



EMPIRE RESOURCES LIMITED

ABN 32 092 471 513

Annual Report

30 June 2018

Corporate Directory

Directors	:	Lee Christensen David Sargeant Christopher Banasik – appointed 17 July 2018 Brett Fraser – appointed 17 July 2018
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

2017 - 2018

Penny's Find

- **Open pit mining successfully completed**
- **138,272 tonnes of ore processed at an average head grade of 4.47g/t Au**
- **18,356 ounces of gold produced**
- **New underground resource estimation - 248,000 tonnes @ 7.04g/t Au for 56,000oz**

Yuinmery

- **Further high grade copper intersected at the A Zone prospect**
- **Mining lease granted over Just Desserts (post year end)**

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 was completed during the year, and the Yuinmery copper - gold project where two volcanogenic massive sulphide deposits have been discovered to date.

An application for a 113km² exploration licence has been lodged over part of the Barloweerie greenstone belt in the Gascoyne region of WA. This application covers an area where historical exploration discovered anomalous base and precious metal mineralisation.

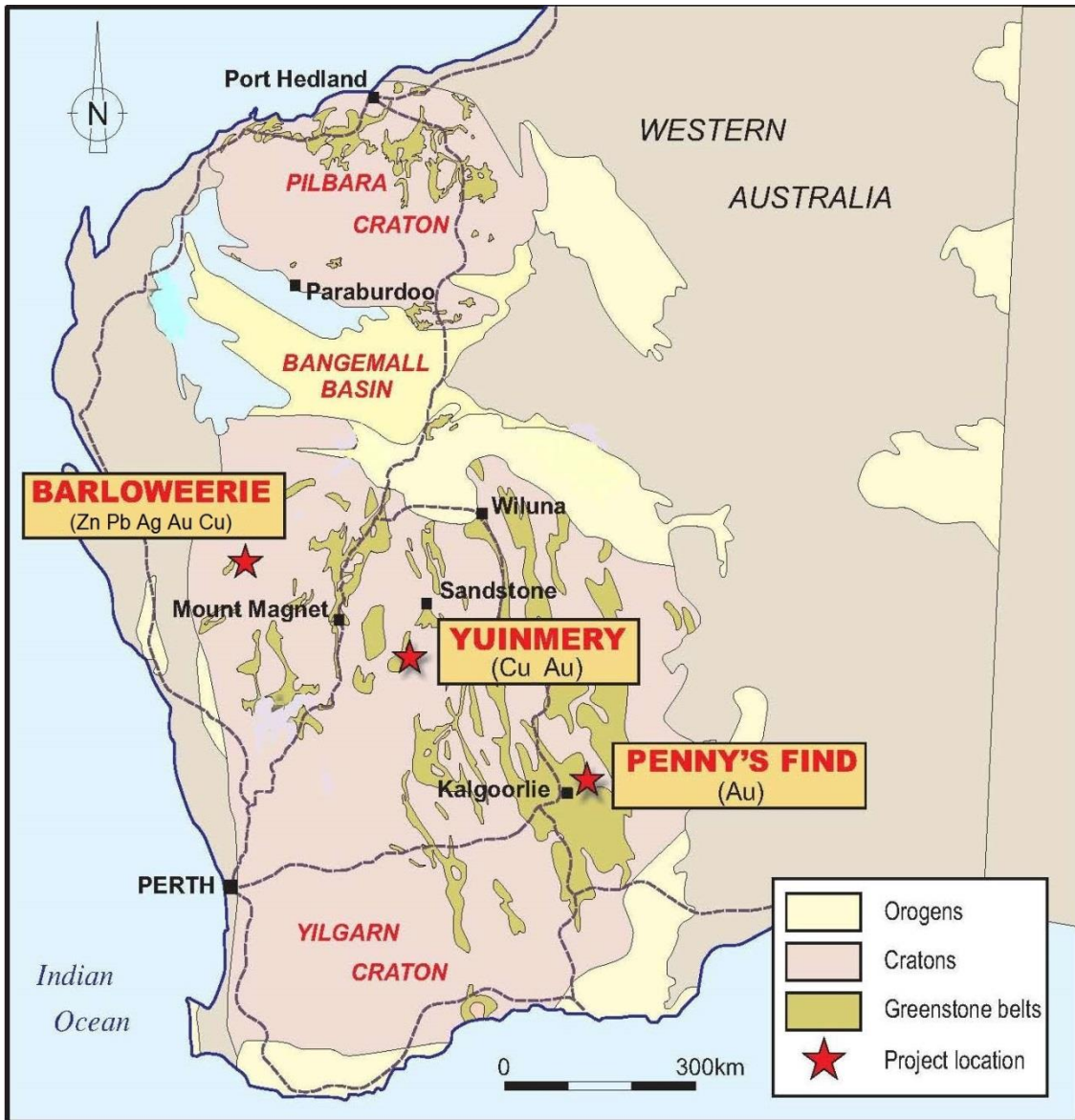


Figure 1 : Location of Empire Resources' projects

Empire Resources Limited Review of Operations

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

Penny's Find is a 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 Ferrier Hodgson appointed as joint and several Receivers and Managers of the remaining 40% held in the name of unlisted Brimstone Resources Ltd.

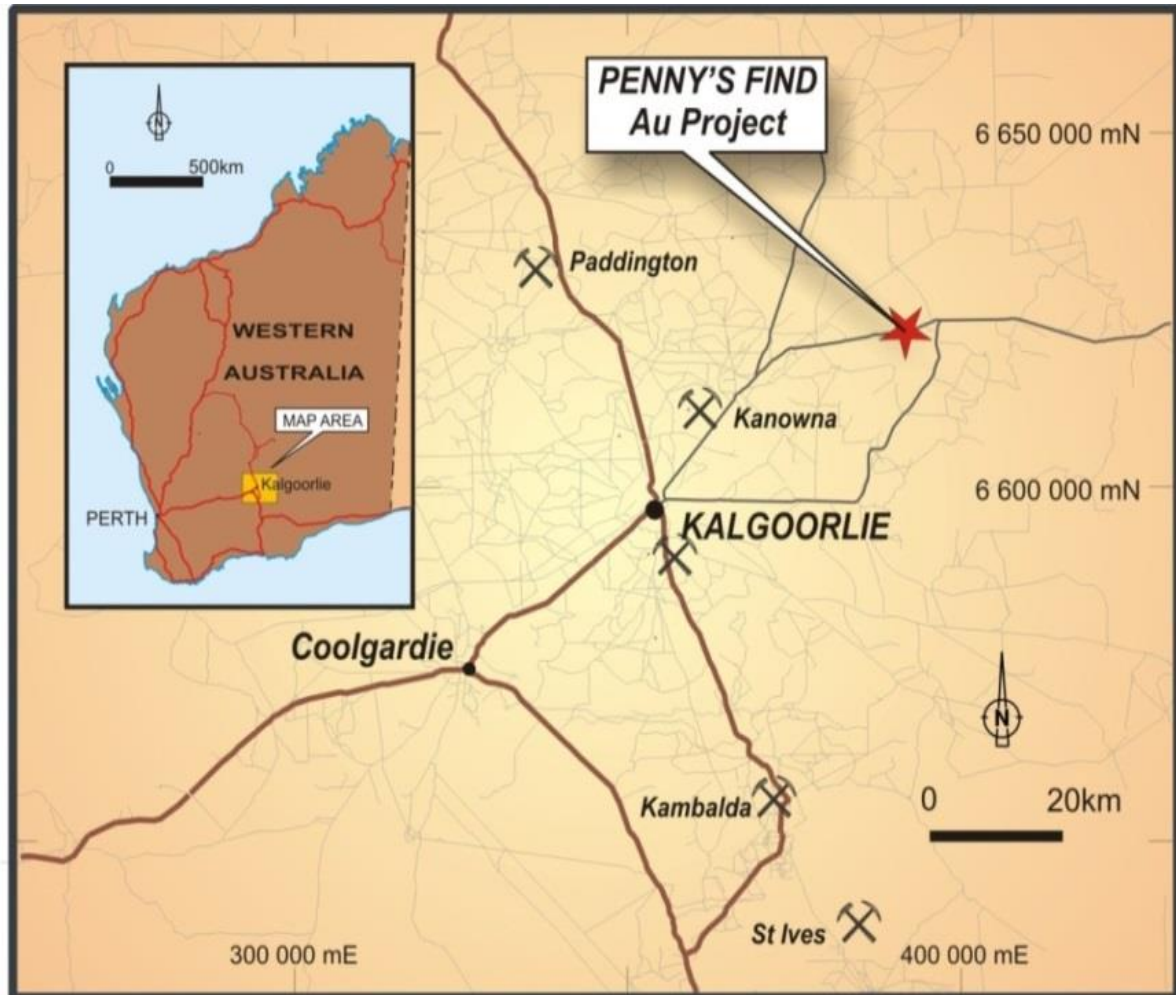


Figure 2 : Location of Penny's Find Project

Full scale open pit mining commenced at Penny's Find in May 2017 and was successfully completed late April 2018. The open pit was mined to a depth of 85m - Figure 3.

