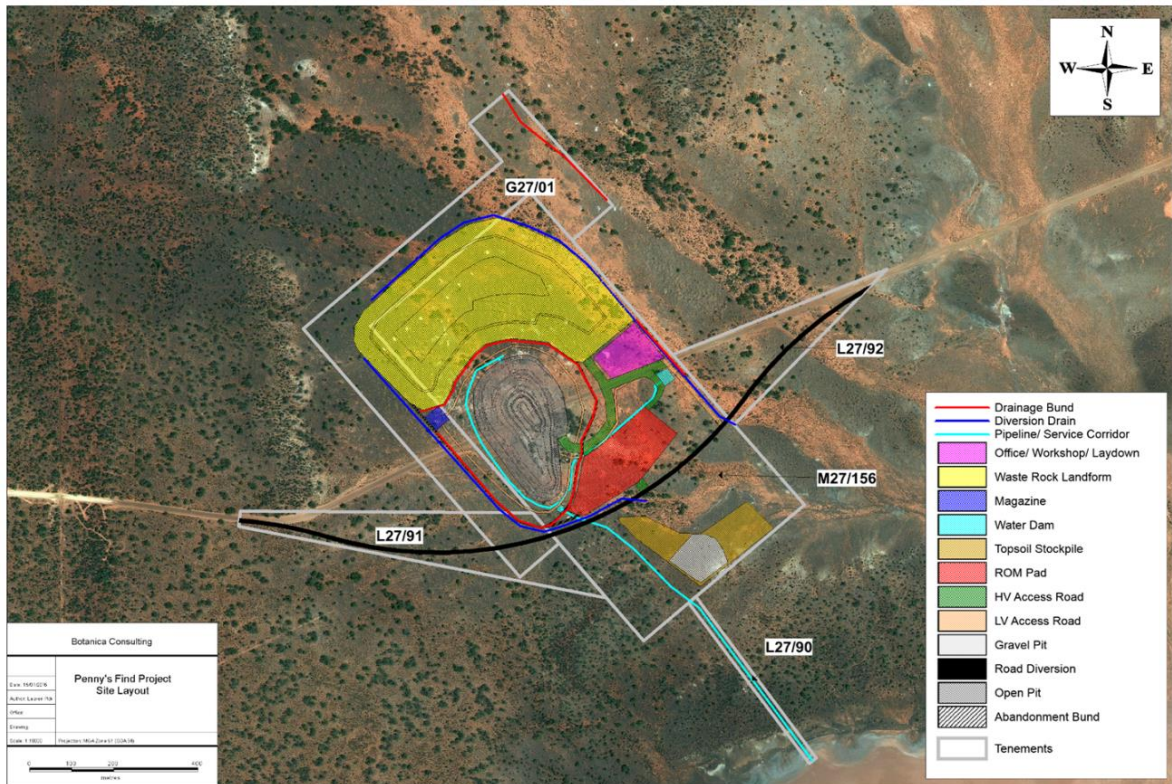


Figure 4 : Site layout at Penny's Find superimposed on an aerial photograph

Prior to commencement of mining, the gravel Pinjin - Kurnalpi road will need to be diverted 1.8 kilometres around the south end of the planned open pit. Permission to do this has been received from the Kalgoorlie - Boulder Shire and is expected to take six weeks to complete starting in the September quarter 2016.

Open cut mining is based on extraction by conventional truck and excavator techniques with 15% ore dilution and 5% ore loss. The open pit will comprise a mixture of free dig and drill and blast, reflecting the deeply weathered footwall sediments and fresh competent hanging wall basalts.

Gold processing and extraction is based on all metallurgical studies completed to date with the BFS employing a conservative overall gold recovery of 93%.

A Memorandum of Understanding (MoU) has been signed between Empire and Golden Mile Milling Pty Ltd for the toll treatment of ore from Penny's Find. Golden Mile Milling operates the Lakewood Mill located on the southern outskirts of Kalgoorlie-Boulder, being 63km by road from Penny's Find (Figure 2).

The MoU outlines industry standard terms and conditions for the batch treatment of Penny's Find ore at the Lakewood Mill. While the MoU is non-binding, it is intended to form the basis of a formal binding agreement to be completed prior to any processing campaign.

All additional administration, road diversion, construction and overhead costs, including royalties, have been included in the BFS.

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**

A summary of the Bankable Feasibility Study is presented below in Table 3.

Table 3 : Bankable Feasibility Study Details

Parameter	Base Case A\$1,500/oz	A\$1,700/oz
Free Cashflow (A\$ million)	7.6	11.6
Revenue (A\$ million)	29.6	33.6
Total Costs (A\$ million)	22.0	22.0
Payback (months)	8	7
Capex (A\$ million)	1.5	1.5
Total Cost of Production/oz	\$1,086	
Mining Reserve	146,000 tonnes @ 4.62g/t Au	
Mining Cost/Ore tonne	\$139.70	
Assumed Recovery	93%	
Recovered Gold	20,252 ounces	
Open Pit Mine Life	11 months	

Grade Control Drilling

At the end of June 2016, the first round of grade control RC drilling commenced at Penny's Find. This is the first of three grade control programmes scheduled in the planned 80 metre deep open pit.

Assays from this drilling, received post year end, have provided strong confidence in the geological model being used for Penny's Find. Intersections include:

- **6m @ 3.52g/t Au from 11m depth in PGC010**
- **7m @ 11.39g/t Au from 27m depth in PGC032**
- **5m @ 13.58g/t Au from 32m depth in PGC036**
- **3m @ 13.44g/t Au from 35m depth in PGC039**
- **5m @ 6.33g/t Au from 23m depth in PGC040**
- **11m @ 5.36g/t Au from 28m depth in PGC047**
- **2m @ 9.61g/t Au from 22m depth in PGC052**
- **12m @ 4.94g/t Au from 4m depth in PGC056**
- **19m @ 5.85g/t Au from 3m depth in PGC060**
- **3m @ 10.93g/t Au from 9m depth in PGC071**
- **6m @ 4.81g/t Au from 21m depth in PGC075**

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS



Figure 5 : Penny's Find Portion of the Grade Control Drilling Sites

Underground Feasibility

An underground feasibility has commenced to determine the viability of accessing an indicated and inferred resource of 170,000 tonnes @ 5.40g/t Au lying immediately beneath the open pit. Initial underground mine design has been undertaken to ensure any underground operation is able to mesh smoothly with the open pit mining operation.

Figure 7 is a long section under the planned open pit showing a preliminary underground mine design based on the resource block model in Figure 6.

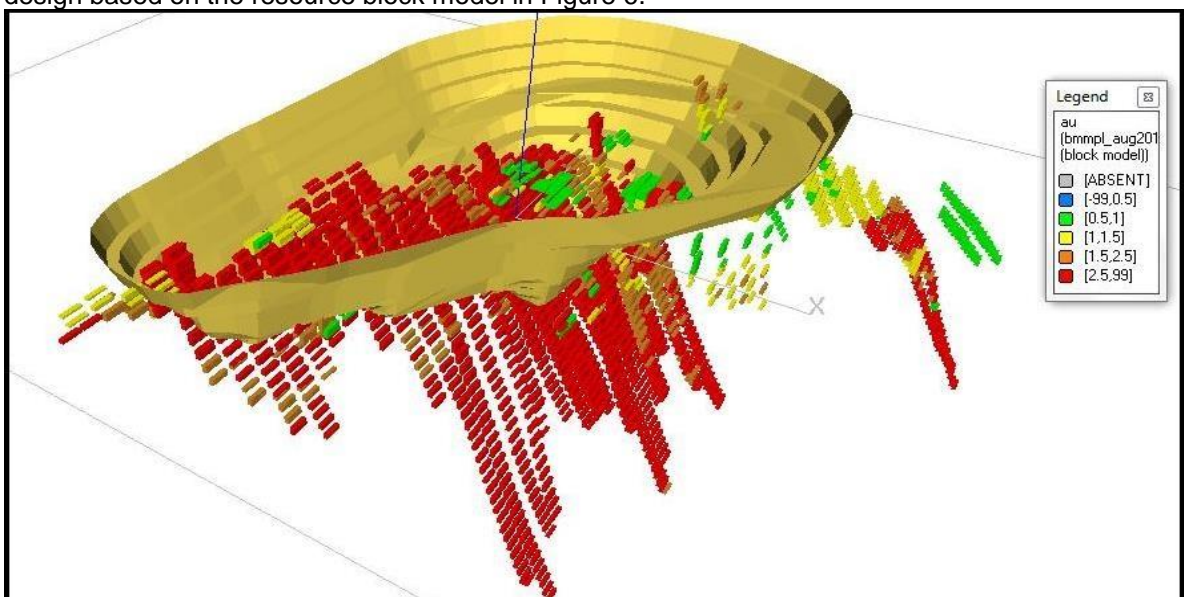


Figure 6 : Penny's Find Resource Model showing blocks above 0.5g/t Au and planned Open Pit

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

Empire believes there is substantial upside at Penny's Find once the ongoing feasibility study into development of the underground resource has been completed. This along with exploration potential at depth bodes well for the long term future of Penny's Find.

