

EMPIRE RESOURCES LIMITED

ABN 32 092 471 513

Annual Report

30 June 2017

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 Australia 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 2016 - 2017

Penny's Find

- **Open pit mining commenced**
- **\$7.5 million secured to fund mining through to gold production**
- **More than 0.5 million bcm of waste moved**
- **4,493 tonnes of ore mined and stockpiled on the ROM pad as at June 30**
- **Haulage of ore to toll treatment plant commenced (Post June 30)**

Yuinmery

- **Option to acquire Evolution Mining's interest in copper - gold project**

Empire Resources Limited Review of Operations

REVIEW OF OPERATIONS

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

The two major projects in the Company's portfolio are the Penny's Find gold project, where open pit mining is underway, and the Yuinmery copper - gold project where two volcanogenic massive sulphide deposits have been discovered to date.

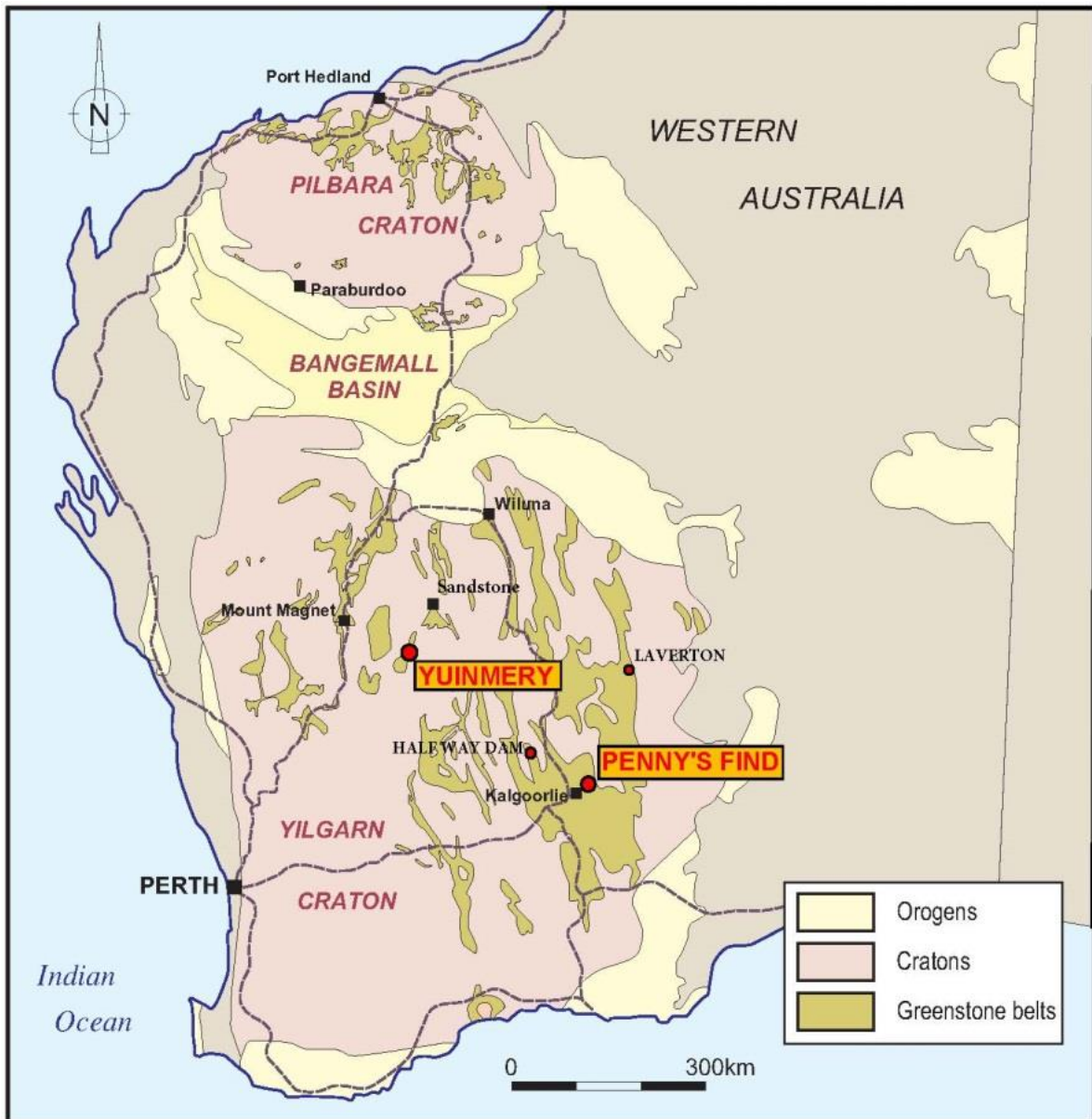


Figure 1 : Location of Empire Resources' projects

Empire Resources Limited Review of Operations

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

Penny's Find is a near surface, high grade gold deposit situated in the Eastern Goldfields of Western Australia, within close proximity to the gold mining centres of Kalgoorlie and Kanowna Belle - Figure 2.

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 and Brimstone Resources, as joint venture partners, have been committed to bringing the Penny's Find gold deposit into production. To this end, during the past year a major road diversion was completed, mine and office infrastructure established, \$7.5 million mine funding secured and a mining contractor appointed.

The Company is pleased to report that full scale open pit mining commenced at Penny's Find on 5 May 2017.

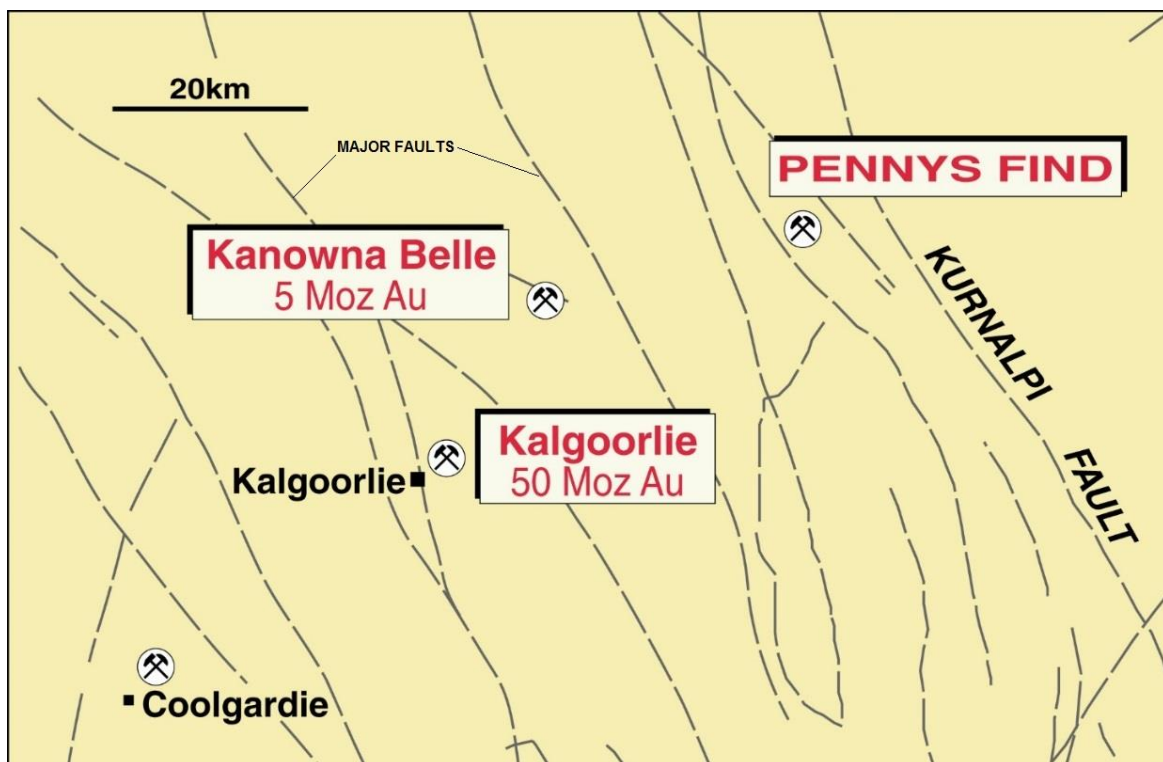


Figure 2 : Location of Penny's Find Project

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

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 and Reserves

The Penny's Find deposit contains an indicated and inferred resource of **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 |

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) showed 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 a gold price of 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 to be trucked off site for treatment through a toll milling facility using conventional gravity recovery and a CIL circuit.

Open pit mining is based on extraction by conventional truck and excavator techniques. The open pit comprises a mixture of free dig and drill and blast, reflecting the deeply weathered footwall sediments and fresh competent hanging wall basalts respectively.

Empire Resources Limited

Review of Operations

Open Pit Mining

Prior to the commencement of mining at Penny's Find:

- The gravel Kurnalpi - Pinjin road was diverted 1.8 kilometres around the south end of the planned open pit. This work was completed in December 2016.
- \$7.5 million was secured from Blue Cap Mining Pty Ltd (Blue Cap) to fund open pit mining through to gold production. The cost of this funding, dependent on the amount of draw down, is pro rata up to a maximum of A\$2.3 million payable from free cash flow. Funding is repayable within seven months of operation commencement.
- Blue Cap was appointed as the open pit mining contractor.
- Kalgoorlie-based Hampton Transport Services was awarded the haulage contract for the cartage of gold ore from Penny's Find to the toll treatment plant.
- All mine and office infrastructures were established.

By 30 June 2017, the open pit had progressed to 10m deep with 4,493 tonnes of ore at an average grade of 2.22g/t Au being mined and stockpiled ready for haulage to the toll treatment plant. The gold grade reflects the leached, lower grade top of the orebody near surface.

Mining contractor, Blue Cap, had moved in excess of half a million bank cubic metres (bcm) of waste from the pit with very little drill and blast being required. This, along with the use of short haul temporary pit ramps, had a positive impact on the costs forecast in the Bankable Feasibility Study.