During this period a total of 138,272 dry tonnes of ore at an average head grade of 4.47g/t Au were mined and processed to produce 18,356 ounces of gold. Gold recovery averaged 92.4% with 54% of the gold recovered by gravity. Ore was processed in a number of campaigns both through the Lakewood Mill at Kalgoorlie and the Burbanks Mill at Coolgardie.

The mine is currently on care and maintenance pending a final decision by the Company on whether to take Penny's Find into a longer term underground mining operation.

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

Empire Resources Limited Review of Operations

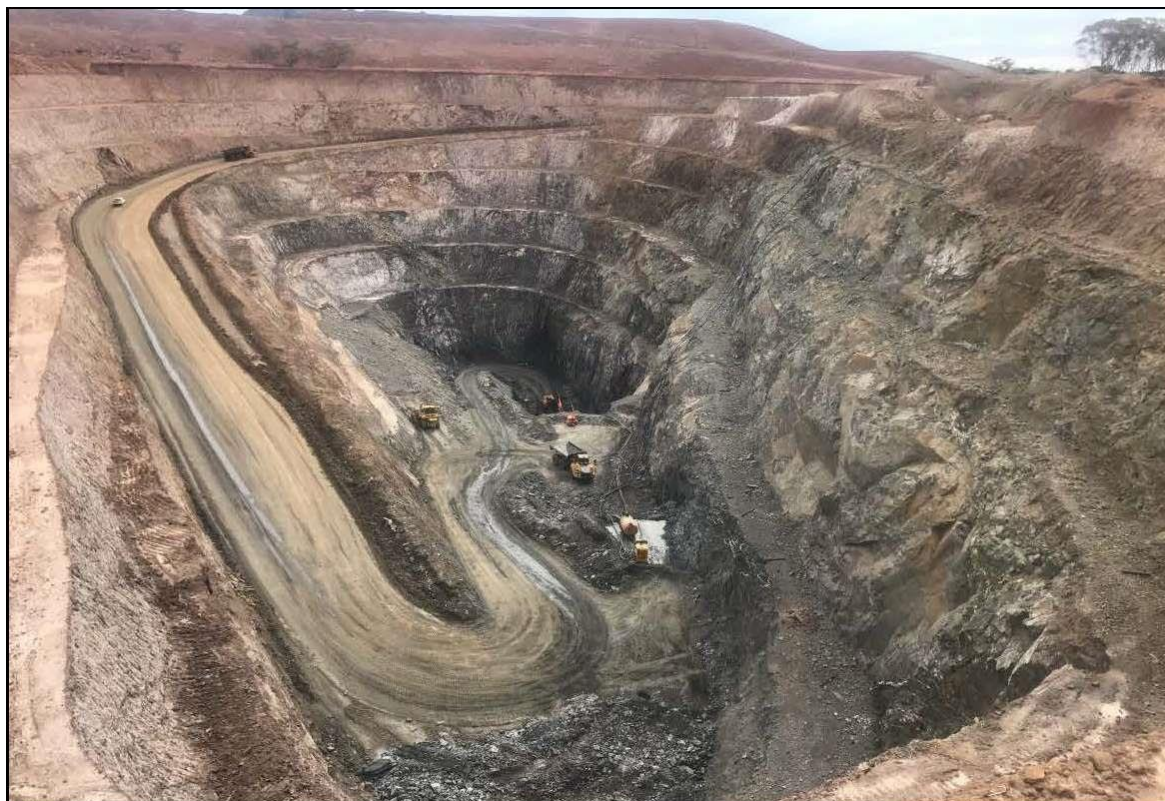


Figure 3: Penny's Find open pit - April 2018

Reconciliation

A full reconciliation of mine physicals against the open-pit Feasibility Study is shown below in Table 1.

For the entire open pit mining operation, a total of **138,272** dry tonnes of ore at an average head grade of **4.47 g/t Au** were mined and processed. Gold recovery averaged 92.4%.

From this, **18,356** ounces of gold were produced at an All-In Sustaining Cost of A\$1,298 per ounce.

The below budget ore tonnes and recovered ounces were offset by higher gold prices, which meant actual revenue exceeded the feasibility estimate.

The open pit project generated 5% higher total revenue than initial estimates, of A\$30.6 million (2017: \$Nil), to return a net profit of A\$1.4 million (2017: loss \$1.8 million) after total expenditure and financing costs of \$29.0 million (2017: \$1.8 million, which predominantly related to pre-mining costs) (Source - Penny's Find Mining Joint Venture Special Purpose Financial Report for the year ended 30 June 2018).

The increase in actual total expenditure was mainly due to higher contract mining and processing costs.

**Empire Resources Limited
Review of Operations**

Table 1: Actuals versus Feasibility Study

Item	Feasibility	Actual	Variance
Total Mined BCM	1,890,350	1,833,257	-3%
Strip Ratio	30	29	-3%
Mined and Processed Ore (kt)	146,000	138,272	-5%
Gold Grade (g/t)	4.62	4.47	-3%
Average Mill Recovery (%)	93.0	92.4	-1%
Produced Gold (ounces)	20,252	18,356*	-9%
Ave. Gold Price Received (A\$/oz)	1,500	1,696	+13%

**Includes 700 ounces disputed with EGMS.*

Diamond Drilling

During September 2017 a six hole diamond drilling program was completed targeting mineralisation beneath the open pit. The aim of this drilling was to increase confidence in this mineralisation, convert some Inferred resources to Indicated and to yield important additional geotechnical data for underground mining studies. Better results included:

- **1.63m @ 15.60 g/t Au from 168.37m in hole PFD17-02**
- **3.52m @ 6.32 g/t Au from 172.50m in hole PFD17-02**
including 1.22m @ 12.34 g/t Au from 174.80m
- **5.00m @ 8.83 g/t Au from 148.00m in hole PFD17-04**
including 2.22m @ 12.52 g/t Au from 150.78m
- **1.94m @ 10.57 g/t Au from 162.36m in hole PFD17-05**

Underground Resource

Following completion of the above diamond drilling, an updated underground resource estimation was completed. The total Indicated and Inferred underground resource now stands at **248,000 tonnes @ 7.04g/t Au for 56,000oz** (Table 2).

This new underground reportable mineral resource extends from the base of the current open pit (max. 85m depth) to at least 250m below surface and remains open at depth (Figure 4).

Table 2 : Penny's Find Gold Mine			
Reportable in situ Mineral Resource below ultimate pit design			
Fresh mineralisation only			
Class	Tonnes	Au g/t	Ounces
Indicated	147,000	8.06	38,000
Inferred	101,000	5.57	18,000
TOTAL	248,000	7.04	56,000

Empire Resources Limited Review of Operations

Underground Feasibility Study

Following the completion of an underground feasibility study it was determined the project's rate of return would be greatly improved if further inferred resources were converted into the indicated category. This could be achieved by increasing the drill hole density within the inferred resource.