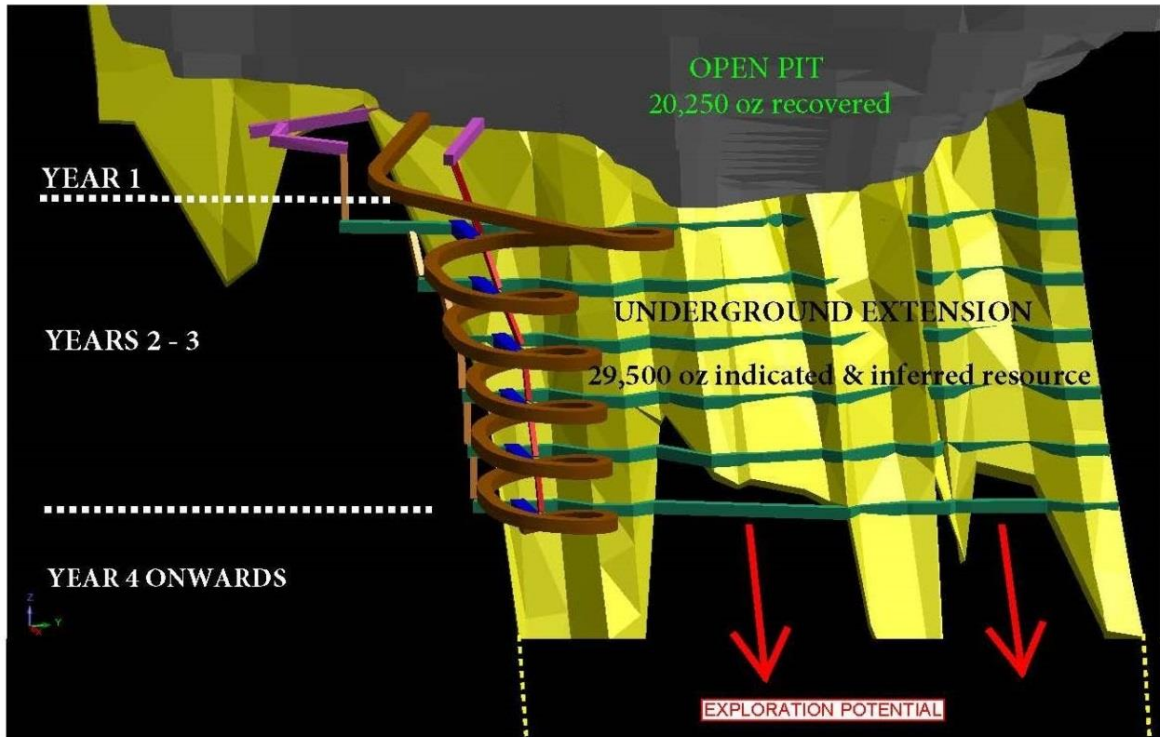


Figure 7 : Penny's Find Preliminary Underground Mine Design

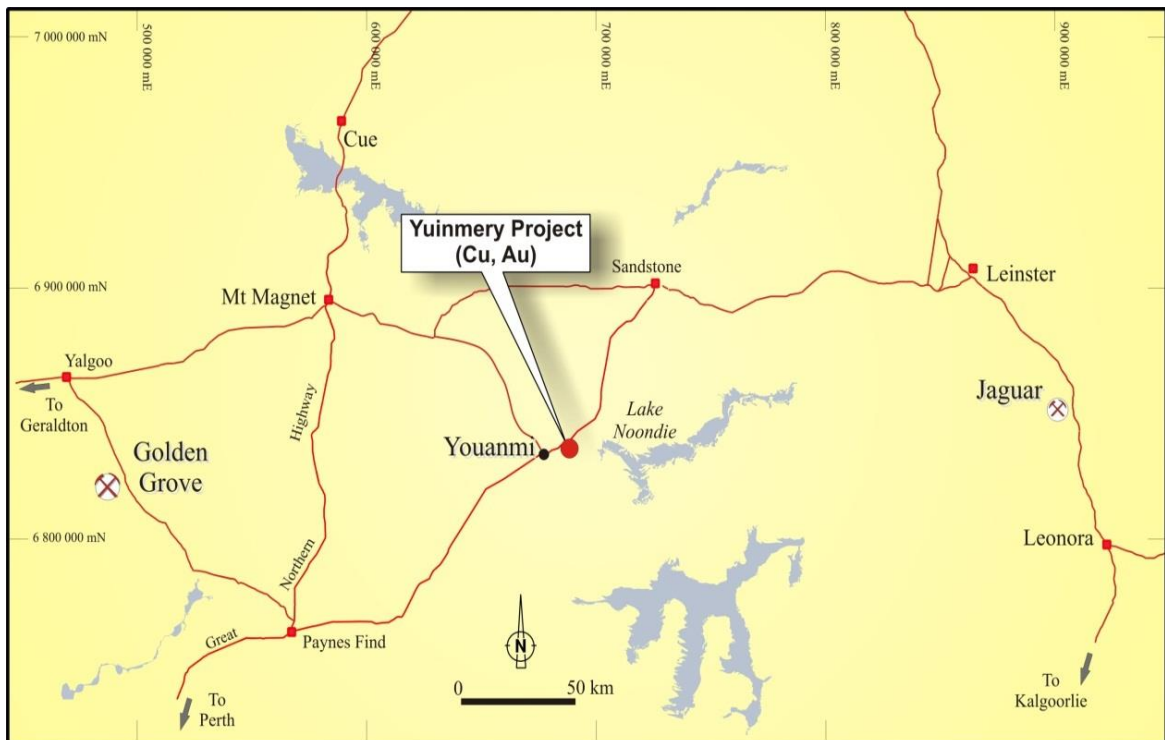


Figure 8 : Yuinmery Project Location Plan

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Yuinmery : Copper - Gold Project (100% interest)

The Yuinmery copper - gold project is located near the town of Sandstone, 475 km northeast of Perth in Western Australia.

The 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.

The potential of Yuinmery 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 Yuinmery increased after excellent drilling results discovered 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, and 6.0g/t Au**.

During the past year the Company commissioned an update to the resource estimation for Just Desserts incorporating additional drill hole data and ensuring compliance with the 2012 JORC Code.

Based on a 1.0% Cu cut-off to a depth of 170m below surface, the new reportable indicated and inferred resource for Just Desserts is **1.27 million tonnes @ 1.9% Cu, 0.7g/t Au** (Table 4). This compares with the maiden 2008 resource estimation of 1.07 Mt @ 1.8% Cu, 0.8g/t Au.

A mining lease application has been submitted to the WA Department of Mines and Petroleum to cover the Just Desserts deposit and surrounding prospective ground.