At the end of the June 2017 quarter more than 16% extra load and haul of waste was achieved than was previously budgeted for. The shorter haul pit ramps meant less fuel consumption per bcm moved, while drill and blast costs were also down 17% compared to budget.

At 30 June 2017, the Joint Venture had drawn-down \$1,430,274 on the Blue Cap funding facility.

Table 3 : Mining Physicals to 30th June 2017

| Mine Production | Units | June 2017 Qtr |
|-----------------|--------|---------------|
| Waste mined | bcm | 545,233 |
| Ore mined | tonnes | 4,493 |
| Grade | g/t Au | 2.22 |

Haulage and Treatment (Post 30 June 2017)

Kalgoorlie-based Hampton Transport Services began haulage of ore to the Burbanks toll treatment plant near the town of Coolgardie in late July 2017.

Processing of Penny's Find ore through the Burbanks Mill is planned to commence in August 2017.

**Empire Resources Limited
Review of Operations**



Figure 3 : Penny's Find Open Pit - looking south



Figure 4 : Penny's Find Open Pit and Waste Dumps - looking north

Empire Resources Limited

Review of Operations

Underground Potential

Empire is working to eventually take the mine underground as Penny's Find's gold mineralisation extends to at least 250m depth where it remains open.

Preliminary studies have commenced to determine the viability of accessing an indicated and inferred resource of **170,000 tonnes @ 5.40g/t Au** (Table 1) 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 6 is a long section under the planned open pit showing a preliminary underground mine design based on the resource block model in Figure 5.

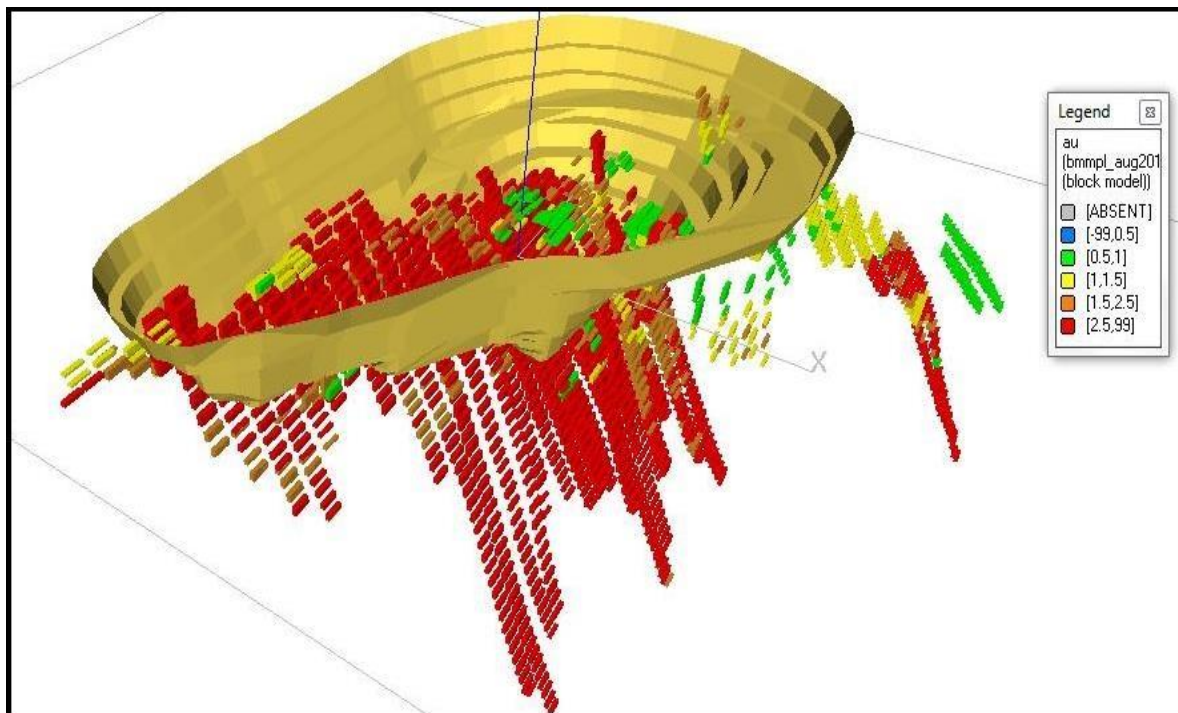


Figure 5 : Penny's Find Resource Model showing blocks above 0.5g/t Au and planned Open Pit

As a precursor to the commencement of a final underground feasibility study, the Company plans in the near future to undertake a six hole diamond drilling program targeting underground mineralisation.

The aim is to increase confidence in the underground mineralisation, convert some Inferred resources to Indicated and obtain important additional geotechnical data for underground mining studies. Additional resources may also result from the deeper drill holes. The planned intercept points are shown with yellow stars on the long section below (Figure 7).

The Company believes there is substantial upside at Penny's Find once a 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.

Empire Resources Limited Review of Operations

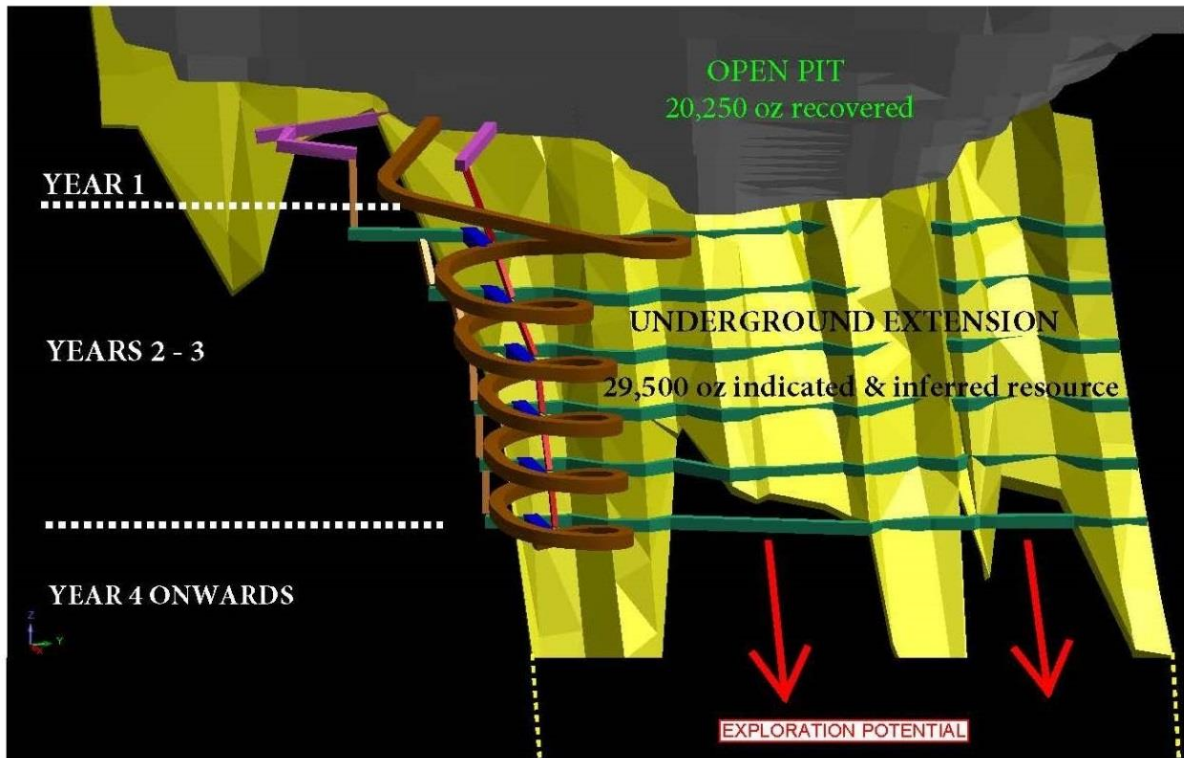


Figure 6 : Penny's Find Preliminary Underground Mine Design

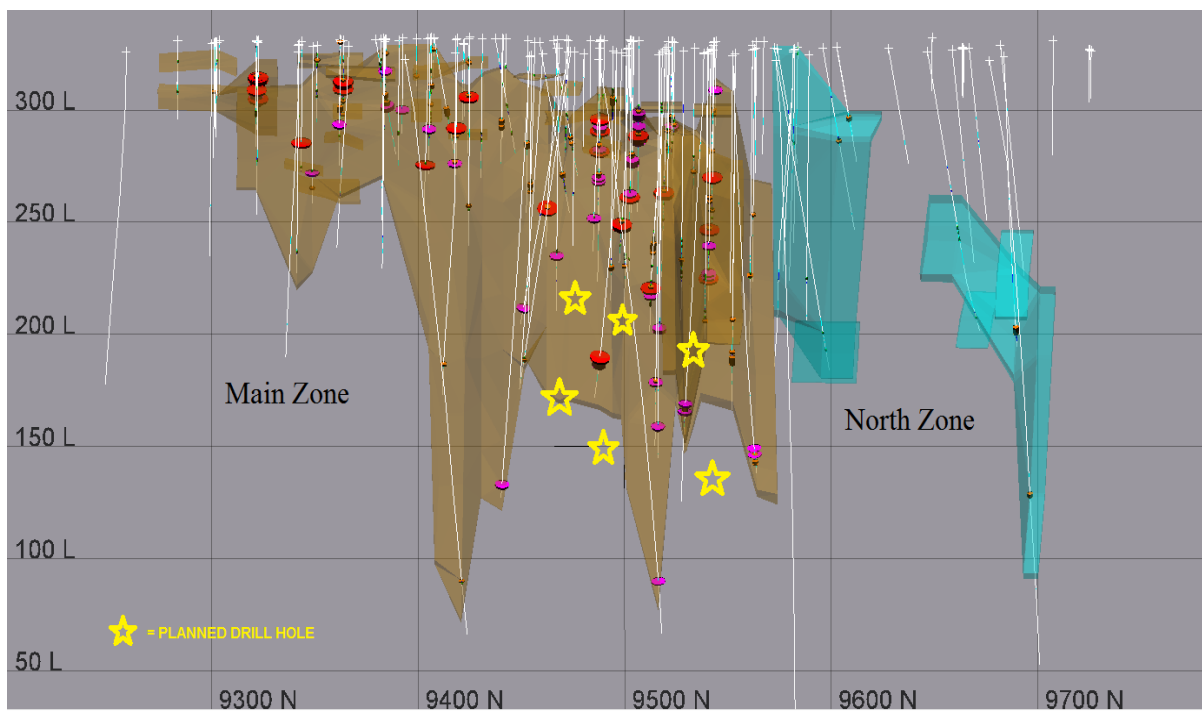


Figure 7 : Penny's Find long section showing planned drill hole pierce points

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 project's 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, 6.0g/t Au**.