To date the underground feasibility study has only focused on indicated resources as the JORC 2012 Code states inferred resources cannot be converted into mineable reserves.

Although a drilling program had been planned to upgrade parts of the inferred resource and to extend the indicated resource, a refusal by Brimstone Resources Ltd to fund their share of drilling costs delayed the program.

In addition, the refusal by Brimstone to sign underground mine permitting applications for submission to the Department of Mines, Industry Regulation and Safety further delayed the project.

The progress of this study is now on hold pending a review by the Board of the Company's current strategy and business plan.

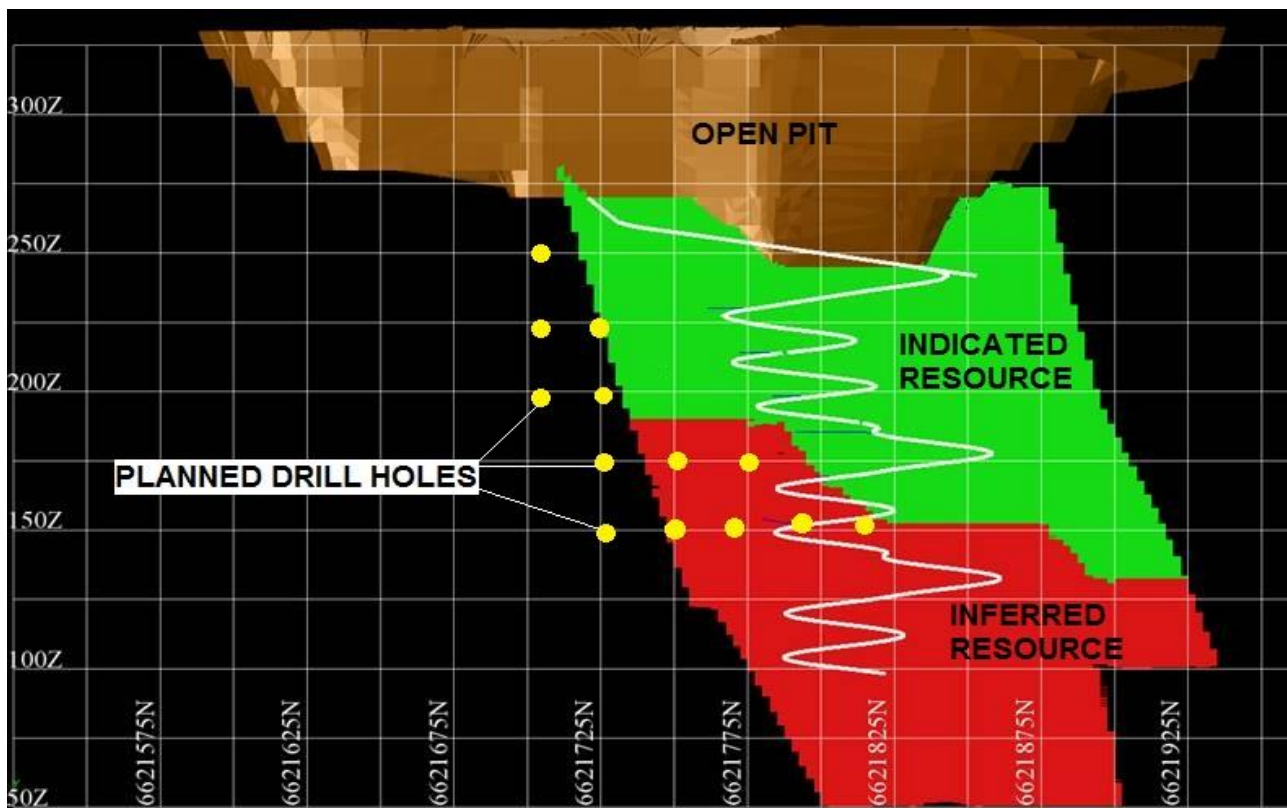


Figure 4: Long Section (looking west) showing underground resources by classification.

Yuinmery : Copper - Gold Project (100% interest and option to earn 91% in adjacent tenements)

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, and 6.0g/t Au.**

Empire Resources Limited Review of Operations

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 3).

Post year end on 12 July 2018, an 8km² mining lease was granted to cover the Just Desserts deposit and surrounding prospective ground.