Table 4 : Just Desserts Reportable Mineral Resources – 2016

Reportable Mineral Resource to depth of 170m						
Cut-off	Weath	Class	Tonnes	Cu %	Au ppm	Ag ppm
0.5% Cu	Partial	Indicated	97,000	1.05	0.30	0.98
		Inferred	65,000	1.43	0.18	2.21
		sub-total	163,000	1.20	0.25	1.47
	Fresh	Indicated	1,174,000	1.33	0.67	1.31
		Inferred	1,183,000	1.30	0.34	2.25
		sub-total	2,357,000	1.31	0.51	1.78
	All	Indicated	1,271,000	1.31	0.64	1.28
		Inferred	1,249,000	1.31	0.33	2.25
		Total	2,520,000	1.31	0.49	1.76
1% Cu	Partial	Indicated	47,000	1.37	0.37	1.09
		Inferred	31,000	2.14	0.22	2.20
		sub-total	78,000	1.68	0.31	1.53
	Fresh	Indicated	752,000	1.65	0.84	1.54
		Inferred	435,000	2.31	0.49	2.81
		sub-total	1,187,000	1.89	0.71	2.01
	All	Indicated	799,000	1.63	0.82	1.51
		Inferred	467,000	2.30	0.47	2.76
		Total	1,266,000	1.88	0.69	1.97

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**

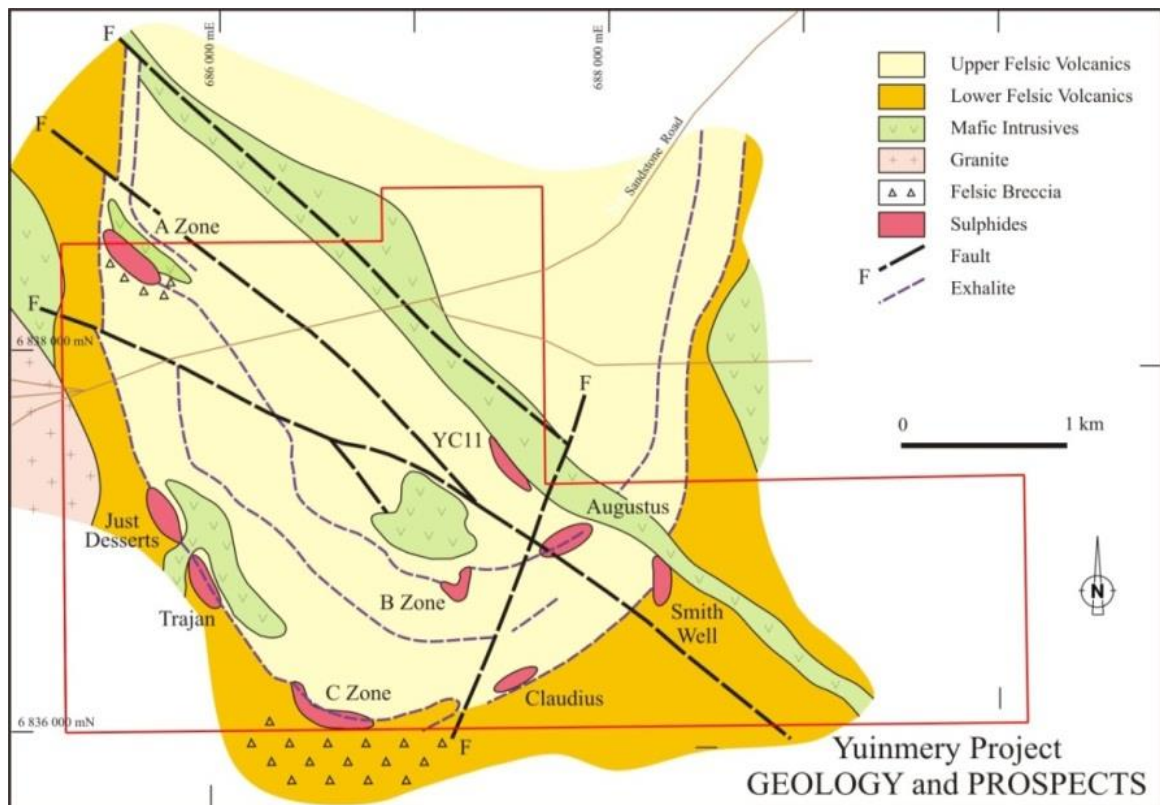


Figure 9 - Yuinmery Project Summary Geological Plan

In 2011, the Company discovered a second VMS deposit at the A Zone prospect, which lies just 1.3 kilometres north of Just Desserts on the same mineralized horizon.

Drilling to date has reinforced the view that A Zone hosts a major copper-gold deposit. Intersections 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**

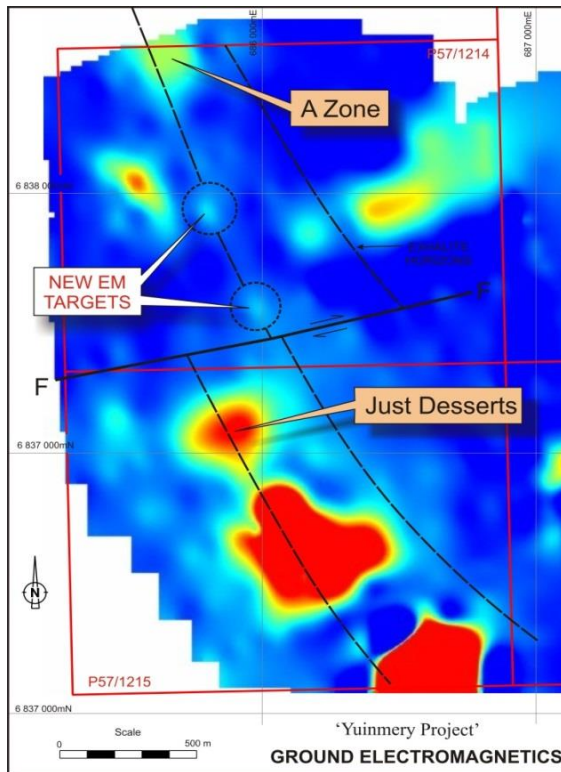
The copper–gold and zinc mineralisation at A Zone occurs in two horizons which plunge to the north. Mineralisation remains open at depth and ongoing drilling will allow the calculation of a maiden resource for A Zone.

In addition, a re-interpretation of geology and magnetics at Yuinmery has led to the conclusion the Just Desserts and A Zone deposits occur on the same mineralized horizon, which has been offset by faulting.

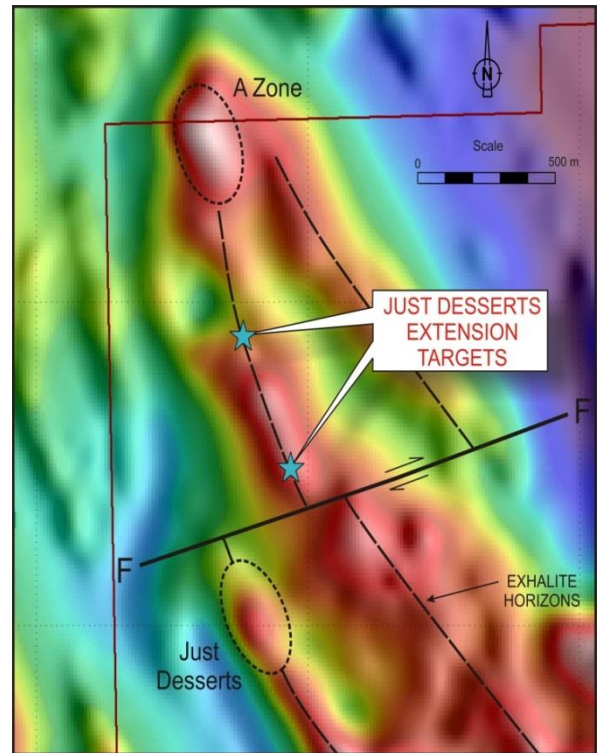
Reprocessing of previous ground electromagnetic surveys has identified two new targets on this horizon located between the Just Desserts and A Zone deposits (Figures 10 and 11).