Based on a 1.0% Cu cut-off to a depth of 170m below surface, the 2012 JORC compliant reportable indicated and inferred resource for Just Desserts is **1.27 million tonnes @ 1.9% Cu, 0.7g/t Au** (Table 4).

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

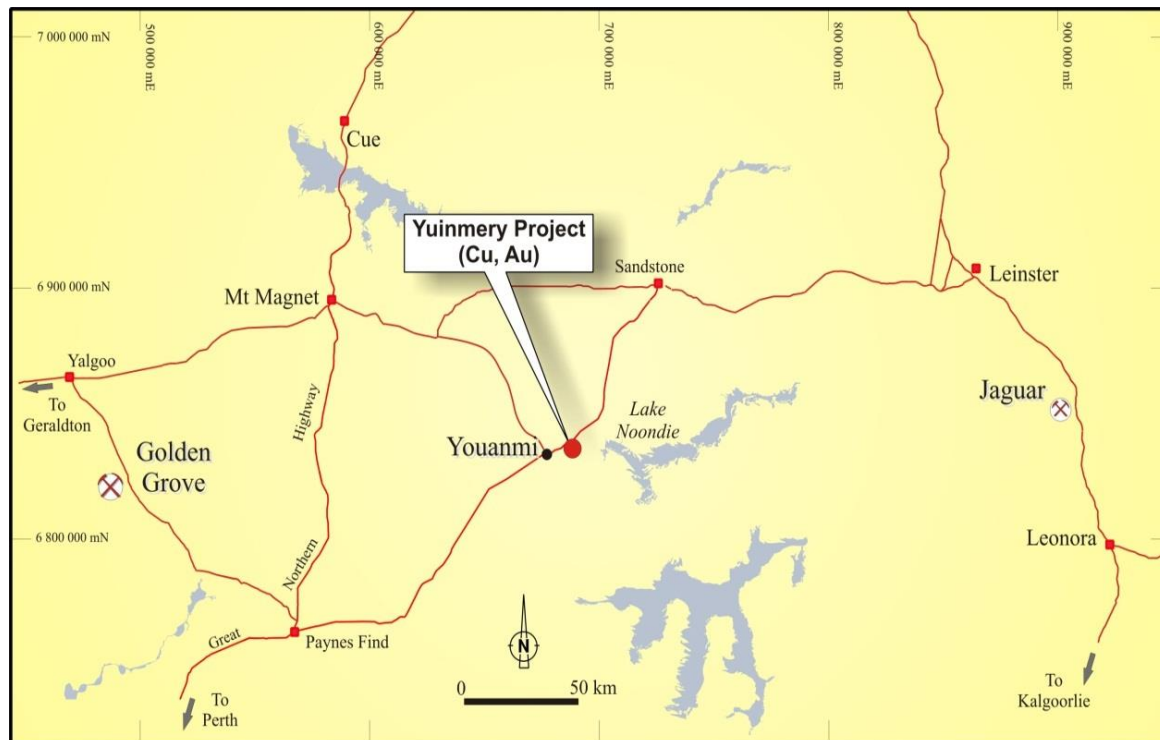


Figure 8 : Yuinmery Project Location Plan

Empire Resources Limited Review of Operations

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 | 162,000 | 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 | 1,248,000 | 1.31 | 0.33 | 2.25 |
| | | Total | 2,519,000 | 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 | 466,000 | 2.30 | 0.47 | 2.76 |
| | | Total | 1,265,000 | 1.88 | 0.69 | 1.97 |

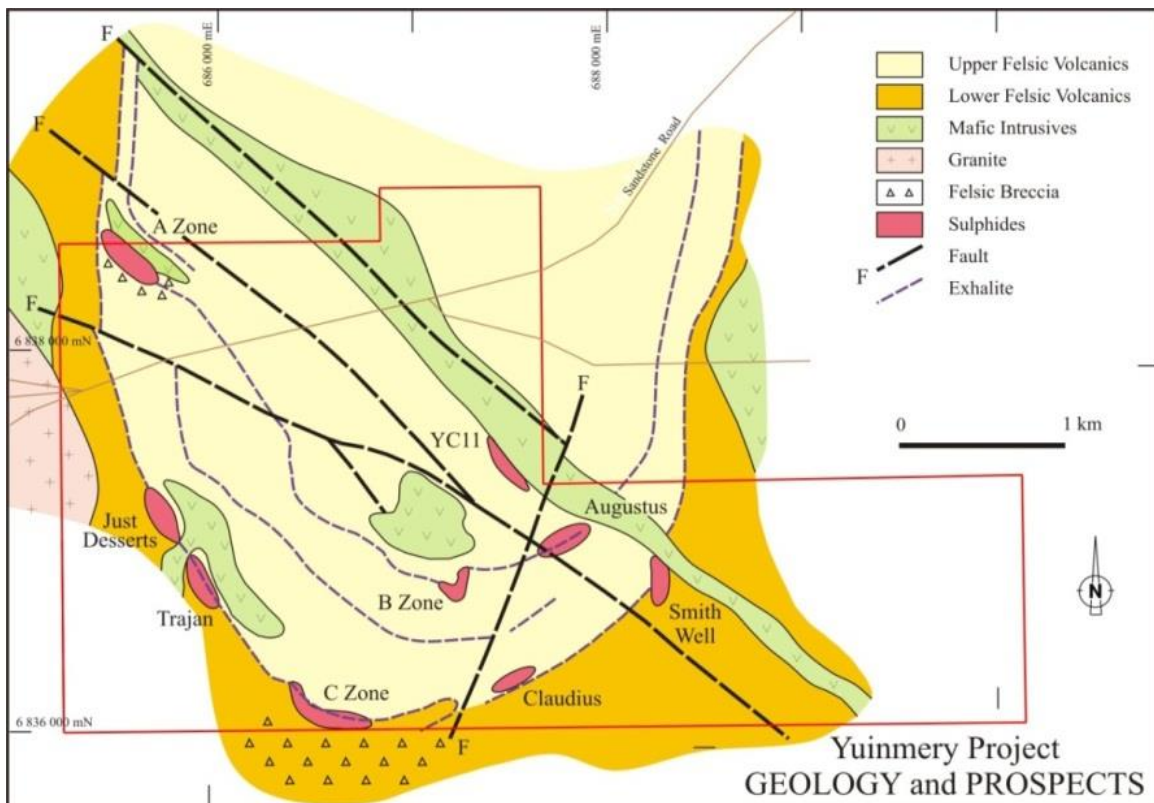


Figure 9 - Yuinmery Project Summary Geological Plan

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

Empire Resources Limited Review of Operations

In January 2017, the Company entered into a two year option agreement to acquire from Evolution Mining (Mungari) Pty Ltd (Evolution Mining), its interest in two highly prospective copper - gold exploration licences which abut the northern boundary of Empire's tenements and include the down plunge extensions of the A Zone prospect.

The acquisition is via a two year option agreement for Empire to purchase the interest held by Evolution Mining. The two exploration licences, E57/681 and E57/1027, are the subject of a joint venture between Evolution Mining and Giralia Resources Ltd, a wholly owned subsidiary of Atlas Iron Ltd. Evolution Mining currently holds an interest of approximately 91% in the joint venture.

Empire must meet all expenditure commitments while retaining an option to purchase Evolution Mining's interest for either a cash or share consideration of A\$500,000. A 2% net smelter royalty capped at A\$500,000 will be payable by Empire on any minerals produced from the two tenements.

Drilling to date has reinforced the view that A Zone could host 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**
- **3m @ 4.0% Cu, 3.3g/t Au within 6m @ 3.0% Cu, 1.7g/t Au**

The Company recently completed a 97m diamond core tail testing part of the depth extension to A Zone. The hole intersected sulphide mineralisation but visual inspection indicated only very minor copper sulphides were present in the core, most being iron sulphides. Assays are pending.

Three RC drill holes were also completed during the year, targeting a shear zone and two electromagnetic (EM) geophysical anomalies lying between Just Desserts and A Zone. None of these holes returned any significant precious or base metal values. The two holes targeting geophysical anomalies were cased for future downhole EM surveys.

The Company considers the expansion of total Yuinmery resources a priority as 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 gold project consisted of one exploration licence located 25km northeast of the town of Laverton in Western Australia.

Following a data review, the decision was taken to sell this tenement to allow the Company to concentrate efforts on its core projects.

An agreement was signed with Victory Mines Ltd to sell the tenement for \$2,000 and a 2% gross product royalty on any minerals produced.

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

Following a site visit and data review, the application for an exploration licence in this area was withdrawn.

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

Your Directors submit their report on Empire Resources Limited (the "Company") and its controlled entity (the "Group") for the financial year ended 30 June 2017.

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 Giralia Resources NL for eight years, from the company's inception in 1987. Previously, he had worked for AMAX Exploration Inc., as a senior geologist and as regional manager in charge of that company's mineral exploration in Western Australia.