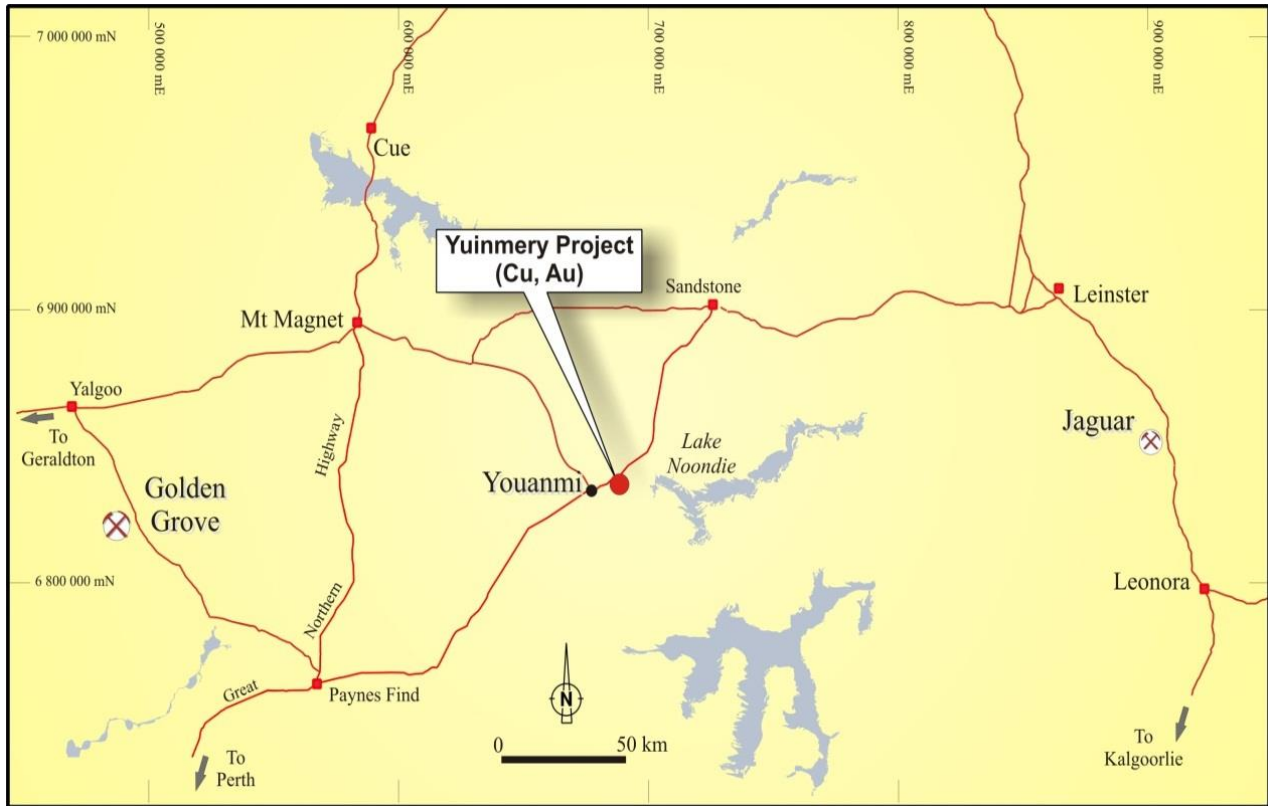


Figure 5 : Yuinmery Project Location Plan

Empire Resources Limited Review of Operations

Table 3 : 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

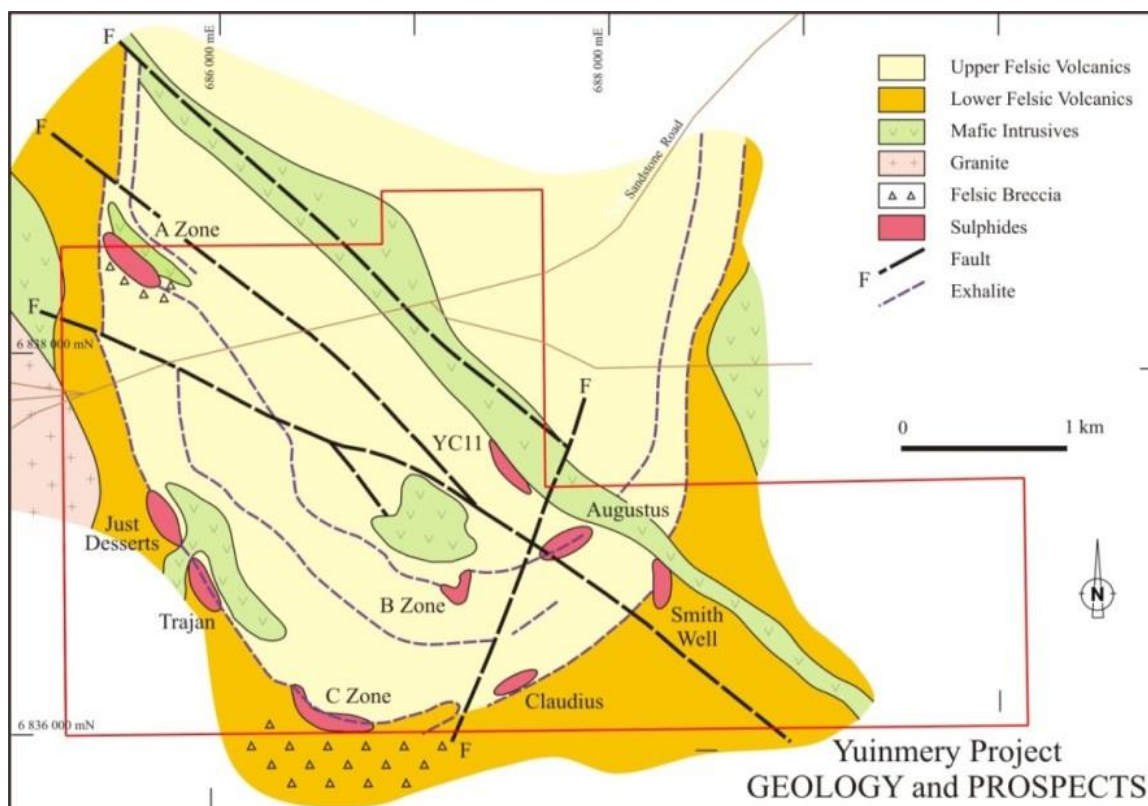


Figure 6 - Yuimery Project Summary Geological Plan

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 approximately 91% 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.

Drilling to date has reinforced the view that A Zone could host a major copper-gold deposit. Previous 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**

During the past year the Company completed a two hole RC drilling programme undertaken at the A Zone prospect.

One of these holes, YRC18-01, targeting the up dip extension to previously outlined mineralisation, intersected **12m @ 2.05% Cu, 0.31g/t Au** from 138m downhole including **2m @ 5.1%Cu, 0.50g/t Au** from 138m - Figure 7.

In addition, a downhole electromagnetic survey was also undertaken on a drill hole located two kilometres north of the A Zone prospect. No significant conductors were detected by this survey.

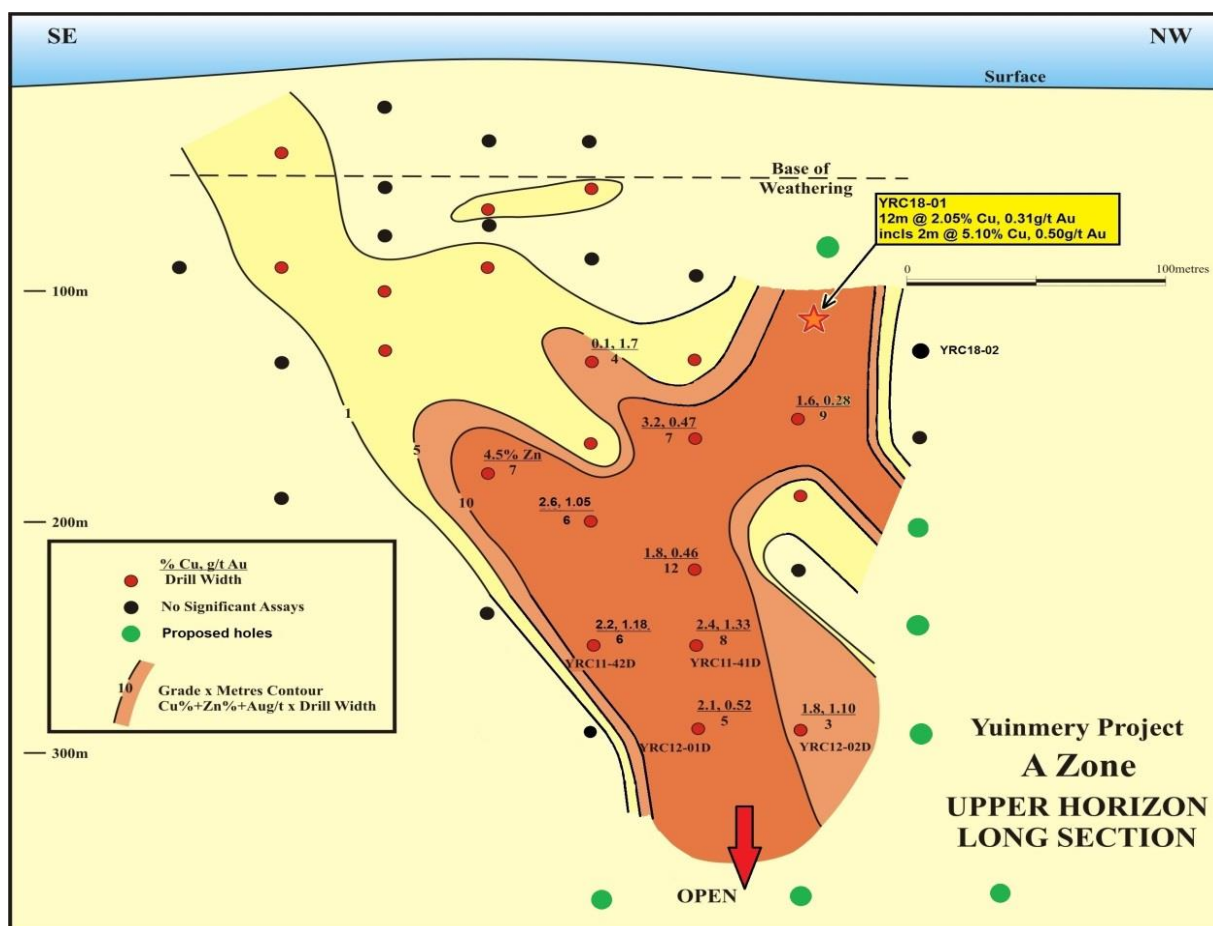


Figure 7

Empire Resources Limited Review of Operations

Barloweerie : Zinc - Lead - Silver- Gold - Copper Project (application)

The Company has applied for a 113km² exploration licence located approximately 155km west of Cue, WA.

The exploration licence application covers part of the Barloweerie greenstone belt where historical exploration discovered highly anomalous zinc, lead, silver, gold and copper mineralisation in a volcanogenic massive sulphide (VMS) setting.

Reprocessing and modelling of pre-existing detailed aeromagnetics will be undertaken to identify possible drill targets close to known mineralisation.

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 2018.

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.

Lee Christensen – Non-Executive Chairman- B. Juris, LLB, B Com. - Appointed 23 April 2018

Mr Christensen is a solicitor in Perth, specialising in dispute resolution, banking and finance, insolvency and corporate restructures. He has many years of commercial litigation experience.

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

Company	Position	Appointed
Titanium Sands Ltd	Director	16/05/2015
Quantify Technology Ltd	Interim Chairman	28/05/2018

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 company during the past three years.