These new targets, which represent an extension to the Just Desserts mineralization, have been moved by faulting 350m to the east of Just Desserts. The anomaly closest to Just Desserts is the stronger and larger of the two and will be the priority drill target for the next round of RC drilling

**EMPIRE RESOURCES LIMITED
REVIEW OF OPERATIONS**



**Figure 10
Prospect Drill Targets on Electromagnetics**



**Figure 11
Prospect Drill Targets on Magnetics**

Empire holds the expansion of total Yuinmery resources as a priority and is excited to have additional targets in between known mineral deposits. The area to be targeted has had no drilling previously and the discovery of further copper-gold deposits would have a significant impact on the size and economics of the Yuinmery project.

Laverton (WA): Gold Project (100% interest)

The Laverton prospect, located 24 km northeast of the town of Laverton, WA consists of a single granted exploration licence covering an area of 36 km².

The area is considered prospective for gold mineralization and preliminary fieldwork is planned for the coming year.

Half Way Dam (WA): Gold - Base Metals Project (100% interest)

A single exploration licence covering 130 km² has been applied for 100 km northwest of Kalgoorlie, WA.

The Half Way Dam prospect covers a synclinal sequence of ultramafic and mafic volcanics and intrusives along with minor felsic volcanics and sediments.

Historical exploration has identified a number of gold and base metal soil and rock chip anomalies which to date, have never been tested by drilling.

EMPIRE RESOURCES LIMITED REVIEW OF OPERATIONS

COMPETENT PERSON STATEMENTS

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 styles of mineralization and types 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 this report of the matters based on his information in the form and context in which it appears.

The scientific and technical information in this report that relates to Ore Reserve estimates for the Penny's Find Deposit is based on information compiled by Mr Roselt Croeser, an independent consultant to Empire Resources Limited. Mr Croeser is a Member of the Australasian Institute of Mining and Metallurgy. Mr Croeser has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Mr Croeser consents to the inclusion in this report of the matters related to the Ore Reserve estimate in the form and context in which it appears.

The information in this report concerning the Mineral Resources for the Penny's Find and Just Desserts deposits have been estimated by Mr Peter Ball B.Sc who is a director of DataGeo Geological Consultants and is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Ball has sufficient experience which is relevant to the styles of mineralization and types of deposit under consideration and qualifies as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ball consents to the inclusion in this report 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 2016.

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 - Non-Executive Chairman– 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
Ferrum Crescent Ltd	Director	19/02/2014	31/03/2016

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 – Non-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 18 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 holds various part-time senior finance and/or company secretarial roles with listed and unlisted entities in the banking, resources, construction, telecommunications, property development and agribusiness industries. In the last 15 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 30 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 \$1,624,620 (2015: \$741,714).

Review of results and operations

The operations and results of the Company for the financial year are reviewed below. During the year, the Company and Brimstone Resources Ltd entered into an unincorporated exploration joint venture to explore for, establish reserves of and evaluate reserves of gold, nickel and other minerals on the Penny's Find tenements. They conducted a feasibility study into mining those reserves.

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 which was down 63% on prior year as a consequence of lower cash balances. Other income was \$215,631 (2015: \$Nil) which comprised \$210,131 from the profit on sale of shares in Barola Resources Ltd.

Expenses

During the year, the Company commenced Feasibility work on the Penny's Find Joint Venture with its 60% interest being \$669,351 (2015: \$Nil). The Company conducted limited exploration activities at its various exploration projects with expenditure on exploration decreasing 22% to \$150,326 (2015: \$193,345) as a consequence of availability of cash. The Management fee expense was \$439,510 (2015: \$9,091) and Directors' fees expense was \$42,910 (2015: written back \$31,500). In June 2015, it was agreed that outstanding invoices payable to Directors of \$282,080 for Directors' Fees would be waived. Employee benefits expense was \$92,455 (2015: written back \$192,026) In June 2015, the Exploration Manager waived his entitlement to \$254,005 of salary and superannuation. During the year the Directors and Exploration Manager resolved to settle all outstanding Directors' fees and other employee entitlements of \$323,508 through the issue of 22,102,000 share options each exercisable into one ordinary share in the Company at 2.5 cents each. The options have a 3 year term. The options to Directors received shareholder approval at a general meeting held on 3 May 2016. This arrangement superseded previous arrangements Directors and the Exploration Manager had with the Company in relation to the waiving of entitlements, up to 31 December 2015, including the contingencies as disclosed in the 2015 annual report.

Empire Resources Limited

Directors' Report

Cash and cash equivalents at 30 June 2016 increased by 123% to \$265,828 (2015: \$119,069).

Operating cash flows

Cash flow used in operating activities increased by 78% to \$364,404 (2015: \$204,378). The cash outflows in the prior year were reduced by the receipt of a R&D tax offset in July 2014 compared with \$Nil in the current year.

Investing cash flows

Cash outflows for investing activities decreased by 25% to \$289,442 (2015: \$385,178) due to the sale of the investment in Barola Resources Ltd which realised \$400,000 (2015: \$Nil). In the prior year there was the investment in Barola Resources Ltd of \$325,000. The investment proceeds were offset by the feasibility study expenditure on the Penny's Find Joint Venture of \$545,145 (2015: \$Nil).

Financing cash flows

Cash flow from financing activities increased by 16% to \$800,605 (2015: \$690,473) due to an increase in share placements during the year.

Statement of financial position

Current assets

Current assets increased by 96% to \$375,052 (2015: \$191,052) mainly due to cash and cash equivalents increasing 123% to \$265,828 (2015: \$119,069).

Non-current assets

Non-current assets decreased by 84% to \$29,714 (2015: \$191,095). The equity accounted investment in Barola Resources Ltd was derecognised (2015: \$189,869) following the sale of the investment.

Current liabilities

Current liabilities increased by 132% to \$767,287 (2015: \$330,229), being an increase in trade and other payables as a consequence of the feasibility and pre-mining work on the Penny's Find Joint Venture.

Debt position

The Company has \$52,932 (2015: \$51,696) in unsecured loans from Directors which are expected to be repaid from the proceeds of a future share placement of ordinary shares. In December 2015, the Company entered a fee funding agreement for \$192,019 for various financial services invoices. As at 30 June 2016 the amount outstanding was \$80,008 (2015: \$50,593).

Review of Operations

CORPORATE - ongoing management of the Company's cash position remained critical throughout the year. Cash resources were boosted following share placements in November 2015 to June 2016 of 65 million shares raising \$825,000 before costs.

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 internally by the board 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.

Empire Resources Limited Directors' Report

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.

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 directors' 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 9.5% (2015: 9.5%) 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 established the Empire Resources Limited Share Plan ("SP") and the Empire Resources Option Plan. Neither Plan has been used in the last two financial years.

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.

The Directors resolved to settle all outstanding Directors' fees for the period 1 July 2015 - 31 December 2015 of \$238,800 through the issue of 16,315,000 share options each exercisable into one ordinary share in the Company at 2.5 cents each. The options have a 3 year term. The issue of the options to Directors was approved by shareholders on 3 May 2016.

These adjustments are reflected in the following table.

Compensation of Key Management Personnel for the year ended 30 June 2016.

The following table discloses the remuneration of the Key Management Personnel ('KMP') of the Company. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Empire Resources Limited Directors' Report

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 ¹	2016	42,000	-	42,000	-	910	42,910
	2015	-	-	-	-	-	-
Executive							
Mr D Sargeant ¹	2016	-	217,800	217,800	-	4,719	222,519
	2015	-	9,091	9,091	-	-	9,091
Mr A Jessup ¹	2016	-	217,800	217,800	-	4,719	222,519
	2015	-	-	-	-	-	-
Total Directors	2016	42,000	435,600	477,600	-	10,348	487,948
	2015	-	9,091	9,091	-	-	9,091

Note 1 – Settlement of these consulting fees totalling \$238,800 for July – December 2015 was through the issue of 1,435,000 unlisted options to Mr Revy and 7,440,000 unlisted options to each of Messrs Sargeant and Jessup, approved by shareholders on 3 May 2016. The fair value of the options at the date at which they were granted was \$249,148. The difference of \$10,348 was recognised as a share based payment.