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 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 and development of mine properties in Australia. A significant change in these activities, being the commencement of development on mine properties, occurred during the financial year.

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 \$1,876,657 (2016: \$1,624,620).

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 continued with the unincorporated exploration and mining joint venture to explore for, establish reserves of, and evaluate reserves of gold, nickel and other minerals on the Penny's Find tenements.

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 up \$57,640 on prior year as a consequence of interest being earned on payments made to the joint venture on behalf of Brimstone Resources Ltd. Other income was \$2,000 (2016: \$Nil) which comprised the profit on the sale of the Laverton tenement. The net gain on disposal of investment was \$Nil (2016: \$210,131) and in the prior year it was profit on sale of shares in Barola Resources Ltd.

Expenses

During the year, the Company commenced pre mining work on the Penny's Find Mining Joint Venture with its 60% interest being \$1,048,920 (2016: \$67,273). The pre mining expense arose due mainly to the JV road, rehabilitation, management services costs. The Company conducted limited exploration activities at its various exploration projects with expenditure on exploration increasing 10% to \$165,851 (2016: \$150,326). The Management fee expense decreased by 42% to \$253,800 (2016: \$439,510) as Adrian Jessup became a non-executive Director on 1 July 2016. Employee benefits expense increased 113% to \$196,999 (2016: \$92,455) due to the issue of options in lieu of salary in the prior year. JV Development expenditure of \$3,265,264 (2016: \$Nil) was capitalised as Mine Properties at 30 June 2017.

Operating cash flows

Cash flow used in operating activities increased by 40% to \$1,451,299 (2016: \$1,033,630). The cash outflows in the current year were the JV pre mining expenditure of \$842,853 (2016:\$Nil). These outflows were offset by the R&D tax benefit received of \$107,124 (2016: \$Nil).

Empire Resources Limited

Directors' Report

Investing cash flows

Cash outflows from investing activities increased by 504% to \$1,535,555 (2016: Inflow \$379,784) due to JV development expenditure of \$519,765 (2016: \$Nil). There were also payments to the JV on behalf of Brimstone Resources Ltd of \$828,000 (2016: \$Nil) and the JV purchase of mining equipment and motor vehicles of \$189,790 (2016: \$25,716). In the prior year there was the sale of the investment in Barola Resources Ltd which realised \$400,000.

Financing cash flows

Cash flow from financing activities increased by 288% to \$3,106,473 (2016: \$800,605) due to an increase in share placements during the year of \$2,876,000 (2016: \$825,000). The prior year borrowings of \$270,000 were unsecured loans from Directors and a fee funding arrangement for various financial services invoices.

Statement of financial position

Current assets

Current assets increased by 362% to \$1,734,309 (2016: \$375,052) mainly due to trade and other receivables which comprised the loan to Brimstone Pty Ltd of \$828,000 (2016: \$Nil) and an increase in GST receivables to \$254,322 (2016: \$44,454) due to the increased JV mining expenditure. The cost of ore feedstock (4,493 tonnes) at 30 June 2017 (2016: \$Nil) was not material, the significant costs incurred were in relation to removing waste.

Cash and cash equivalents at 30 June 2017 increased by 45% to \$385,447 (2016: \$265,828).

Non-current assets

Non-current assets increased to \$3,409,232 (2016: \$29,714) due to JV Development expenditure of \$3,265,264 (2016: \$Nil) being capitalised as Mine Properties at 30 June 2017.

Current liabilities

Current liabilities increased by 498% to \$4,282,082 (2016: \$767,287), being an increase in JV trade and other payables as a consequence of the pre mining and development work on the Penny's Find Mining Joint Venture. The provision for restoration and rehabilitation is \$822,024 (2016: \$Nil) which relates to the estimated cost of rehabilitation work to be carried out by the Penny's Find Mining Joint Venture in relation to the removal of facilities, closure of sites and restoration of the affected areas.

The Company has Borrowings of \$1,275,748 (2016: \$132,940). The JV borrowings from Blue Capital Services Pty Ltd are \$1,869,369 (2016: \$Nil) to fund the JV mining costs required to bring the gold mine into full production. This includes the cost of funding of \$439,094 (2016: \$Nil). There are unsecured loans from Directors of \$151,300 (2016: \$52,932) which are expected to be repaid from proceeds of receipts for gold production or the proceeds of a future share placement of ordinary shares.

Non-current liabilities

Non-current liabilities increased to \$18,000 (2016: \$Nil), which relates to the closure project management costs for the rehabilitation work to be carried out by the Penny's Find Mining Joint Venture.

Review of Operations

Mining - Penny's Find (WA): New gold mine (60% interest)

Empire Resources Ltd holds a 60% interest in and acts as Manager for the new Penny's Find gold mine, located 50km northeast of Kalgoorlie in Western Australia. The remaining 40% interest is held by unlisted Brimstone Resources Ltd. During the year, the JV completed the pre-mining site works and has nearly completed the development of the mine. Mining contractor, Blue Capital Services Pty Ltd, had moved in excess of half a million bank cubic metres (bcm) of waste from the pit with very little drill and blast being required to date. This, along with the use of short haul temporary pit ramps, has had a positive impact on costs that were forecast in the Bankable Feasibility Study. At the end of the financial year, the amount drawn-down on the Blue Cap funding facility stood at \$1,430,274 (Empire's 60% share \$858,164) plus an accrued funding cost of \$439,094 (2016: \$Nil).

Corporate

Ongoing management of the Company's cash position remained critical throughout the year. Cash resources were boosted following share placements in July 2016 and April 2017 of 159 million shares raising \$3,276,000 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.

Empire Resources Limited

Directors' Report

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.

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% (2016: 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.

Empire Resources Limited Directors' Report

Compensation of Key Management Personnel for the year ended 30 June 2017.

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.

The information in this table is audited.

| | | Directors' Fees | Consulting Fees | Short-term Benefits | Post-employment benefits | Share-based payments Value of shares & options | | Performance based % of remuneration |
|------------------------|-------------|-----------------|-----------------|---------------------|--------------------------|---|----------------|-------------------------------------|
| | | \$ | \$ | Total \$ | \$ | \$ | Total \$ | Options % |
| Directors | | | | | | | | |
| Non-Executive | | | | | | | | |
| Mr T Revy | 2017 | 42,000 | - | 42,000 | - | - | 42,000 | 0% |
| | 2016 | 42,000 | - | 42,000 | - | 910 | 42,910 | 2% |
| Executive | | | | | | | | |
| Mr D Sargeant | 2017 | - | 217,800 | 217,800 | - | - | 217,800 | 0% |
| | 2016 | - | 217,800 | 217,800 | - | 4,719 | 222,519 | 2% |
| Mr A Jessup | 2017 | - | 36,000 | 36,000 | - | - | 36,000 | 0% |
| | 2016 | - | 217,800 | 217,800 | - | 4,719 | 222,519 | 2% |
| Total Directors | 2017 | 42,000 | 253,800 | 295,800 | - | - | 295,800 | 0% |
| | 2016 | 42,000 | 435,600 | 477,600 | - | 10,348 | 487,948 | 2% |

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

Effective 1 July 2016, Mr Jessup assumed a non-executive Director role with a Director fee of \$39,600 per annum (including GST).

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.

Empire Resources Limited Directors' Report

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.

2017 Shareholdings of Key Management Personnel

| Directors | Balance at beginning of year | Issued under share plan | On exercise of options | Shares acquired | Balance at end of the year |
|---------------|------------------------------|-------------------------|------------------------|-----------------|----------------------------|
| 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.

2017 Option holdings of Key Management Personnel

| Directors | Balance at beginning of year | Issued | Expired | Balance at end of the year | Vested and exercisable at 30 June 2017 |
|---------------|------------------------------|----------|----------|----------------------------|--|
| 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>16,315,000</u> | <u>-</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 | |
|--------------|------|
| 2017 | 2016 |
| \$ | \$ |

Amounts remaining payable at balance date to Key Management Personnel in relation to remuneration

| | | |
|---|-----------------------|----------------|
| Kirkdale Holdings Pty Ltd - Mr D Sargeant | 319,440 | 119,790 |
| Murilla Exploration Pty Ltd - Mr A Jessup | 119,460 | 119,790 |
| Mr T Revy | 42,000 | 21,000 |
| | <u>480,900</u> | <u>260,580</u> |

The above amounts relate to unpaid remuneration.

Empire Resources Limited Directors' Report

Loans from Directors

| Consolidated | |
|--------------|------|
| 2017 | 2016 |
| \$ | \$ |

Amounts payable to Directors as unsecured loans

| | | |
|-------------------------------------|----------------|---------------|
| DW Sargeant Pty Ltd - Mr D Sargeant | 151,300 | 31,967 |
| Mr A Jessup | - | 20,965 |
| | 151,300 | 52,932 |

Interest expense on unsecured loans

| | | |
|-------------------------------------|--------------|--------------|
| DW Sargeant Pty Ltd - Mr D Sargeant | 1,334 | 856 |
| Mr A Jessup | 17 | 380 |
| | 1,351 | 1,236 |

The Company received a short term loan from Mr Sargeant for \$150,000 in the year ended 30 June 2017. This amount is unsecured and is expected to be repaid from the proceeds of receipts for gold production or 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 loan.

The amounts received from Adrian Jessup as unsecured loans in the previous year 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 2017 and the number of meetings attended by each director.

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

A - meetings attended

B - meetings held whilst a director

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

Proceedings on Behalf of the Company

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

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

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has agreed to indemnify current Directors and officers and past Directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as Directors and officers of the Company and its controlled entity, except where the liability 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 15 August 2017, the Group received a loan of \$185,000 from David Sargeant which will be repaid from the proceeds of receipts for gold production or future placement of ordinary shares.