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

Adrian Jessup – Non-Executive Director - BSc. MAusIMM - Resigned 17 July 2018

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 company during the past three years.

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

Christopher Banasik – Non-Executive Director - B AppSc, MSc, Grad Dip Ed, MAusIMM - Appointed 17 July 2018

Mr Banasik is a geologist with over 30 years' operating experience in Western Australia including having been the Executive Director – Exploration and Geology with ASX listed Silverlake Resources Limited from its ASX listing in

Empire Resources Limited Directors' Report

2007 through to 2014, being a period where it enjoyed significant success and grew to having a market capitalisation of over A\$1 billion.

Until recently Mr Banasik was a director of ASX graphite producer First Graphene Limited and is a technical adviser to Swick Mining Services Limited. He holds a Master's Degree in Mineral Economics from the University of WA and a Bachelor's Degree in Applied Physics from Curtin University.

Mr Banasik has been a Director of the following listed company during the past three years.

Company	Position	Appointed
First Graphene Ltd	Director	20/05/2015

Brett Fraser – Non-Executive Director - FCPA, FFIN, B.Bus, FGIA - Appointed 17 July 2018

Mr Fraser has worked in the finance and securities industry for over 30 years and has extensive experience in corporate, commercial and business transactions in public and private markets.

He is currently the Chairman of ASX listed Blina Minerals NL and a director of Aura Energy Limited and Sundance Resources Limited. Previously, Brett was Chairman of Drake Resources Limited, Doray Minerals Limited and a Director of Brainytoys Limited and Gage Roads Brewing Co Limited. He holds a Bachelor of Business (WACAE, Perth, WA), is a Fellow of the Certified Practising Accountants, Australia, a Fellow of the Financial Services Institute of Australia and a Fellow of the Governance Institute of Australia.

Mr Fraser has been a Director of the following listed companies during the past three years.

Company	Position	Appointed	Resigned
Blina Minerals NL	Non-executive Chairman	26/09/2008	
Drake Resources Ltd	Non-executive Chairman	30/03/2004	10/03/2017
Aura Energy Ltd	Director	24/08/2005	
Sundance Resources Ltd	Director	10/03/2018	

Thomas Revy - Non-Executive Chairman– BAppSc. Grad Dip Bus. – Resigned 23 April 2018

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
Ferrum Crescent Ltd	Director	19/02/2014	31/03/2016

Company Secretary

Simon Storm - 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.

Empire Resources Limited

Directors' Report

Management

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 mining properties in Australia and mineral exploration and evaluation of properties. Following completion of open pit gold mining at the Penny's Find project, the Company will be moving into either underground mining at Penny's Find or returning its focus back to exploration.

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 \$348,978 (2017: \$1,876,657).

Review of results and operations

The operations and results of the Company for the financial year are reviewed below. During the financial year, the Company and Brimstone Resources Ltd continued with the unincorporated exploration and mining joint venture to mine gold 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 the Company's 60% share of the sale of gold and silver of \$18,360,847 (2017: Nil). Interest received was up \$87,609 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 the profit on sale of available-for-sale asset of \$140,000 (2017: \$Nil) which comprised the sale of 5 million FYI shares and the gain on recognition of available-for-sale asset of \$624,000 (2017: \$Nil) on the remaining share holding of 7 million FYI shares.

Expenses

During the year, the Company completed surface mining work on the Penny's Find Mining Joint Venture with its 60% interest being \$13,881,776 (2017: \$Nil). The surface mining expense related mainly to the JV blasting, drilling, ore haulage and processing costs. The Company conducted exploration activities at its various exploration projects with expenditure on exploration increasing 69% to \$280,885 (2017: \$165,851). JV amortisation expense of \$3,265,264 (2017: \$Nil) which related to the capitalised Mine Properties at 30 June 2017.

Operating cash flows

Cash inflow from operating activities was \$7,096,843 (2017: Outflow \$1,451,299) due to the net proceeds from the sale of gold and silver of \$17,981,062 (2017: \$Nil) less the payments of surface mining expenditure of \$5,994,748 (2017: \$Nil) and other open pit costs. A facility fee of \$2,445,249 (2017: \$Nil) was paid to Blue Cap Mining Pty Ltd for the provision of funding and mining services.

Investing cash flows

Cash inflows from investing activities were \$449,963 (2017: Outflow \$1,535,555) due to net inflow payments from the JV on behalf of Brimstone Resources Ltd of \$88,400 (2017: \$828,000 outflow). In addition, the proceeds from the sale of FYI shares of \$400,000 (2017: \$Nil) was included and an \$80,000 (2017: \$Nil) option fee was received. This was offset by the JV development of mine properties of \$127,192 (2017: \$519,765).

Financing cash flows

Cash outflow from financing activities was \$6,924,191 (2017: Inflow \$3,106,473) due to the repayment of the joint venture funding facility and borrowings. In the prior year there were share placements of \$2,876,000 before costs.

Empire Resources Limited

Directors' Report

Statement of financial position

Current assets

Current assets increased by 36% to \$2,360,192 (2017: \$1,734,309) mainly due to cash and cash equivalents increasing to \$1,008,062 (2017: \$385,447) following completion of open pit mining. Trade and other receivables decreased to \$422,130 (2017: \$1,328,862) due to the provision against the \$739,600 loan to Brimstone Pty Ltd and the provision of \$201,450 against the interest on that loan. The Company has available-for-sale investments of \$910,000 (2017: \$Nil) being the 7 million shares in FYI Resources Ltd valued at 13 cents per share at 30 June 2018.

Non-current assets

Non-current assets decreased 96% to \$151,320 (2017: \$3,409,232) due to the amortisation of JV Development expenditure of \$3,265,264 (2017: \$Nil) which was capitalised as Mine Properties at 30 June 2017.

Current liabilities

Current liabilities decreased by 71% to \$1,253,328 (2017: \$4,282,082) due to a decrease in JV trade and other payables as a consequence of the completion of mining work on the Penny's Find Mining Joint Venture. Included in Trade and other payables is \$80,000 (2017: \$Nil) which comprises an advance option fee. The Company entered into an option agreement with the Managing Director of FYI Resources Ltd for the sale of 7 million shares it still holds in FYI Resources, for an option fee of \$80,000.

At 30 June 2017, included in borrowings were the JV borrowings and cost of funding from Blue Capital Services Pty Ltd of \$1,121,621 to fund the JV mining costs required to bring the gold mine into full production. The provision for restoration and rehabilitation is \$13,263 (2017: \$822,024) due to the near completion of rehabilitation work to be carried out by the Penny's Find Mining Joint Venture. This relates to the removal of facilities, closure of sites and restoration of the affected areas.

Non-current liabilities

Non-current liabilities increased to \$217,703 (2017: \$18,000), which relates to the closure project management costs for the rehabilitation work to be carried out by the Penny's Find Mining Joint Venture should a decision be made not to pursue underground mining.

Review of Operations

Mining

Empire Resources Ltd finalised the now completed open-pit mining operations at the Penny's Find gold mine, 50 kilometres northeast of Kalgoorlie in WA during the second quarter of CY 2018. More than 18,300 ounces of gold were produced at an average grade of 4.47 grams per tonne gold at an All-In Sustaining Cost ("AISC") of A\$1,298 per ounce for the entire open pit operation. Looking at the Joint Venture as a whole, this generated 5% higher total revenue than initial estimates, of A\$31.1 million, to return a net profit of A\$1.4 million after mining expenditure and financing costs of \$29.7 million. In its final quarter of mining and processing, Penny's Find delivered 5,620 ounces recovered and sold at an average A\$1,743/oz, for total gold sales for the June quarter of \$9.8 million (YTD ~A\$31 million).

Empire holds a 60% interest in the Penny's Find gold mine, with the remaining 40% interest held by the unlisted Brimstone Resources Ltd ("Brimstone"). A receiver was appointed by Empire to Brimstone's 40% interest in the mine late in June for non-payment of over A\$1 million owing to Empire under the open-pit mining joint venture arrangements.