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.

In November 2013, the Chairman agreed to continue with this employment contract until further notice.

– 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.

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.

Effective 1 July 2016, Mr Jessup assumed a non-executive Director role with a Director fee of \$40,000 per annum.

Empire Resources Limited Directors' Report

The Company received short term loans from Mr Sargeant and Mr Jessup for \$30,000 and \$20,000 respectively in the year ended 30 June 2015. These amounts are unsecured and are expected to be repaid from the proceeds of a future share placement of ordinary shares. A coupon interest rate 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.

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.

2016 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
	<u>9,677,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,677,555</u>

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.

2016 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 2016
Mr T Revy	-	1,435,000	-	1,435,000	1,435,000
Mr D Sargeant	-	7,440,000	-	7,440,000	7,440,000
Mr A Jessup	-	7,440,000	-	7,440,000	7,440,000
	<u>-</u>	<u>16,315,000</u>	<u>-</u>	<u>16,315,000</u>	<u>16,315,000</u>

End of Remuneration Report.

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

Consolidated	
2016	2015
\$	\$

Amounts payable to Key Management Personnel

Kirkdale Holdings Pty Ltd - Mr D Sargeant	119,790	-
Murilla Exploration Pty Ltd - Mr A Jessup	119,790	-
Mr T Revy	21,000	-
	<u>260,580</u>	<u>-</u>

Empire Resources Limited Directors' Report

Loans to Directors

	Consolidated	
	2016 \$	2015 \$
Amounts payable to Directors as unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	31,967	31,111
Mr A Jessup	20,965	20,585
	52,932	51,696
Interest expense on unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	856	1,111
Mr A Jessup	380	585
	1,236	1,696

The amounts received from Directors as unsecured loans were repaid in July 2016. A coupon interest rate equivalent to the Australian Government Bond 2 year yield was calculated at each month end and was payable on maturity.

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
3-May-16	3-May-19	0.025	7,440,000
3-May-16	3-May-19	0.025	7,440,000
3-May-16	3-May-19	0.025	1,435,000
3-May-16	3-May-19	0.025	5,787,000
22-Jun-16	22-Jun-19	0.040	1,000,000
18-Jul-16	18-Jul-19	0.040	9,000,000
			32,102,000

Directors' Interests

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	1,435,000	-
Mr D Sargeant	-	6,400,000	-	7,440,000
Mr A Jessup	922,222	1,645,333	-	7,440,000

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.

Empire Resources Limited

Directors' Report

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 2016 and the number of meetings attended by each director.

Director	Directors' Meetings	
	A	B
Mr Thomas Revy	5	5
Mr David Sargeant	5	5
Mr Adrian Jessup	4	5

A - meetings attended

B - meetings held whilst a director

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

Proceedings on Behalf of the Company

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

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

Indemnification and Insurance of Directors and Officers

Indemnification

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

Insurance

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

Events subsequent to reporting date

On 18 July 2016, the Company raised \$1,260,000 through a placement of 63 million shares at a price of \$0.02. 9 million unlisted options at an exercise price of 4 cents exercisable, within 3 years of being issued, were issued on the same date.

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.

Empire Resources Limited Directors' Report

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 2016	Year ended 30 June 2015
\$	\$

25,000	26,700
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25,000	26,700
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2. Joint Venture Audit services

Audit of the Penny's Find Joint Venture

4,200	-
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4,200	-
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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 2016. This written Auditor's Independence Declaration is attached to the Independent Auditor's Report to the members and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.



David Sargeant
Director

Perth, Western Australia
9 September 2016

EMPIRE RESOURCES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Consolidated	
		2016 \$	2015 \$
Interest income	2	1,515	4,040
Sale of plant and equipment	2	5,500	-
Net gain on disposal of investment	2	210,131	-
Interest expense		(27,607)	(9,757)
Depreciation expense	3	(2,890)	(1,921)
Exploration expense	3	(150,326)	(193,345)
Feasibility expense	3	(669,351)	-
Employee benefits (expense) / written back		(92,455)	192,026
Management fee expense		(439,510)	(9,091)
Directors' fees (expense) / written back		(42,910)	31,500
Accounting expense		(64,685)	(59,710)
Share-based payment		(107,183)	(106,890)
ASX expense		(15,038)	(14,381)
Corporate relations expense		(78,995)	(57,998)
Insurance expense		(16,349)	(17,547)
Other expenses		(134,467)	(80,908)
Share of loss of equity accounted investees	8	-	(417,732)
Loss before income tax		(1,624,620)	(741,714)
Income tax benefit	4	-	-
Net loss for the period		(1,624,620)	(741,714)
Total comprehensive loss for the period		(1,624,620)	(741,714)
Basic and diluted loss per share (cents per share)	5	(0.59)	(0.33)

*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 2016

	Note	Consolidated	
		2016 \$	Restated 2015 (Note 22) \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	265,828	119,069
Trade and other receivables	7	89,224	51,983
Other financial assets		20,000	20,000
Total Current Assets		375,052	191,052
NON-CURRENT ASSETS			
Investments accounted for using the equity method	8	-	189,869
Plant and equipment	9	29,714	1,226
Total Non-Current Assets		29,714	191,095
TOTAL ASSETS		404,766	382,147
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	634,347	227,580
Borrowings	11	132,940	102,649
Total Current Liabilities		767,287	330,229
TOTAL LIABILITIES		767,287	330,229
NET (LIABILITIES) / ASSETS		(362,521)	51,918
EQUITY			
Issued capital	12	18,572,844	17,822,941
Reserves	13	1,579,195	1,118,917
Accumulated losses		(20,514,560)	(18,889,940)
TOTAL (DEFICIENCY) / EQUITY		(362,521)	51,918

*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 2016**

	Note	Consolidated			Total \$
		Issued Capital \$	Accumulated Losses \$	Option Reserves \$	
Restated (Note 22)					
Balance at 1 July 2014		17,170,103	(18,148,226)	1,012,027	33,904
Shares issued during the year		699,000	-	-	699,000
Options issued during the year		-	-	106,890	106,890
Equity issue expenses restated	22	(46,162)	-	-	(46,162)
Loss for the year		-	(741,714)	-	(741,714)
Balance at 30 June 2015		17,822,941	(18,889,940)	1,118,917	51,918
Balance at 1 July 2015		17,822,941	(18,889,940)	1,118,917	51,918
Shares issued during the period		825,000	-	-	825,000
Share based payment		-	-	107,183	107,183
Options issued to Directors		-	-	249,148	249,148
Options issued to Exploration Manager		-	-	88,378	88,378
Options issued for share issue costs		-	-	15,569	15,569
Equity issue expenses		(75,097)	-	-	(75,097)
Loss for the period		-	(1,624,620)	-	(1,624,620)
Balance at 30 June 2016		18,572,844	(20,514,560)	1,579,195	(362,521)

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 2016

	Note	Consolidated	
		2016 \$	2015 \$
Cashflows from Operating Activities			
Payments to suppliers and employees		(339,548)	(298,248)
Interest received		1,515	4,040
Other - R&D tax offset		-	97,891
Interest paid		(26,371)	(8,061)
Net cash used in operating activities	6(i)	(364,404)	(204,378)
Cash Flows from Investing Activities			
Purchase of plant and equipment		(25,716)	-
Sale of motor vehicle		5,500	-
Proceeds from sale of investment		400,000	-
Exploration and evaluation expenditure		(124,081)	(60,178)
Feasibility expenditure		(545,145)	-
Payment for investment in associate		-	(325,000)
Net cash used in investing activities		(289,442)	(385,178)
Cash Flows from Financing Activities			
Proceeds from issue of equity securities		825,000	699,000
Equity securities issue costs		(24,395)	(8,527)
Proceeds from borrowings		270,000	-
Repayments of borrowings		(270,000)	-
Net cash provided by financing activities		800,605	690,473
Net increase in cash held		146,759	100,917
Cash at the beginning of the period		119,069	18,152
Cash at the end of the period	6	265,828	119,069

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 2016

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 2015 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).