On 4 September 2017, the Group received a loan of \$250,000 from a third party which will be repaid from the proceeds of receipts for gold production or future placement of ordinary shares at the equivalent value of \$0.021 per ERL share.

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.

Empire Resources Limited

Directors' Report

Non-audit Services

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

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

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

Assurance Services

HLB Mann Judd (Current Auditor)

1. Audit services

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

Total remuneration

2. Joint Venture Audit services

Audit of the Penny's Find Joint Venture

3. Tax Compliance Services

| Consolidated | |
|----------------------------|----------------------------|
| Year ended 30 June 2017 | Year ended 30 June 2016 |
| \$ | \$ |
| 27,000 | 25,000 |
| <hr/> 27,000 | <hr/> 25,000 |
| 6,000 | 4,200 |
| <hr/> 3,640 | <hr/> - |

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 2017. 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
11 September 2017

EMPIRE RESOURCES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

| | Note | Consolidated | |
|--|------|--------------------|--------------------|
| | | 2017 \$ | 2016 \$ |
| Revenue - interest income | 2 | 59,155 | 1,515 |
| Sale of plant and equipment | 2 | - | 5,500 |
| Net gain on disposal of investment | 2 | - | 210,131 |
| Other income | 2 | 2,000 | - |
| Interest expense | | (14,627) | (27,607) |
| Depreciation expense | 3 | (10,606) | (2,890) |
| Exploration expense | 3 | (165,851) | (150,326) |
| Feasibility written back / (expense) | | 1,797 | (602,078) |
| Pre Mining expense | 3 | (1,048,920) | (67,273) |
| Employee benefits expense | | (196,999) | (92,455) |
| Management fee expense | | (253,800) | (439,510) |
| Directors' fees expense | | (42,000) | (42,910) |
| Accounting expense | | (62,685) | (64,685) |
| Share-based payment | | (18,159) | (107,183) |
| ASX expense | | (24,983) | (15,038) |
| Corporate relations expense | | (86,309) | (78,995) |
| Insurance expense | | (16,371) | (16,349) |
| Other expenses | | (105,423) | (134,467) |
| Loss before income tax | | (1,983,781) | (1,624,620) |
| Income tax benefit | 4 | 107,124 | - |
| Net loss for the year | | (1,876,657) | (1,624,620) |
| Total comprehensive loss for the year | | (1,876,657) | (1,624,620) |
| Basic and diluted loss per share (cents per share) | 5 | (0.47) | (0.59) |

*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 2017

| | Note | Consolidated | |
|--|------|------------------|------------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 385,447 | 265,828 |
| Trade and other receivables | 7 | 1,328,862 | 89,224 |
| Other financial assets | | 20,000 | 20,000 |
| Total Current Assets | | 1,734,309 | 375,052 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 9 | 143,968 | 29,714 |
| Mine Properties | 10 | 3,265,264 | - |
| Total Non-Current Assets | | 3,409,232 | 29,714 |
| TOTAL ASSETS | | 5,143,541 | 404,766 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 2,184,310 | 634,347 |
| Borrowings | 12 | 1,275,748 | 132,940 |
| Provision for restoration and rehabilitation | 13 | 822,024 | - |
| Total Current Liabilities | | 4,282,082 | 767,287 |
| NON-CURRENT LIABILITIES | | | |
| Provision for restoration and rehabilitation | 13 | 18,000 | - |
| Total Non-Current Liabilities | | 18,000 | - |
| TOTAL LIABILITIES | | 4,300,082 | 767,287 |
| NET ASSETS / (LIABILITIES) | | 843,459 | (362,521) |
| EQUITY | | | |
| Issued capital | 14 | 21,497,202 | 18,572,844 |
| Reserves | 15 | 1,737,474 | 1,579,195 |
| Accumulated losses | | (22,391,217) | (20,514,560) |
| TOTAL EQUITY / (DEFICIENCY) | | 843,459 | (362,521) |

*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 2017**

| | Consolidated | | | |
|---------------------------------------|----------------------|-----------------------------|--------------------------|------------------|
| | Issued Capital \$ | Accumulated Losses \$ | Option Reserves \$ | Total \$ |
| Balance at 1 July 2015 | 17,822,941 | (18,889,940) | 1,118,917 | 51,918 |
| Loss for the year | - | (1,624,620) | - | (1,624,620) |
| Total comprehensive loss for the year | - | (1,624,620) | - | (1,624,620) |
| Shares issued during the year | 825,000 | - | - | 825,000 |
| Equity issue expenses | (75,097) | - | - | (75,097) |
| 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 |
| Balance at 30 June 2016 | 18,572,844 | (20,514,560) | 1,579,195 | (362,521) |
| Balance at 1 July 2016 | 18,572,844 | (20,514,560) | 1,579,195 | (362,521) |
| Loss for the period | - | (1,876,657) | - | (1,876,657) |
| Total comprehensive loss for the year | - | (1,876,657) | - | (1,876,657) |
| Shares issued during the year | 3,276,000 | - | - | 3,276,000 |
| Equity issue expenses | (351,642) | - | - | (351,642) |
| Share based payment | - | - | 18,159 | 18,159 |
| Options issued for share issue costs | - | - | 140,120 | 140,120 |
| Balance at 30 June 2017 | 21,497,202 | (22,391,217) | 1,737,474 | 843,459 |

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 2017

| | Note | Consolidated | |
|--|-------------|--------------------|--------------------|
| | | 2017 \$ | 2016 \$ |
| Cash Flows from Operating Activities | | | |
| Exploration and evaluation expenditure | | (234,178) | (124,081) |
| Feasibility expenditure | | - | (545,145) |
| Pre Mining expenditure | | (842,853) | - |
| Payments to suppliers and employees | | (474,226) | (339,548) |
| Interest received | | 3,334 | 1,515 |
| Other - R&D tax offset | | 107,124 | - |
| Interest paid | | (10,500) | (26,371) |
| Net cash used in operating activities | 6(i) | (1,451,299) | (1,033,630) |
| Cash Flows from Investing Activities | | | |
| Purchase of plant and equipment | | (189,790) | (25,716) |
| Payment for mine properties | | (519,765) | - |
| Sale of plant and equipment | | - | 5,500 |
| Payments to joint venture on behalf of Brimstone Resources Ltd | | (828,000) | - |
| Proceeds from sale of investment | | - | 400,000 |
| Proceeds from sale of tenement | | 2,000 | - |
| Net cash (used in) / provided by investing activities | | (1,535,555) | 379,784 |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of equity securities | | 2,876,000 | 825,000 |
| Equity securities issue costs | | (266,595) | (24,395) |
| Proceeds from borrowings | | 550,000 | 270,000 |
| Repayments of borrowings | | (52,932) | (270,000) |
| Net cash provided by financing activities | | 3,106,473 | 800,605 |
| Net increase in cash held | | 119,619 | 146,759 |
| Cash at the beginning of the period | | 265,828 | 119,069 |
| Cash at the end of the period | 6 | 385,447 | 265,828 |

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 2017

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 2016 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 11 September 2017.

(b) Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$1,876,657 (2016: \$1,624,620) and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of \$1,451,299 (2016: \$1,033,630), cash outflows from investing activities of \$1,535,555 (2016: Inflow \$379,784) and a cash inflow from financing activities of \$3,106,473 (2016: \$800,605). Cash flows from financing activities arose from capital raisings that are disclosed in Note 14(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 14(a) and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is anticipated to occur in the twelve month period from the date of this financial report;
- The Joint Venture has the ability to continue drawing down on a funding arrangement with Blue Capital Services Pty Ltd to a maximum of \$7,500,000 with \$1,430,274 having been utilised at 30 June 2017, of which, Empire's 60% share was \$858,164 at 30 June 2017. The Joint Venture has a trade payable to Blue Capital Services Pty Ltd of \$1,656,692 of which Empire's 60% share was \$994,015 at 30 June 2017.
- The Joint Venture will receive proceeds from the sale of gold in the next 12 months,
- The Group has a working capital deficit of \$2,547,773 (2016: \$392,235) at balance date, operating lease commitments for the next 12 months of \$61,176 (2016: \$60,671) and exploration expenditure commitments for the next 12 months of \$110,273 (2016: \$113,547), as disclosed in Note 17, and retains the ability to sell its shares in FYI Resources Ltd, in the event that the capital raisings and gold sales 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.

The Directors anticipate a further equity raising will be required in the 2017 financial year. Should further equity raisings not be completed and gold sales forecasts are not achieved, 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

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.

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 ASSB 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

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

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.

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) Mine Properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis (other than restoration and rehabilitation expenditure detailed below) which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Group provides for environmental restoration and rehabilitation at site which includes any costs to dismantle and remove certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets the Group is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cash flows is measured using a current market discount rate.

Stripping costs

Costs associated with stripping activity, which is the process of removing mine waste materials to gain access to the mineral deposits underneath, during the production phase of surface mining are accounted for as either inventory or a non-current asset (non-current asset is also referred to as a 'stripping activity asset').

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity in accordance with the principles of AASB 102 Inventories. To the extent the benefit is improved access to ore, the Group recognises these costs as a non-current asset provided that:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group
- the Group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably

Stripping activity assets are initially measured at cost, being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore plus an allocation of directly attributable overhead costs. In addition, stripping activity assets are accounted for as an addition to, or as an enhancement to, an existing asset. Accordingly, the nature of the existing asset determines:

- whether the Group classifies the stripping activity asset as tangible or intangible; and
- the basis on which the stripping activity asset is measured subsequent to initial recognition

In circumstances where the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Group allocates the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on volume of waste extracted compared with expected volume, for a given volume of ore production.

(g) Income Tax

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

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

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

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

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

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

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

the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

- 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.

(h) 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.

(i) 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.

(j) 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.

(k) Financial Instruments

Recognition

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

Loans and receivables

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

Available-for-sale financial assets

Available for sale financial assets include any financial assets not classified as loans and receivables, held to maturity investments or fair value through profit or loss. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

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.