Empire is assessing taking Penny's Find into a much larger, longer-term underground gold mine with a final investment decision to be made once the ownership of Brimstone's interest in the mine is decided and the current underground feasibility study is completed. The mine is currently in a suspension of operation after the successful completion of the open pit this year. Pumping is continuing to keep ground water levels below the height of the planned underground portal pending a final decision on whether this should progress.

Corporate

Brimstone Resources Ltd sought an injunction from the Supreme Court of Western Australia to prevent Empire taking action under the mortgage and security documents it held over Brimstone's interest in the Penny's Find Joint Venture and other property. This action immediately followed Brimstone's failure to pay by 6 June 2018 approximately \$1 million owing to Empire for costs associated with the open-pit mining operation. On 18 June 2018, the Supreme Court of WA dismissed Brimstone's application for this injunction, and subsequently the Court of Appeal on the 26 June 2018 dismissed an appeal brought by Brimstone. Both the Supreme Court and the Court of Appeal awarded costs against Brimstone and \$110,211 is in the process of being recovered from Brimstone. On 27 June 2018 the Company announced it would exercise its rights under the mortgage and security documents to appoint a receiver to Brimstone's interest in the PFJV and any other means available to it, to recover the approximately A\$1 million from Brimstone.

Empire Resources Limited

Directors' Report

Other than this, ongoing management of the Company's cash position remained critical throughout the year.

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 other than discussed elsewhere in this Report.

Remuneration Report (Audited)

This report details the amount and nature of remuneration of each director of the Company and other key management personnel.

Remuneration Policy

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

The remuneration policy, setting the terms and conditions for the executive Directors has been developed internally by the board and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The remuneration policy is to provide a fixed remuneration component. The board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Directors' objectives with shareholder and businesses objectives.

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

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

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 \$60,000 per annum for the Chairman and \$36,000 per annum for Directors, inclusive of statutory superannuation contributions. Shareholders have approved aggregate remuneration for all non-executive Directors at an amount of \$150,000 per annum at a general meeting on 12 March 2004. Where applicable, superannuation contributions of 9.5% (2017: 9.5%) are paid on these fees as required by law.

Share-based compensation

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.

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.

Empire Resources Limited Directors' Report

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.

Compensation of Key Management Personnel

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		Performance based % of remuneration
		\$	\$	Total \$	Options %
Directors					
Non-Executive					
Mr T Revy ¹	2018	34,146	-	34,146	0%
	2017	42,000	-	42,000	0%
Mr L Christensen ²	2018	15,000	-	15,000	0%
Mr A Jessup ³	2018	-	36,000	36,000	0%
	2017	-	36,000	36,000	0%
Mr C Banasik ⁴	2018	-	-	-	0%
Mr B Fraser ⁴	2018	-	-	-	0%
Executive					
Mr D Sargeant	2018	-	217,800	217,800	0%
	2017	-	217,800	217,800	0%
Total Directors	2018	49,146	253,800	302,946	0%
	2017	42,000	253,800	295,800	0%

¹ Resigned 23 April 2018

² Appointed 23 April 2018

³ Resigned 17 July 2018

⁴ Appointed 17 July 2018

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;

Empire Resources Limited Directors' Report

(c) provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement.

In November 2012, the Chairman agreed to continue with this employment contract until further notice.

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

Equity Holdings

Equity instrument disclosures relating to Directors and other key management personnel

Shareholdings

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

2018 Shareholdings of Key Management Personnel

Directors	Balance at beginning of year	Granted as remuneration	Received on exercise of options	Net change other	Balance at end of year
Mr T Revy ¹	710,000	-	-	(710,000)	-
Mr L Christensen ²	-	-	-	-	-
Mr D Sargeant	6,400,000	-	-	-	6,400,000
Mr A Jessup ³	2,567,555	-	-	-	2,567,555
Mr C Banasik ⁴	-	-	-	-	-
Mr B Fraser ⁴	-	-	-	-	-
	<u>9,677,555</u>	<u>-</u>	<u>-</u>	<u>(710,000)</u>	<u>8,967,555</u>

¹ Resigned 23 April 2018

² Appointed 23 April 2018

³ Resigned 17 July 2018

⁴ Appointed 17 July 2018

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.

2018 Option holdings of Key Management Personnel

Directors	Balance at beginning of year	Granted as remuneration	Exercised	Net change other	Balance at end of year	Vested and exercisable at 30 June 2018
Mr T Revy ¹	1,435,000	-	-	(1,435,000)	-	-
Mr L Christensen ²	-	-	-	-	-	-
Mr D Sargeant	7,440,000	-	-	-	7,440,000	7,440,000
Mr A Jessup ³	7,440,000	-	-	-	7,440,000	7,440,000
Mr C Banasik ⁴	-	-	-	-	-	-
Mr B Fraser ⁴	-	-	-	-	-	-
	<u>16,315,000</u>	<u>-</u>	<u>-</u>	<u>(1,435,000)</u>	<u>14,880,000</u>	<u>14,880,000</u>

¹ Resigned 23 April 2018

² Appointed 23 April 2018

³ Resigned 17 July 2018

⁴ Appointed 17 July 2018

End of Remuneration Report.

Empire Resources Limited Directors' Report

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

	2018 \$	2017 \$
Amounts payable at balance date to Key Management Personnel in relation to remuneration		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	299,475	319,440
Murilla Exploration Pty Ltd - Mr A Jessup	6,600	119,460
Mr T Revy	52,500	42,000
Pooky Corporation Pty Ltd - Mr L Christensen	5,500	-
	364,075	480,900

The above amounts relate to unpaid remuneration.

Loans from Directors

	Consolidated	
	2018 \$	2017 \$
Amounts payable to Directors as unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	-	151,300
	-	151,300
Interest expense on unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	5,338	1,334
Mr A Jessup	-	17
	5,338	1,351

The Company received a short term loan from Mr Sargeant for \$150,000 in the year ended 30 June 2017. The Company received a short term loan from Mr Sargeant for \$185,000 in the year ended 30 June 2018. These amounts were unsecured and were repaid from the proceeds of receipts for gold production. A coupon interest rate equivalent to the Australian Government Bond 2 year yield was calculated at each month end and was payable on settlement of the loan.

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

Empire Resources Limited

Directors' Report

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 L Christensen	-	-	-	-
Mr D Sargeant	-	6,400,000	-	7,440,000
Mr C Banasik	-	-	-	-
Mr B Fraser	-	-	-	-

Company Performance

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

Likely Developments and Expected Results

Disclosure of likely developments in the operations of the Company and the expected results of those operations in future financial years, and any further information, has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the Company.

Environmental Regulation

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

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

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018 and the number of meetings attended by each director.

Director	Directors' Meetings	
	Meetings attended	Meetings held whilst a Director
Mr Thomas Revy ¹	9	9
Mr Lee Christensen ²	2	2
Mr David Sargeant	11	11
Mr Adrian Jessup ³	11	11
Mr C Banasik ⁴	0	0
Mr B Fraser ⁴	0	0

¹ Resigned 23 April 2018

² Appointed 23 April 2018

³ Resigned 17 July 2018

⁴ Appointed 17 July 2018

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. In May 2018, the Company received a requisition under the provisions of section 249D of the Corporations Act to call a general meeting of shareholders and replace the Company's Directors. This was subsequently withdrawn in July 2018.

Empire Resources Limited

Directors' Report

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 12 July 2018 the Company (as the sole Non-Defaulting Participant) terminated the Penny's Find Mining Joint Venture Agreement. A receiver was appointed to Brimstone Resources Ltd interest in the Joint Venture who controlled a 40% interest in the mining tenements that comprise the Penny's Find mine.

On 21 September 2018, the Company entered into a settlement agreement with Brimstone Resources Ltd whereby:

- Empire will own all of the project including its mine infrastructure, resource inventory, and other associated facilities, as well as several nearby gold exploration tenements;
- Brimstone will withdraw all court cases commenced by Brimstone;
- Empire will be entitled to retain all proceeds arising from the dispute with Eastern Goldfields Mining Services; and
- Empire indemnifies Brimstone in respect to the claim commenced by Mr Johannes (Steve) Norregaard.