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report was authorised for issue by the Board on 9 September 2016.

(b) Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$1,624,620 (2015: \$741,714) and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of \$364,404 (2015: \$204,378), investing activities of \$289,442 (2015: \$385,178) and a cash inflow from financing activities of \$800,605 (2015: \$690,473). Cash flows from financing activities arose from capital raisings that are disclosed in Note 12(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 12(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 a working capital deficit of \$392,235 (2015: \$139,177) at balance date and expenditure commitments for the next 12 months of \$113,547 (2015: \$47,769), as disclosed in Note 15 (ii), and retains the ability to sell its shares in FYI Resources Ltd, in the event that the capital raisings are delayed; 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 assets.

A further equity raising of \$1.26 million was completed in July 2016. The Directors anticipate a further equity raising will be required in the 2017 financial year. Should further equity raisings not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, whether it 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 over which 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 30 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 2016

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 associates and joint ventures

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement where the parties have joint control of the arrangement and have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position and adjusted thereafter to recognise the Group's share of the profit or loss in other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture, the Group discontinues to recognise its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the a group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gains or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the 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 the equity method is discontinued.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

1. Statement of Significant Accounting Policies (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture 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:

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

1. Statement of Significant Accounting Policies (continued)

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.

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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

1. Statement of Significant Accounting Policies (continued)

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 Evaluation 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 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 19. 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

1. Statement of Significant Accounting Policies (continued)

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.

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:

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

1. Statement of Significant Accounting Policies (continued)

(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.

(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 19.

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 19.

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 2016, 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

1. Statement of Significant Accounting Policies (continued)

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 2016. 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
- 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 23 has been prepared on the same basis as the Group.

2. Revenue

	Consolidated	
	2016 \$	2015 \$
Revenue		
Interest received	1,515	4,040
Other income		
Net gain on disposal of plant and equipment	5,500	-
Net gain on disposal of investments	210,131	-

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

3. Loss from ordinary activities

	Consolidated	
	2016	2015
	\$	\$
Loss before income tax		
The loss from ordinary activities before income tax has been determined after:		
(a) Expenses		
Depreciation	2,890	1,921
Exploration costs expensed	150,326	193,345
JV Feasibility costs expensed	669,351	-

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.

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

	Consolidated	
	2016	2015
	\$	\$
Loss before tax	(1,624,620)	(741,714)
Income tax benefit at 30% (2015:30%)	487,386	222,514
Tax effect of:		
- deductible capital raising expenditure	16,881	21,671
- non deductible expenditure	(1,126)	(125,388)
- deductible temporary differences	(34,799)	25,692
- share based payment	(32,155)	(32,067)
- gain on sale of investment	63,039	-
Deferred tax asset not recognised	(499,226)	(112,422)
Income tax benefit attributable to loss from ordinary activities before tax	-	-

The company has applied a tax rate of 30% in preparation of the tax disclosure, however the Company may be eligible for the small business company tax rate of 28.5% which will be determined when the company completes its tax return in due course.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

4. Income tax (continued)

(c) Unrecognised deferred tax balances

Tax losses attributable to members of the group - revenue	14,904,421	13,249,327
Potential tax benefit at 30%	4,471,326	3,974,798
<i>Deferred tax asset not booked</i>		
Amounts recognised in statement of comprehensive income		
-employee provisions	27,341	3,538
-other	6,210	4,373
Amounts recognised in equity		
- share issue costs	49,130	41,084
Net unrecognised deferred tax asset at 30%	4,554,007	4,023,793

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	
	2016 Cents	2015 Cents
Basic and diluted loss per share (cents per share)	(0.59)	(0.33)
Loss used in the calculation of basic EPS	(1,624,620)	(741,714)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	274,749,420	223,469,969

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

6. Cash and cash equivalents

	Consolidated	
	2016 \$	2015 \$
Cash at bank and in hand	265,828	119,069
	265,828	119,069

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

6. Cash and cash equivalents (continued)

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

	Consolidated	
	2016 \$	2015 \$
Loss after income tax	(1,624,620)	(741,714)
Depreciation	2,890	1,921
Share based payments expense	107,183	106,890
Gain on disposal of investment	(210,131)	-
Gain on disposal of plant and equipment	(5,500)	-
Exploration expenditure not capitalised	150,326	193,345
Feasibility expenditure not capitalised	669,351	-
Share of loss of equity accounted investees	-	417,732
	(910,501)	(21,826)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	8,719	84,526
(Decrease)/increase in trade and other payables	451,930	(59,084)
(Decrease)/increase in borrowings	1,236	-
(Decrease)/increase in employee benefits	84,212	(207,994)
Net cash outflow from operating activities	(364,404)	(204,378)

7. Trade and other Receivables

	Consolidated	
	2016 \$	2015 \$
Current		
Trade receivables	44,770	43,866
Other receivables	44,454	8,117
	89,224	51,983

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. No receivables are impaired at balance date.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

8. Investments

(a) Investments accounted for using the Equity Method

	Consolidated	
	2016 \$	2015 \$
Reconciliation of movements in investments accounted for using the equity method:		
Balance at 1 July	189,869	282,600
Acquisitions	-	325,001
Share of loss	-	(417,732)
Proceeds on sale	(400,000)	-
Profit recognised on sale	210,131	-
Balance at end of period	-	189,869

Name of entity	Principal activity	Country of incorporation	Ownership interest		Market Value	
			2016 %	2015 %	2016 \$	2015 \$
Associated entity						
FYI Resources Ltd	Mineral exploration	Australia	14%	17%	300,000	384,000
Barola Resources Ltd	Mineral exploration	Australia	0%	26%	-	189,869

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	
	2016 \$	2015 \$
Summarised financial information of associates:		
Financial position		
Total assets	984,968	1,548,472
Total liabilities	(540,458)	(632,849)
Net assets	444,510	915,623
Group's share of associates' net assets	60,197	189,869
Financial performance		
Total revenue	8,944	250,000
Total loss for the year	(749,397)	(2,332,881)
Group's share of associates' loss	-	(417,732)
Group's share of associate's comprehensive income	-	-
Capital commitments and contingent liabilities of associate:		
Share of capital commitments incurred jointly with other investors	-	-
Share of contingent liabilities incurred jointly with other investors	-	-

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

8. Investments (continued)

(b) Investments in subsidiary

Controlled entity	Country of incorporation	Percentage Owned	Percentage Owned
		2016 %	2015 %
Parent Entity: Empire Resources Limited	Australia		
Subsidiary of Empire Resources Limited: Torrens Resources Pty Ltd	Australia	100	100

9. Plant & equipment

	Consolidated	
	2016 \$	2015 \$
Plant and Equipment		
Cost	73,203	41,825
Accumulated depreciation	(43,489)	(40,599)
	29,714	1,226
Motor Vehicles		
Cost	53,863	90,217
Accumulated depreciation	(53,863)	(90,217)
	-	-
Total Plant and Equipment	29,714	1,226

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	
	2016 \$	2015 \$
Plant and Equipment		
Balance at the beginning of year	1,226	3,147
Additions	31,378	-
Depreciation expense	(2,890)	(1,921)
Carrying amount at the end of the year	29,714	1,226

10. Trade and other payables

	Consolidated	
	2016 \$	2015 \$
Trade payables and accruals	543,209	196,841
Employee benefits and GST	91,138	30,739
	634,347	227,580

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

11. Borrowings

	Consolidated	
	2016	2015
	\$	\$
Director loans	52,932	51,696
Other	80,008	50,953
	132,940	102,649

(i) Refer to note 17 for terms and conditions.