(l) Exploration, 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.

(m) 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.

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Revenue Recognition

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

(i) Interest

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

(ii) Sundry income

Sundry income is recognised as and when it is receivable. Income receivable, but not received at balance date, is recorded as part of other debtors.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

(iii) Gold Bullion Sales

Revenue from gold bullion sales is brought to account when the significant risks and rewards of ownership have transferred to the buyer and selling prices are known or can be reasonably estimated.

(s) Goods and Services Tax (GST) and Fuel tax rebate

Revenues, expenses and assets are recognised net of the amount of GST and the diesel fuel tax rebate, 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 and the fuel tax rebate.

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.

(t) 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 21.

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 21.

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.

Provision for restoration and rehabilitation

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(u) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2017, 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

1. Statement of Significant Accounting Policies (continued)

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

(v) 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 Limited.

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.

(w) Loss per share

Basic loss per share is calculated as net 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.

(x) Parent Entity Financial Information

The financial information for the parent entity, Empire Resources Limited disclosed in Note 24 has been prepared on the same basis as the Group.

2. Revenue

| | Consolidated | |
|---|---------------|----------------|
| | 2017 \$ | 2016 \$ |
| Revenue | | |
| Interest received | 59,155 | 1,515 |
| Other income | | |
| Net gain on disposal of plant and equipment | - | 5,500 |
| Net gain on disposal of investments | - | 210,131 |
| Sale of tenement | 2,000 | - |
| | 61,155 | 217,146 |

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

3. Loss from ordinary activities

| Consolidated | |
|--------------|------|
| 2017 | 2016 |
| \$ | \$ |

The loss from ordinary activities before income tax has been determined after:

(a) Expenses

| | | |
|----------------------------|------------------|---------|
| Depreciation | 10,606 | 2,890 |
| Exploration costs expensed | 165,851 | 150,326 |
| Management Services | 202,444 | 12,000 |
| Road | 261,134 | 474 |
| Rehabilitation | 167,445 | - |
| On site supervision | 79,553 | - |
| Grade Control | 63,370 | 32,296 |
| Other pre mining costs | 274,974 | 22,503 |
| Pre Mining expense | 1,048,920 | 67,273 |

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 | |
|--------------|------|
| 2017 | 2016 |
| \$ | \$ |

| | | |
|---|--------------------|-------------|
| Loss before tax | (1,983,781) | (1,624,620) |
| Income tax benefit at 30% (2016:30%) | 595,134 | 487,386 |
| Tax effect of: | | |
| - deductible capital raising expenditure | 33,330 | 16,881 |
| - non deductible expenditure | (209) | (1,126) |
| - deductible temporary differences | (291,956) | (34,799) |
| - share based payment | (5,448) | (32,155) |
| - gain on sale of investment | - | 63,039 |
| - gain on sale of tenement | (600) | - |
| Deferred tax asset not recognised | (330,251) | (499,226) |
| R&D tax incentive (from prior year) | 107,124 | - |
| Income tax benefit attributable to loss from ordinary activities before tax | 107,124 | - |

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

4. Income tax (continued)

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 27.5% (2016: 28.5%) which will be determined when the company completes its tax return in due course.

(c) Unrecognised deferred tax balances

| | | |
|---|-------------------|------------|
| Tax losses attributable to members of the group - revenue | 15,550,691 | 14,449,853 |
| Potential tax benefit at 30% | 4,665,207 | 4,334,956 |
| Deferred tax asset not booked | | |
| Amounts recognised in statement of comprehensive income | | |
| -employee provisions | 84,468 | 27,341 |
| - provision for restoration and rehabilitation | 246,607 | - |
| -other | 8,330 | 6,210 |
| Amounts recognised in equity | | |
| - share issue costs | 104,411 | 49,130 |
| Net unrecognised deferred tax asset at 30% | 5,109,023 | 4,417,637 |

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 | |
|--|--------------------|---------------|
| | 2017 Cents | 2016 Cents |
| Basic and diluted loss per share (cents per share) | (0.47) | (0.59) |
| Loss used in the calculation of basic EPS | (1,876,657) | (1,624,620) |
| Weighted average number of shares outstanding during the year used in calculations of basic loss per share | 403,031,612 | 274,749,420 |

6. Cash and cash equivalents

| | Consolidated | |
|--------------------------|----------------|------------|
| | 2017 \$ | 2016 \$ |
| Cash at bank and in hand | 385,447 | 265,828 |
| | 385,447 | 265,828 |

Cash at bank earns interest at floating rates base on daily deposit rates.

At 30 June 2017, the Group had available \$3,641,836 (Empire's share) of undrawn committed borrowing facilities to be used for working capital for Penny's Find JV.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

6. Cash and cash equivalents (continued)

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

| | Consolidated | |
|--|--------------------|--------------------|
| | 2017 \$ | 2016 \$ |
| Loss after income tax | (1,876,657) | (1,624,620) |
| Depreciation | 10,606 | 2,890 |
| Share based payments expense | 18,159 | 107,183 |
| Gain on disposal of investment | - | (210,131) |
| Gain on disposal of plant and equipment | - | (5,500) |
| Proceeds from sale of tenement | (2,000) | - |
| | (1,849,892) | (1,730,178) |
| Changes in assets and liabilities, net of the effects of purchase of subsidiaries: | | |
| (Increase)/decrease in trade and other receivables | (31,448) | (24,366) |
| (Decrease)/increase in trade and other payables | 114,194 | 566,123 |
| (Decrease)/increase in borrowings | (32,658) | (12,932) |
| (Decrease)/increase in employee benefits | 181,081 | 167,723 |
| (Decrease)/increase in provisions | 167,424 | - |
| Net cash outflow from operating activities | (1,451,299) | (1,033,630) |

7. Trade and other receivables

| | Consolidated | |
|--|------------------|---------------|
| | 2017 \$ | 2016 \$ |
| Current | | |
| Trade receivables | 22,939 | 2,007 |
| JV Trade receivables ¹ | 99,490 | 42,763 |
| Payments to JV on behalf of Brimstone Resources Ltd ² | 828,000 | - |
| GST receivables | 254,322 | 44,454 |
| Other receivables | 124,111 | - |
| | 1,328,862 | 89,224 |

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.

¹ JV Trade receivables comprise cash calls by the Joint Venture Manager, Empire Resources Limited on the other joint venture partner, Brimstone Resources Ltd.

² These advances are receivable from Brimstone Resources Ltd. The interest is calculated at 16% per annum, calculated daily, compounding monthly. The repayment date is by the open cut completion date expected to be around August 2018. Leading up to this date, Brimstone Resources Ltd is required to repay the balance utilising 50% of the monies payable to Brimstone Resources Ltd under the funding agreement with Blue Cap Mining Pty Ltd. The amount is secured against Brimstone Resources Ltd 40% interest in the joint venture.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

7. Trade and other receivables (continued)

| | Consolidated | |
|---|--------------|--------|
| | 2017 | 2016 |
| | \$ | \$ |
| Aging of past due but not impaired | | |
| 30-60 days | 53,735 | 44,454 |
| 60-90 days | 347,637 | - |
| 90-120 days | 927,490 | 44,770 |
| Total | 1,328,862 | 89,224 |

8. Investments

(a) Investments accounted for using the Equity Method

| | Consolidated | |
|---|--------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Reconciliation of movements in investments accounted for using the equity method: | | |
| Balance at 1 July | - | 189,869 |
| Proceeds on sale | - | (400,000) |
| Profit recognised on sale | - | 210,131 |
| Balance at 30 June | - | - |

| Name of entity | Principal activity | Country of incorporation | Ownership interest | | Market Value | |
|-------------------|---------------------|--------------------------|--------------------|------|--------------|---------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | \$ | \$ |
| Associated entity | | | | | | |
| FYI Resources Ltd | Mineral exploration | Australia | 13% | 14% | 288,000 | 300,000 |

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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

8. Investments (continued)

| | Consolidated | |
|---|--------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Summarised financial information of associates: | | |
| Financial position | | |
| Total assets | 352,156 | 984,968 |
| Total liabilities | (549,437) | (540,458) |
| Net (liabilities) / assets | (197,281) | 444,510 |
| Group's share of associates' net (liabilities) / assets | (25,618) | 60,197 |
| Financial performance | | |
| Total revenue | 8,132 | 8,944 |
| Total loss for the year | (841,787) | (749,397) |
| Group's share of associates' loss | - | - |
| 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 | - | - |
| | - | - |

(b) Investments in subsidiary

| Controlled entity | Country of incorporation | Percentage Owned | Percentage Owned |
|---|--------------------------|------------------|------------------|
| | | 2017 % | 2016 % |
| Parent Entity: | | | |
| Empire Resources Limited | Australia | | |
| Subsidiary of Empire Resources Limited: | | | |
| Torrens Resources Pty Ltd | Australia | 100 | 100 |

9. Plant & equipment

| | Consolidated | |
|----------------------------------|--------------|----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Plant and Equipment | | |
| Cost | 162,089 | 73,203 |
| Accumulated depreciation | (68,690) | (43,489) |
| | 93,399 | 29,714 |
| Motor Vehicles | | |
| Cost | 115,458 | 53,863 |
| Accumulated depreciation | (64,889) | (53,863) |
| | 50,569 | - |
| Total Plant and Equipment | 143,968 | 29,714 |

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

9. Plant & equipment (continued)

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 | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Plant and Equipment | | |
| Balance at the beginning of year | 29,714 | 1,226 |
| Additions | 91,760 | 31,378 |
| Depreciation expense | (28,075) | (2,890) |
| Carrying amount at the end of the year | 93,399 | 29,714 |
| | | |
| Motor Vehicles | | |
| Balance at the beginning of year | - | 14,156 |
| Additions | 61,595 | - |
| Depreciation expense | (11,026) | (14,156) |
| Carrying amount at the end of the year | 50,569 | - |
| | | |
| Total Plant and Equipment | 143,968 | 29,714 |