The settlement will result in the Company cancelling the debt owed by Brimstone. Brimstone had incurred the debt as a consequence of Empire funding Brimstone's share of the JV funding obligations, on which interest accrued. At 30 June 2018, the debt owed by Brimstone amounted to \$941,050 and had been fully provided for in the Company's books.

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

Non-audit Services

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

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

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

Assurance Services

HLB Mann Judd (Current Auditor)

1. Audit services

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

Total remuneration

Consolidated	
Year ended 30 June 2018	Year ended 30 June 2017
\$	\$

41,000	27,000
--------	--------

41,000	27,000
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2. Joint Venture Audit services

Audit of the Penny's Find Joint Venture

20,000	6,000
--------	-------

3. Company Tax Compliance Services

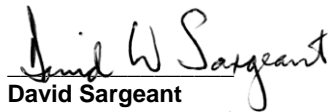
5,050	3,640
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Empire Resources Limited Directors' Report

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 2018. 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
26 September 2018

EMPIRE RESOURCES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Consolidated	
		2018 \$	2017 \$
Revenue - sale of gold and silver	2	18,360,847	-
Interest income	2	146,764	59,155
Profit on sale of available-for-sale asset	2	140,000	-
Gain on recognition of available-for-sale asset	2	624,000	-
Other income	2	-	2,000
Interest expense		(30,105)	(14,627)
Depreciation expense	3	(1,194)	(10,606)
Amortisation expense	11	(3,265,264)	-
Exploration expense	3	(280,885)	(165,851)
Feasibility written back / (expense)		-	1,797
Pre Mining expense	3	(4,030)	(1,048,920)
Surface Mining expense	3	(13,881,766)	-
Impairment of receivable	7	(1,119,294)	-
Employee benefits expense		(168,870)	(196,999)
Management fee expense		(253,800)	(253,800)
Directors' fees expense		(49,146)	(42,000)
Accounting expense		(71,722)	(62,685)
Consultancy expense		(14,500)	-
Share-based payment		-	(18,159)
ASX expense		(32,821)	(24,983)
Corporate relations expense		(134,695)	(86,309)
Insurance expense		(17,086)	(16,371)
Other expenses		(295,411)	(105,423)
Loss before income tax		(348,978)	(1,983,781)
Income tax benefit	4	-	107,124
Net loss for the year		(348,978)	(1,876,657)
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale assets, net of tax		686,000	-
<i>Items that will not be reclassified to profit or loss</i>			
Available -for-sale investments disposed of, net of tax		(140,000)	-
Other comprehensive income for the year, net of tax		546,000	-
Total comprehensive profit / (loss) for the year		197,022	(1,876,657)
Basic and diluted earnings / (loss) per share (cents per share)	5	(0.07)	(0.47)

*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 2018

	Note	Consolidated	
		2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,008,062	385,447
Trade and other receivables	7	422,130	1,328,862
Other financial assets	8	20,000	20,000
Available-for-sale investments	9	910,000	-
Total Current Assets		2,360,192	1,734,309
NON-CURRENT ASSETS			
Plant and equipment	10	151,320	143,968
Mine Properties	11	-	3,265,264
Total Non-Current Assets		151,320	3,409,232
TOTAL ASSETS		2,511,512	5,143,541
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,240,065	2,184,310
Borrowings	13	-	1,275,748
Provisions	14	13,263	822,024
Total Current Liabilities		1,253,328	4,282,082
NON-CURRENT LIABILITIES			
Provisions	14	217,703	18,000
Total Non-Current Liabilities		217,703	18,000
TOTAL LIABILITIES		1,471,031	4,300,082
NET ASSETS		1,040,481	843,459
EQUITY			
Issued capital	15	21,497,202	21,497,202
Reserves	16	2,283,474	1,737,474
Accumulated losses		(22,740,195)	(22,391,217)
TOTAL EQUITY		1,040,481	843,459

*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 2018**

	Consolidated				Total \$
	Issued Capital \$	Accumulated Losses \$	Option Reserves \$	Asset Revaluation Reserve \$	
Balance at 1 July 2016	18,572,844	(20,514,560)	1,579,195	-	(362,521)
Loss for the year	-	(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
Balance at 1 July 2017	21,497,202	(22,391,217)	1,737,474	-	843,459
Loss for the year	-	(348,978)	-	-	(348,978)
Changes in the fair value of available-for-sale assets, net of tax	-	-	-	686,000	686,000
Available -for-sale investments disposed of, net of tax	-	-	-	(140,000)	(140,000)
Total comprehensive income for the year	-	(348,978)	-	546,000	197,022
Balance at 30 June 2018	21,497,202	(22,740,195)	1,737,474	546,000	1,040,481

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 2018

	Note	Consolidated	
		2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from customers		17,981,062	-
Payments for exploration and evaluation expenditure		(312,886)	(234,178)
Payments for pre Mining expenditure		(4,030)	(842,853)
Payments for surface Mining expenditure		(5,994,748)	-
Payments to suppliers		(2,094,209)	(474,226)
Interest received		1,135	3,334
Other - R&D tax offset		-	107,124
Interest paid		(34,232)	(10,500)
Finance costs		(2,445,249)	-
Net cash inflow / (outflow) from operating activities	6 (i)	7,096,843	(1,451,299)
Cash Flows from Investing Activities			
Purchase of plant and equipment		(3,282)	(189,790)
Payment for mine properties		(127,192)	(519,765)
Sale of plant and equipment		12,037	-
Payments to joint venture on behalf of Brimstone Resources Ltd		(281,600)	(828,000)
Receipts from joint venture on behalf of Brimstone Resources Ltd		370,000	-
Proceeds from sale of investment		480,000	-
Proceeds from sale of tenement		-	2,000
Net cash inflow / (outflow) from investing activities		449,963	(1,535,555)
Cash Flows from Financing Activities			
Proceeds from issue of equity securities		-	2,876,000
Equity securities issue costs		(17,500)	(266,595)
Repayment of funding facility		(6,756,691)	-
Proceeds from borrowings		445,000	550,000
Repayments of borrowings		(595,000)	(52,932)
Net cash (outflow) / inflow from financing activities		(6,924,191)	3,106,473
Net increase in cash held		622,615	119,619
Cash at the beginning of the year		385,447	265,828
Cash at the end of the year	6	1,008,062	385,447

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 2018

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 2017 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 26 September 2018.

(b) Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$348,978 (2017: \$1,876,657) and as disclosed in the Statement of Cash Flows, the Group recorded cash inflows from operating activities of \$7,096,843 (2017: Outflow \$1,451,299), cash inflows from investing activities of \$449,963 (2017: Outflow \$1,535,555) and a cash outflow from financing activities of \$6,924,191 (2017: Inflow \$3,106,473). 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 the ability to complete capital raisings 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 Group has working capital of \$1,106,864 (2017: deficit \$2,547,773) at balance date, operating lease commitments for the next 12 months of \$5,098 (2017: \$61,176) and exploration expenditure commitments for the next 12 months of \$246,567 (2017: \$110,273), as disclosed in Note 18, and retains the ability to sell its shares in FYI Resources Ltd, in the event that the capital raisings are delayed; and
- The Company and Group have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in mineral exploration assets.

The Directors anticipate a further equity raising will be required in the 2018 financial year. Should further equity raisings not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business.

(c) Basis of Consolidation

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

Details of the controlled entity are contained in Note 9(b) to the financial statements. The controlled entity has a 30 June financial year end.

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

Where a controlled entity enters or leaves the consolidated Group during the year, their operating results are included/excluded from the date control was obtained or until the date control ceased.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

1. Statement of Significant Accounting Policies (continued)

Business Combinations

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

(d) Investment in associates and joint ventures

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

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

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

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

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

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

1. Statement of Significant Accounting Policies (continued)

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

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

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

(e) Plant and Equipment

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

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

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

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

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

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

(f) 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.