12. Issued capital

(a) Ordinary shares

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

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

	Consolidated	
	2016	2015
	\$	\$
324,201,475 (2015: 259,201,475) fully paid ordinary shares	18,572,844	17,822,941

(i) Ordinary shares - number

	Consolidated	
	2016	2015
	No.	No.
At 1 July	259,201,475	182,645,921
Share placement - 16,666,666 on 23 October 2014 at \$0.009	-	16,666,666
Share placement - 16,666,666 on 3 November 2014 at \$0.009	-	16,666,666
Share placement - 11,111,111 on 20 November 2014 at \$0.009	-	11,111,111
Share placement - 11,000,000 on 9 December 2014 at \$0.009	-	11,000,000
Share placement - 11,111,111 on 31 December 2014 at \$0.009	-	11,111,111
Share placement - 10,000,000 on 26 June 2015 at \$0.01	-	10,000,000
Share placement - 10,000,000 on 19 November 2015 at \$0.01	10,000,000	-
Share placement - 10,000,000 on 29 February 2016 at \$0.01	10,000,000	-
Share placement - 5,000,000 on 31 March 2016 at \$0.01	5,000,000	-
Share placement - 30,000,000 on 5 May 2016 at \$0.0125	30,000,000	-
Share placement - 10,000,000 on 22 June 2016 at \$0.02	10,000,000	-
Balance at 30 June	324,201,475	259,201,475

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

12. Issued capital (continued)

	Consolidated	
	2016 \$	2015 \$
(ii) Ordinary shares – value		
At 1 July	17,822,941	17,170,103
Share placement - 16,666,666 on 23 October 2014 at \$0.009	-	150,000
Share placement - 16,666,666 on 3 November 2014 at \$0.009	-	150,000
Share placement - 11,111,111 on 20 November 2014 at \$0.009	-	100,000
Share placement - 11,000,000 on 9 December 2014 at \$0.009	-	99,000
Share placement - 11,111,111 on 31 December 2014 at \$0.009	-	100,000
Share placement - 10,000,000 on 26 June 2015 at \$0.01	-	100,000
Share placement - 10,000,000 on 19 November 2015 at \$0.01	100,000	-
Share placement - 10,000,000 on 29 February 2016 at \$0.01	100,000	-
Share placement - 5,000,000 on 31 March 2016 at \$0.01	50,000	-
Share placement - 30,000,000 on 5 May 2016 at \$0.0125	375,000	-
Share placement - 10,000,000 on 22 June 2016 at \$0.02	200,000	-
Less share issue costs	(75,097)	(46,162)
Balance at 30 June	18,572,844	17,822,941

(b) Options

As at 30 June 2016 (30 June 2015: 30,000,000) the Company had the following options on issue over ordinary shares:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
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
3-May-16	3-May-19	0.025	7,440,000
3-May-16	3-May-19	0.025	7,440,000
3-May-16	3-May-19	0.025	1,435,000
3-May-16	3-May-19	0.025	5,787,000
22-Jun-16	22-Jun-19	0.040	1,000,000
			53,102,000

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

13. Reserves

	Consolidated	
	2016	2015
	\$	\$
Reserves	1,579,195	1,118,917

Reserves comprise the following:

Options reserve

Balance as at start of financial year	1,118,917	1,012,027
Share-based payment	107,183	106,890
Options issued to Directors	249,148	-
Options issued to Exploration Manager	88,378	-
Options issued - share issue costs	15,569	-
Balance at 30 June	1,579,195	1,118,917

The options reserve is used to recognise the fair value of option issued to Directors, employees and consultants but not exercised.

Details of certain components of the option reserve arising as a consequence of equity based payments are included in Note 19.

14. 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.

The Group hold the following financial instruments:

	Consolidated	
	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	265,828	119,069
Trade and other receivables	89,224	51,983
Term deposit	20,000	20,000
	375,052	191,052
Financial liabilities		
Trade and other payables	634,347	227,580
Borrowings	132,940	102,649
	767,287	330,229

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

14. Financial risk management (continued)

(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 2016 and 2015, 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
	2016		2015	
	%	\$	%	\$
Deposit		20,000		20,000
Other cash available		265,828		119,069
Net exposure to cash flow interest rate risk	1.5%	285,828	2.2%	139,069

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 2016, 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 loss 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.

(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 17.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

14. Financial risk management (continued)

30 June 2016	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Maturing Within Year \$	1 to 5 Years \$	Over 5 Years \$	Non-interest bearing \$	Total \$
Financial Assets:							
Cash and cash equivalents	1.5%	265,828	-	-	-	-	265,828
Trade and other receivables		-	-	-	-	89,224	89,224
Other financial assets		-	20,000	-	-	-	20,000
Total Financial Assets		265,828	20,000	-	-	89,224	375,052
Financial Liabilities:							
Trade and other payables		-	-	-	-	634,347	634,347
Short-term borrowings		132,940	-	-	-	-	132,940
Total financial liabilities		132,940	-	-	-	634,347	767,287

30 June 2015	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Maturing Within Year \$	1 to 5 Years \$	Over 5 Years \$	Non-interest bearing \$	Total \$
Financial Assets:							
Cash and cash equivalents	2.2%	119,069	-	-	-	-	119,069
Trade and other receivables		-	-	-	-	51,983	51,983
Other financial assets		-	20,000	-	-	-	20,000
Total Financial Assets		119,069	20,000	-	-	51,983	191,052
Financial Liabilities:							
Trade and other payables		-	-	-	-	227,580	227,580
Short-term borrowings		102,649	-	-	-	-	102,649
Total financial liabilities		102,649	-	-	-	227,580	330,229

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 2016

14. Financial risk management (continued)

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

Year ended 30 June 2016	<6 months	6-12 months	1-5 years	>5 years	Total
Consolidated					
Financial assets					
Cash & cash equivalents	265,828	-	-	-	265,828
Trade & other receivables	89,224	-	-	-	89,224
Other financial assets	-	20,000	-	-	20,000
	355,052	20,000	-	-	375,052
Financial liabilities					
Trade & other payables	(634,347)	-	-	-	(634,347)
Short-term borrowings	(132,940)	-	-	-	(132,940)
	(767,287)	-	-	-	(767,287)
Net maturity	(412,235)	20,000	-	-	(392,235)

(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.

15. Capital and Leasing Commitments

Consolidated	
2016	2015
\$	\$

(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	60,671	60,012
- between 12 months and 5 years	65,726	5,001
- greater than 5 years	-	-
	126,397	65,013

The company entered into an operating lease on 1 August 2007 for office space it occupies in Victoria Park. The fifth term of the lease is 2 years and expires on 31 July 2018.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

15. Capital and Leasing Commitments (continued)

Consolidated	
2016	2015
\$	\$

(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	113,547	47,769
- between 12 months and 5 years	454,188	191,076
- greater than 5 years	-	-
	567,735	238,845

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

16. 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 to 1 July 2016, then non-executive)

(ii) Compensation of Key Management Personnel

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	477,600	9,091
Share-based payments	10,348	-
	487,948	9,091

Settlement of these consulting fees totalling \$238,800 for July – December 2015 was through the issue of 1,435,000 unlisted options to Mr Revy and 7,440,000 unlisted options to each of Messrs Sargeant and Jessup, approved by shareholders on 3 May 2016. The fair value of the options at the date at which they were granted was \$249,148. The difference of \$10,348 was recognised as a share based payment.

The amounts outstanding to Key Management Personnel at the reporting date are included in Note 17.

17. 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 2016

17. Related Parties (continued)

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

Consolidated	
2016	2015
\$	\$

Amounts payable to Key Management Personnel

Kirkdale Holdings Pty Ltd - Mr D Sargeant	119,790	-
Murilla Exploration Pty Ltd - Mr A Jessup	119,790	-
Mr T Revy	21,000	-
	260,580	-

Consolidated	
2016	2015
\$	\$

Amounts payable to Directors as unsecured loans

DW Sargeant Pty Ltd - Mr D Sargeant	31,967	31,111
Mr A Jessup	20,965	20,585
	52,932	51,696

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 interest rate 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	2016	-	6,904	1,976	-
	2015	-	22,665	1,744	-
Barola Resources Ltd	2016	-	166,412	-	-
	2015	-	36,888	40,577	-
Brimstone Resources Ltd	2016	-	155,679	-	-
	2015	-	-	-	-

Associate

The Group has a 14% interest in FYI Resources Limited (2015: 17%).