10. Mine Properties

| | Consolidated | |
|--|--------------|------------|
| | 2017 \$ | 2016 \$ |
| Cost | 3,265,264 | - |
| Accumulated depreciation / utilisation | - | - |
| Carrying value as at 30 June 2017 | 3,265,264 | - |
| | | |
| | 2017 \$ | 2016 \$ |
| Balance at beginning of year | - | - |
| Additions - Development expenditure incurred | 3,265,264 | |
| | 3,265,264 | - |

The following have been pledged as security over amounts owing to Blue Capital Services Pty Ltd under the signed funding agreement for Penny's Find Joint Venture:

- Mining Lease M27/156
- General Purpose Lease G27/1
- Miscellaneous Licence L27/90
- Miscellaneous Licence L27/91
- Miscellaneous Licence L27/92

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

11. Trade and other payables

| | Consolidated | |
|-----------------------------|-------------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Trade payables and accruals | 1,893,137 | 543,209 |
| Employee benefits | 291,173 | 91,138 |
| | <u>2,184,310</u> | <u>634,347</u> |

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

12. Borrowings

| | Consolidated | |
|------------------------------------|-------------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Director loans (i) | 151,300 | 52,932 |
| Other loans | 2,827 | 80,008 |
| JV Borrowings from Contractor (ii) | 1,121,621 | - |
| | <u>1,275,748</u> | <u>132,940</u> |

(i) Refer to note 19 for terms and conditions of Director loans.

(ii) The Joint Venture entered into an agreement with Blue Capital Services Pty Ltd to fund mining costs needed to bring the gold mine into full production. Blue Capital Services Pty Ltd will fund mining and related costs to a maximum of \$7,500,000 until the mining operations are cash flow positive. These borrowings are repayable within 7 months of operation commencement on 5 May 2017. The cost of funding, dependent on the amount of draw down, is pro rata up to a maximum of \$2,300,000 payable from free cash flow. The fixed return is calculated at 30.7% of the accrued Working Capital Extension and at 30 June 2017 was \$439,094. At June 30th 2017, the Joint Venture had drawn-down \$1,430,274 on the Blue Cap funding facility. The total JV borrowings at 30 June 2017 were \$1,869,368 of which Empire's 60% share was \$1,121,621 inclusive of the facility fee. Blue Cap has a mortgage over the Penny's Find Gold Project Mining tenements until the borrowings and fixed return is paid in full.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

13. Provision for restoration and rehabilitation

| | Consolidated | |
|--|----------------|----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Current | | |
| Provision for restoration and rehabilitation | 822,024 | - |
| | 822,024 | - |
| Non-Current | | |
| Provision for restoration and rehabilitation | 18,000 | - |
| | 18,000 | - |

The provision for restoration and rehabilitation relates to the estimated cost of rehabilitation work to be carried out by the Penny's Find Mining Joint Venture in relation to the removal of facilities, closure of sites and restoring the affected areas. The provision represents the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

14. 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 | |
|---|-------------------|------------|
| | 2017 | 2016 |
| | \$ | \$ |
| 483,201,475 (30/6/2016: 324,201,475) fully paid ordinary shares | 21,497,202 | 18,572,844 |

(i) Ordinary shares - number

| | | |
|--|--------------------|--------------------|
| At 1 July | 324,201,475 | 259,201,475 |
| 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 |
| Share placement - 63,000,000 on 18 July 2016 at \$0.02 | 63,000,000 | - |
| Share placement - 96,000,000 on 19 April 2017 at \$0.021 | 96,000,000 | - |
| Balance at 30 June | 483,201,475 | 324,201,475 |

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

14. Issued capital (continued)

| | Consolidated | |
|--|-------------------|-------------------|
| | 2017 \$ | 2016 \$ |
| (ii) Ordinary shares – value | | |
| At 1 July | 18,572,844 | 17,822,941 |
| 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 |
| Share placement - 63,000,000 on 18 July 2016 at \$0.02 | 1,260,000 | - |
| Share placement - 96,000,000 on 19 April 2017 at \$0.021 | 2,016,000 | - |
| Less share issue costs | (351,642) | (75,097) |
| Balance at 30 June | 21,497,202 | 18,572,844 |

(b) Options

As at 30 June 2017 (30 June 2016: 53,102,000) the Company had the following options on issue over ordinary shares:

| 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 |

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

15. Reserves

| | Consolidated | |
|----------|------------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Reserves | 1,737,474 | 1,579,195 |

Reserves comprise the following:

Options reserve

| | | |
|---------------------------------------|------------------|-----------|
| Balance as at start of financial year | 1,579,195 | 1,118,917 |
| Share-based payment | 18,159 | 107,183 |
| Options issued to Directors | - | 249,148 |
| Options issued to Exploration Manager | - | 88,378 |
| Options issued - share issue costs | 140,120 | 15,569 |
| Balance at 30 June | 1,737,474 | 1,579,195 |

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 21.

16. Financial risk management

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

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

16. Financial risk management (continued)

The Group hold the following financial instruments:

| | Consolidated | |
|------------------------------|------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 385,447 | 265,828 |
| Trade and other receivables | 1,328,862 | 89,224 |
| Term deposit | 20,000 | 20,000 |
| | 1,734,309 | 375,052 |
| Financial liabilities | | |
| Trade and other payables | 2,184,310 | 634,347 |
| Borrowings | 1,275,748 | 132,940 |
| | 3,460,058 | 767,287 |

(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 2017 and 2016, 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 |
|--|--------------------------------|---------|--------------------------------|---------|
| | 2017 | 2016 | 2016 | 2016 |
| | % | \$ | % | \$ |
| Deposit | | 20,000 | | 20,000 |
| Other cash available | | 385,447 | | 265,828 |
| Net exposure to cash flow interest rate risk | 0.8% | 405,447 | 1.5% | 285,828 |

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 2017 and 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

16. Financial risk management (continued)

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 18.

| | 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 |
|------------------------------------|--|------------------------|--|--------------|--------------|----------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| 30 June 2017 | | | | | | | |
| Financial Assets: | | | | | | | |
| Cash and cash equivalents | 0.8% | 385,447 | - | - | - | - | 385,447 |
| Trade and other receivables | 16.0% | - | 828,000 | - | - | 500,862 | 1,328,862 |
| Other financial assets | | - | 20,000 | - | - | - | 20,000 |
| Total Financial Assets | | 385,447 | 848,000 | - | - | 500,862 | 1,734,309 |
| Financial Liabilities: | | | | | | | |
| Trade and other payables | | - | - | - | - | 2,184,310 | 2,184,310 |
| Short-term borrowings | 30.7% | - | 1,275,748 | - | - | - | 1,275,748 |
| Total financial liabilities | | - | 1,275,748 | - | - | 2,184,310 | 3,460,058 |
| 30 June 2016 | | | | | | | |
| 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 |

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

16. Financial risk management (continued)

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.

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

| Year ended 30 June 2017 | <6 months | 6-12 months | 1-5 years | >5 years | Total |
|------------------------------|-------------|-------------|-----------|----------|-------------|
| Consolidated | | | | | |
| Financial assets | | | | | |
| Cash & cash equivalents | 385,447 | - | - | - | 385,447 |
| Trade & other receivables | 1,395,102 | - | - | - | 1,395,102 |
| Other financial assets | - | 20,000 | - | - | 20,000 |
| | 1,780,549 | 20,000 | - | - | 1,800,549 |
| Financial liabilities | | | | | |
| Trade & other payables | (2,489,473) | - | - | - | (2,489,473) |
| Short-term borrowings | (1,275,748) | - | - | - | (1,275,748) |
| | (3,765,221) | - | - | - | (3,765,221) |
| Net maturity | (1,984,672) | 20,000 | - | - | (1,964,672) |

(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.

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

17. Commitments and Contingencies

| Consolidated | |
|--------------|------|
| 2017 | 2016 |
| \$ | \$ |

(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 | 61,176 | 60,671 |
| - between 12 months and 5 years | 5,098 | 65,726 |
| - greater than 5 years | - | - |
| | 66,274 | 126,397 |

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 2017

17. Capital and Leasing Commitments (continued)

| Consolidated | |
|--------------|------|
| 2017 | 2016 |
| \$ | \$ |

(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 | 110,273 | 113,547 |
| - between 12 months and 5 years | 287,392 | 454,188 |
| - greater than 5 years | 279,556 | - |
| | 677,221 | 567,735 |

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

Legal Claim

Johannes (Steve) Norregaard has commenced an action in the Supreme Court of Western Australia against Empire Resources Ltd and Brimstone Resources Ltd, the joint venture participants in the Penny's Find project. The claim is for \$60,000 and declarations that the plaintiff is entitled to receive 8% of the profits from each of Empire Resources Ltd and Brimstone Resources Ltd from mining conducted at the Penny's Find project, interest and costs.

18. 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)

Non-Executive Director

Mr A Jessup (from 15 August 2003)

(ii) Compensation of Key Management Personnel

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Short-term employee benefits | 295,800 | 477,600 |
| Share-based payments | - | 10,348 |
| | 295,800 | 487,948 |

The amounts outstanding to Key Management Personnel at the reporting date are included in Note 19.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

19. Related Parties

Directors and executives

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

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

| | Consolidated | |
|---|----------------|----------------|
| | 2017 \$ | 2016 \$ |
| Amounts remaining payable at balance date to Key Management Personnel in relation to remuneration | | |
| Kirkdale Holdings Pty Ltd - Mr D Sargeant | 319,440 | 119,790 |
| Murilla Exploration Pty Ltd - Mr A Jessup | 119,460 | 119,790 |
| Mr T Revy | 42,000 | 21,000 |
| | 480,900 | 260,580 |
| Amounts payable to Directors as unsecured loans | | |
| DW Sargeant Pty Ltd - Mr D Sargeant | 151,300 | 31,967 |
| Mr A Jessup | - | 20,965 |
| | 151,300 | 52,932 |

The amounts received from Directors as unsecured loans are expected to be repaid from the proceeds of receipts for gold production or 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 | 2017 | - | 6,664 | 1,977 | - |
| | 2016 | - | 6,904 | 1,976 | - |
| Barola Resources Ltd | 2017 | - | - | - | - |
| | 2016 | - | 166,412 | - | - |
| Brimstone Resources | 2017 | - | 134,421 | 828,000 | - |
| | 2016 | - | 155,679 | - | - |

Associate

The Group has a 13% interest in FYI Resources Limited (2016: 14%).

The Group has a 0% interest in Barola Resources Limited (2016: 0%).

The Group has a 60% interest (2016: 60%) in the Penny's Find Joint Venture. Brimstone Resources has a 40% (2016: 40%) interest in the Penny's Find Joint Venture.

Empire Resources Limited

Notes to the Financial Statements 30 June 2017

20. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd.

| | Consolidated | |
|--|---------------|------------|
| | 2017 \$ | 2016 \$ |
| Amounts received or due and receivable by HLB Mann Judd for: | | |
| Audit or review of the financial reports of the Company | 27,000 | 25,000 |
| Audit of the Penny's Find Joint Venture | 6,000 | 4,200 |
| Tax Compliance | 3,740 | - |

21. 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 |
|--|---------------------|---------------------------------|------------|---------------------------------|
| | 2017 | 2017 | 2016 | 2016 |
| Outstanding at the beginning of the year | 53,102,000 | \$0.04 | 30,000,000 | \$0.05 |
| Granted 18 July 2016 | 9,000,000 | \$0.04 | 23,102,000 | \$0.03 |
| Expired 31 August 2016 | (30,000,000) | \$0.05 | - | - |
| Outstanding at the end of the year | 32,102,000 | \$0.03 | 53,102,000 | \$0.04 |

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 2017

21. Share Based Payments (continued)

The following table lists the inputs to the model used for the years ended 30 June 2017 and 30 June 2016:

| | 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 |
| Consultant options | 18-Jul-16 | 18-Jul-19 | \$0.04 | 18-Jul-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 | |
|----------------------|--------------|---------|
| | 2017 | 2016 |
| | \$ | \$ |
| Share based payments | 18,159 | 107,183 |

22. 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 Limited.

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.

23. Events after the Balance Date

On 15 August 2017, the Group received a loan of \$185,000 from David Sargeant which will be repaid from the proceeds of receipts for gold production or future placement of ordinary shares.

On 4 September 2017, the Group received a loan of \$250,000 from a third party which will be repaid from the proceeds of receipts for gold production or future placement of ordinary shares at the equivalent value of \$0.021 per ERL share.

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 2017

24. Parent Entity Financial Information

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

| | Parent Entity | |
|---|--------------------|--------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 385,447 | 265,828 |
| Trade and other receivables | 1,328,862 | 89,224 |
| Other financial assets | 20,000 | 20,000 |
| Total Current Assets | 1,734,309 | 375,052 |
| NON-CURRENT ASSETS | | |
| Plant and equipment | 143,968 | 29,714 |
| Mine Properties | 3,265,264 | - |
| Total Non-Current Assets | 3,409,232 | 29,714 |
| TOTAL ASSETS | 5,143,541 | 404,766 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 2,184,310 | 634,347 |
| Borrowings | 1,275,748 | 132,940 |
| Provision for restoration and rehabilitation | 822,024 | - |
| Total Current Liabilities | 4,282,082 | 767,287 |
| NON-CURRENT LIABILITIES | | |
| Provision for restoration and rehabilitation | 18,000 | - |
| Total Non-Current Liabilities | 18,000 | - |
| TOTAL LIABILITIES | 4,300,082 | 767,287 |
| NET ASSETS | 843,459 | (362,521) |
| EQUITY | | |
| Issued capital | 21,497,202 | 18,572,844 |
| Reserves | 1,737,474 | 1,579,195 |
| Accumulated losses | (22,391,217) | (20,514,560) |
| TOTAL EQUITY | 843,459 | (362,521) |
| Loss before income tax expense | (1,983,781) | (1,624,620) |
| Income tax benefit | 107,124 | - |
| Other comprehensive loss for the year, net of tax | - | - |
| Total comprehensive loss for the year | (1,876,657) | (1,624,620) |


DIRECTORS' DECLARATION

1. In the Directors' opinion:

- (a) the financial statements and notes 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 2017 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 2017.

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


David Sargeant
Director

Perth, Western Australia
11 September 2017

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 2017, 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
11 September 2017



D I Buckley
Partner

INDEPENDENT AUDITOR'S REPORT

To the members of Empire Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Empire Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which indicates the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| <p>Provision for restoration and rehabilitation Note 13 of the financial report</p> <p>As at 30 June 2017, the carrying value of the Group's provision for restoration and rehabilitation was \$840,024.</p> <p>The Group's provision for restoration and rehabilitation is material to our audit, and requires significant estimates of future costs.</p> <p>The determination of the provision requires management's judgement in relation to estimating the costs of performing the work required, including volume and unit rates, the timing of cash flows and the appropriate discount rate.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We assessed the competence and objectivity of management personnel who prepared the costing estimates; and ▪ We critically challenged the key estimates and assumptions made in the costing report. We also assessed the expected timing of the restoration and rehabilitation costs in the respective life of mine model. |
| <p>Carrying amount of development expenditure (mine properties) Note 10 of the financial report</p> <p>As at 30 June 2017, the carrying value of the Group's mine properties was \$3,265,264, and is a material asset of the Group.</p> <p>The date in which a project transitions from exploration and evaluation to development, and then to production requires management's judgement.</p> <p>At balance date the Group had one mine property being a 60% share in the Penny's Find Gold JV.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We considered management's assessment of the date on which the project had transitioned from exploration and evaluation to development and, as a result, when capitalisation of development costs commenced; ▪ We considered management's assessment of the date on which the project had transitioned from development to production; ▪ In relation to the substantial capitalisation of expenditure during the year as mine properties, we performed detailed testing, including verifying the authorisation, accuracy and completeness of the recording and classification of capital expenditure; ▪ We assessed the competency and objectivity of the expert used by management in compiling the reserve estimation statements; ▪ We considered the Directors' assessment of potential indicators of impairment; and ▪ We examined the disclosures made in the financial report. |

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Empire Resources Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



HLB Mann Judd
Chartered Accountants



D I Buckley
Partner

Perth, Western Australia
11 September 2017

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 6 September 2017.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

| Category (size of holding) | Number of Holders |
|----------------------------|-------------------|
| 1 - 1,000 | 89 |
| 1,001 - 5,000 | 65 |
| 5,001 - 10,000 | 110 |
| 10,001 - 100,000 | 724 |
| 100,001 - and over | 47 |
| | <u>1,035</u> |

The number of shareholdings held in less than marketable parcels is 351.

(b) Twenty largest shareholders

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

| SHAREHOLDERS | Number of shares held | % Holding |
|-----------------------------|-----------------------|---------------|
| 1 BLAMNCO TRADING PL | 30,000,000 | 6.21% |
| 2 FITALL GRP LTD | 20,000,000 | 4.14% |
| 3 BNP PARIBAS NOM PL | 16,391,011 | 3.39% |
| 4 XIAMEN SVCS PL | 12,421,784 | 2.57% |
| 5 HSBC CUSTODY NOM AUST LTD | 12,078,444 | 2.50% |
| 6 CHRISTIE LACHLAN ANTHONY | 10,000,001 | 2.07% |
| 7 GREEN CAP NO 2 PL | 10,000,000 | 2.07% |
| 8 AGENS PL | 9,119,139 | 1.89% |
| 9 RBJ NOM PL | 8,853,197 | 1.83% |
| 10 SANGORA HLDGS PL | 7,000,000 | 1.45% |
| 11 ARMCO BARRIERS PL | 6,500,000 | 1.35% |
| 12 LEEJAMES NOM PL | 6,000,000 | 1.24% |
| 13 TRONES INV PL | 5,915,000 | 1.22% |
| 14 MCDONALD SCOTT ANDREW | 5,600,000 | 1.16% |
| 15 CAMIRA HLDGS PL | 5,000,000 | 1.03% |
| 16 MARTINI 5 PL | 4,750,010 | 0.98% |
| 17 MADALENA JASON FRANK | 4,600,000 | 0.95% |
| 18 THRIFT GREGORY M + J E | 4,500,000 | 0.93% |
| 19 PRB MCDONALD PL | 4,166,666 | 0.86% |
| 20 TJUN TJUN PL | 4,000,000 | 0.83% |
| | <u>186,895,252</u> | <u>38.67%</u> |

(c) Substantial Shareholder

| Shareholder | Number of shares |
|--------------------|-------------------|
| BLAMNCO TRADING PL | <u>30,000,000</u> |

(d) Securities Exchange Listing

Listing has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

Quoted shares on ASX and total issued share capital 483,201,475

(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 6 SEPTEMBER 2017**

| PROJECT | TENEMENT | INTEREST | REMARKS |
|---------------------|----------|----------|--------------------|
| | | | |
| PENNY'S FIND | E27/410 | 60% | |
| | E27/420 | 60% | |
| | E27/553 | 60% | |
| | E27/591 | 60% | |
| | E27/592 | 60% | |
| | E27/593 | 60% | APPLICATION |
| | M27/156 | 60% | |
| | P27/2007 | 60% | |
| | P27/2008 | 60% | |
| | P27/2245 | 60% | |
| | P27/2262 | 60% | |
| | G27/1 | 60% | |
| | L27/90 | 60% | |
| | L27/91 | 60% | |
| | L27/92 | 60% | |
| | L27/93 | 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 |
| | | | |