The Group has a 0% interest in Barola Resources Limited (2015: 26%).

The Group has a 60% interest (2015: 0%) in the Penny's Find Joint Venture. Brimstone Resources has a 40% (2015: 0%) interest in the Penny's Find Joint Venture.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

18. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd.

Consolidated	
2016	2015
\$	\$

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

Audit or review of the financial reports of the Company	25,000	26,700
Audit of the Penny's Find Joint Venture	4,200	-

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 Empire Resources Option Plan is not currently active insofar as there have been no option issues in the last two years and shareholder renewal, which is required every three years, has not been sought.

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
	2016	2016	2015	2015
Outstanding at the beginning of the year	30,000,000	\$0.05	33,000,000	\$0.05
Granted during the year	23,102,000	\$0.04	-	-
Expired during the year	-	-	(3,000,000)	\$0.09
Outstanding at the end of the year	53,102,000	\$0.04	30,000,000	\$0.05

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 2016

19. Share Based Payments (continued)

The following table lists the inputs to the model used for the years ended 30 June 2016 and 30 June 2015:

	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
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
Director options ¹	03-May-16	03-May-19	\$0.03	03-May-16	\$0.02	240%	3 years	0%	2.00%	\$0.02
Manager options ¹	03-May-16	03-May-19	\$0.03	03-May-16	\$0.02	240%	3 years	0%	2.00%	\$0.02
Consultant options	22-Jun-16	22-Jun-19	\$0.04	22-Jun-16	\$0.02	140%	3 years	0%	1.57%	\$0.02

Note 1 – Issued to settle outstanding liabilities

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2016	2015
Share based payments	\$ 107,183	\$ 106,890

20. 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.

21. Events after the Balance Date

On 18 July 2016, the Company raised \$1,260,000 through a placement of 63 million shares at a price of \$0.02. 9 million unlisted options at an exercise price of 4 cents exercisable, within 3 years of being issued, were issued on the same date.

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 in future financial periods.

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

22. Restatement and comparative figures

During the year ended 30 June 2015, equity issue expenses were understated by \$29,950, which has a material effect on net assets of the Group.

Restatement of each of the financial statement line items for the prior year, are as follows:

Consolidated		
30/06/2015	Adustment	Restated 30/06/2015
\$	\$	\$

CONDENSED STATEMENT OF FINANCIAL POSITION (extract)

Trade and other payables	197,630	29,950	227,580
NET ASSETS	81,868	(29,950)	51,918
Issued capital (net of equity issue expenses)	17,852,891	(29,950)	17,822,941
TOTAL EQUITY	81,868	(29,950)	51,918

Empire Resources Limited

Notes to the Financial Statements 30 June 2016

23. Parent Entity Financial Information

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

	Parent Entity	
	2016 \$	2015 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	265,828	119,069
Trade and other receivables	89,224	51,983
Other financial assets	20,000	20,000
Total Current Assets	375,052	191,052
NON-CURRENT ASSETS		
Investments accounted for using the equity method	-	189,869
Plant and equipment	29,714	1,226
Total Non-Current Assets	29,714	191,095
TOTAL ASSETS	404,766	382,147
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	634,347	227,580
Borrowings	132,940	102,649
Total Current Liabilities	767,287	330,229
TOTAL LIABILITIES	767,287	330,229
NET ASSETS	(362,521)	51,918
EQUITY		
Issued capital	18,572,844	17,822,941
Reserves	1,579,195	1,118,917
Accumulated losses	(20,514,560)	(18,889,940)
TOTAL EQUITY	(362,521)	51,918
Loss before income tax expense	(1,624,620)	(741,714)
Income tax benefit	-	-
Other comprehensive loss for the year, net of tax	-	-
Total comprehensive loss for the year	(1,624,620)	(741,714)


DIRECTORS' DECLARATION

1. In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 52 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 2016 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 2016.

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


David Sargeant
Director

Perth, Western Australia
9 September 2016

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 2016, 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 of the Group comprising 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 gives a true and fair view and 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*, the consolidated financial statements comply 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 about 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 Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' 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 Group's financial position as at 30 June 2016 and 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 Group. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

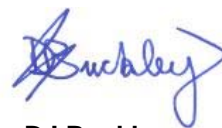
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'D I Buckley'.

D I Buckley
Partner

Perth, Western Australia
9 September 2016

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 2016, 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
9 September 2016



D I Buckley
Partner

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 2 September 2016.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number of Holders
1 - 1,000	28
1,001 - 5,000	68
5,001 - 10,000	117
10,001 - 100,000	635
100,001 - and over	378
	<u>1,226</u>

The number of shareholdings held in less than marketable parcels is 453.

(b) Twenty largest shareholders

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

SHAREHOLDERS	Number of shares held	% Holding
1 BLAMNCO TRADING PTY LTD	30,000,000	7.75%
2 FITALL GROUP LTD	20,000,000	5.17%
3 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,888,888	4.88%
4 ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	14,400,752	3.72%
5 TJUN TJUN PTY LTD	11,512,678	2.97%
6 SANGORA HOLDINGS PTY LTD	10,000,000	2.58%
7 MR ADRIAN CHRISTOPHER GRIFFIN	8,710,595	2.25%
8 XIAMEN SERVICES PTY LTD	7,900,000	2.04%
9 ARMCO BARRIERS PTY LTD	6,250,000	1.61%
10 MANDARA CAPITAL PTY LTD	6,000,000	1.55%
11 TRONES INVESTMENTS PTY LTD	5,915,000	1.53%
12 AGENS PTY LTD	5,734,139	1.48%
13 MARTINI 5 PTY LTD	5,300,010	1.37%
14 RBJ NOMINEES PTY LTD	5,000,000	1.29%
15 MR GREGORY MARK THRIFT & MRS JANE ELIZABETH THRIFT	5,000,000	1.29%
16 PURITAN STYLE PTY LTD	4,500,000	1.16%
17 WA SOURCING PTY LTD	4,444,446	1.15%
18 PRB MCDONALD PTY LTD	4,166,666	1.08%
19 KIRKDALE HOLDINGS PTY LTD	3,300,000	0.85%
20 SLADE TECHNOLOGIES PTY LTD	3,279,174	0.85%
	<u>180,302,348</u>	<u>46.57%</u>

(c) Substantial Shareholder

Shareholder	Number of shares
FITALL GROUP LTD	20,000,000
BLAMNCO TRADING PTY LTD	30,000,000

(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.

Quoted shares on ASX and total issued share capital 324,201,475

(e) Voting rights

All shares carry one vote per unit without restriction.

(f) Unlisted options

32,102,000 options are held by 8 option holders . Options do not carry a right to vote.

Holders of more than 20% of unlisted options are :-

Unlisted Option Holder	Number
Kirkdale Holdings Pty Ltd	7,440,000
Murilla Exploration Pty Ltd	7,440,000

**INTERESTS IN MINING AND EXPLORATION TENEMENTS
AT 31 AUGUST 2016**

PROJECT	TENEMENT	INTEREST	REMARKS
PENNY'S FIND	E27/410	60%	
	E27/420	60%	
	E27/553	60%	
	M27/156	60%	
	P27/2007	60%	
	P27/2008	60%	
	P27/2262	60%	APPLICATION
	G27/1	60%	
	L27/90	60%	
	L27/91	60%	
	L27/92	60%	
YUINMERY	M57/265	100%	
	M57/636	100%	APPLICATION
	P57/1214	100%	COVERED BY M57/636
	P57/1215	100%	COVERED BY M57/636
	P57/1216	100%	COVERED BY M57/636
	P57/1217	100%	COVERED BY M57/636
	E57/1037	100%	APPLICATION
LAVERTON	E38/3075	100%	
HALF WAY DAM	E29/968	100%	APPLICATION