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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

1. Statement of Significant Accounting Policies (continued)

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 2018

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 2018

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. Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Exploration and evaluation expenditure is classified as development expenditure once the technical feasibility and commercial viability of extracting the related mineral resource is demonstrable. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective 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 22. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Empire Resources Limited (market conditions) if applicable.

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

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

1. Statement of Significant Accounting Policies (continued)

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

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

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

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

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

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

(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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

1. Statement of Significant Accounting Policies (continued)

(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.

(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 22.

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 22.

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

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance 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 balance date.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

1. Statement of Significant Accounting Policies (continued)

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(u) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no material impact 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 2018. 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 and exploitation in Western Australia. The Group considers its business operations in mineral exploration and exploitation 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 25 has been prepared on the same basis as the Group.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

2. Revenue and other income

	Consolidated	
	2018 \$	2017 \$
Revenue		
Sale of gold and silver	18,360,847	-
Interest received	146,764	59,155
Other income		
Profit on disposal of FYI shares	140,000	-
Gain on recognition of available-for-sale asset	624,000	-
Sale of tenement	-	2,000
	19,271,611	61,155

3. Loss from ordinary activities

	Consolidated	
	2018 \$	2017 \$
The loss from ordinary activities before income tax has been determined after:		
(a) Expenses		
Depreciation	1,194	10,606
Exploration costs expensed	280,885	165,851
Rehabilitation	1,137	679,365
Labour	743,637	142,265
Contractors fixed costs	1,122,263	207,601
Day Works	111,256	225,110
Load & Haul Waste	2,599,802	1,035,975
Fuel	609,626	157,898
Other surface mining costs	6,436,342	(2,448,214)
Finance costs - mining contractors	2,147,561	-
Suspension of operations	91,730	-
Underground	18,412	-
Surface Mining expense	13,881,766	-
Management Services	-	202,444
Road	-	261,134
Rehabilitation	(23,320)	167,445
On site supervision	-	79,553
Grade Control	-	63,370
Other pre mining costs	27,350	274,974
Pre Mining expense	4,030	1,048,920

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

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	
	2018 \$	2017 \$
Loss before tax	(348,978)	(1,983,781)
Income tax benefit at 27.5% (2017:30%)	95,969	595,134
Tax effect of:		
- deductible capital raising expenditure	26,890	33,330
- non deductible expenditure	(337)	(209)
- deductible temporary differences	(113,657)	(291,956)
- share based payment	-	(5,448)
- gain on recognition of available-for-sale asset	171,600	-
- gain on sale of tenement	-	(600)
Deferred tax asset not recognised	(180,465)	(330,251)
R&D tax incentive (from prior year)	-	107,124
Income tax benefit attributable to loss from ordinary activities before tax	-	107,124

(c) Unrecognised deferred tax balances

Tax losses attributable to members of the Group - revenue	16,035,887	15,379,653
Potential tax benefit at 27.5%	4,409,869	4,229,405
Amounts recognised in statement of comprehensive income		
- employee provisions	74,161	84,468
- provision for restoration and rehabilitation	69,290	246,607
- other	53,291	8,330
Amounts recognised in equity		
- share issue costs	75,077	104,411
Net unrecognised deferred tax asset at 27.5%	4,681,688	4,673,221

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

5. Loss per share

	Consolidated	
	2018 Cents	2017 Cents
Basic and diluted loss per share (cents per share)	(0.07)	(0.47)
Loss used in the calculation of basic EPS (\$)	(348,978)	(1,876,657)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	483,201,475	403,031,612

6. Cash and cash equivalents

	Consolidated	
	2018 \$	2017 \$
Cash at bank and in hand	1,008,062	385,447
	1,008,062	385,447

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

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

	Consolidated	
	2018 \$	2017 \$
Loss after income tax	(348,978)	(1,876,657)
Depreciation	58,495	10,606
Amortisation	3,265,264	-
Share based payments expense	-	18,159
Gain on recognition of available-for-sale asset	(624,000)	-
Gain on sale of investment	(140,000)	-
Impairment of receivable	1,119,294	-
Proceeds from sale of tenement	-	(2,000)
	3,330,075	(1,849,892)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	(459,277)	(31,448)
(Decrease)/increase in trade and other payables	(673,865)	114,194
(Decrease)/increase in borrowings	5,508,285	(32,658)
(Decrease)/increase in employee benefits	(29,317)	181,081
(Decrease)/increase in provisions	(579,058)	167,424
Net cash inflow / (outflow) from operating activities	7,096,843	(1,451,299)

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

7. Trade and other receivables

	2018 \$	2017 \$
Current		
Trade receivables	24,453	22,939
JV Trade receivables ¹	52,622	99,490
Payments to JV on behalf of Brimstone Resources Ltd ²	739,600	828,000
Interest on loan to Brimstone Resources Ltd ²	201,450	55,821
GST receivables	193,289	254,322
Other receivables	330,010	68,290
Provision for impairment of receivables ²	(1,119,294)	-
	422,130	1,328,862

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.

¹ JV Trade receivables comprise cash calls by the Joint Venture Manager, Empire Resources Limited on the other joint venture partner, Brimstone Resources Ltd. The JV trade receivables were considered impaired at balance date and fully provided for.

² These advances are receivable from Brimstone Resources Ltd. The interest is calculated at 16% per annum, calculated daily, compounding monthly. In June 2018, the Company exercised its rights under the mortgage and security documents to appoint a receiver to Brimstone's interest in the JV. The payments to the JV on behalf of Brimstone Resources Ltd and interest were considered impaired at balance date and fully provided for.

	Consolidated	
	2018 \$	2017 \$
Aging of past due but not impaired		
30-60 days	-	-
60-90 days	-	-
90-120 days	309,665	983,311
Total	309,665	983,311

8. Financial assets

	Consolidated	
	2018 \$	2017 \$
Deposit	20,000	20,000
	20,000	20,000

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

9. Available-for-sale investments

(a) Available-for-sale investments

	Consolidated	
	2018	2017
	\$	\$
Listed shares-investment in FYI Resources Ltd - at fair value ¹	910,000	-
	910,000	-

¹ Refer to the option arrangement over this investment in Note 12.

The investment is level 1 in the fair value hierarchy and is valued using quoted prices in an active market.

(b) Investments in subsidiary

Controlled entity	Country of incorporation	Percentage Owned	Percentage Owned
		2018 %	2017 %
Parent Entity: Empire Resources Limited	Australia		
Subsidiary of Empire Resources Limited: Torrens Resources Pty Ltd	Australia	100	100

10. Plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Plant and Equipment		
Cost	159,815	162,089
Accumulated depreciation	(102,549)	(68,690)
	57,266	93,399
Motor Vehicles		
Cost	179,270	115,458
Accumulated depreciation	(85,216)	(64,889)
	94,054	50,569
Total Plant and Equipment	151,320	143,968

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	
	2018	2017
	\$	\$
Plant and Equipment		
Balance at the beginning of year	93,399	29,714
Additions	2,032	91,760
Depreciation expense	(38,165)	(28,075)
Carrying amount at the end of the year	57,266	93,399

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

10. Plant and Equipment (continued)

	Consolidated	
	2018 \$	2017 \$
Motor Vehicles		
Balance at the beginning of year	50,569	-
Additions	63,812	61,595
Depreciation expense	(20,327)	(11,026)
Carrying amount at the end of the year	<u>94,054</u>	<u>50,569</u>
Total Plant and Equipment	<u>151,320</u>	<u>143,968</u>

11. Mine Properties

	Consolidated	
	2018 \$	2017 \$
Cost	3,265,264	3,265,264
Accumulated amortisation	(3,265,264)	-
Carrying value	<u>-</u>	<u>3,265,264</u>
Balance at beginning of year	3,265,264	-
Additions - Development expenditure incurred	-	3,265,264
Amortisation for the year	(3,265,264)	-
	<u>-</u>	<u>3,265,264</u>

12. Trade and other payables

	Consolidated	
	2018 \$	2017 \$
Trade payables and accruals ²	898,209	1,893,137
Employee benefits	261,856	291,173
Other payables ¹	80,000	-
	<u>1,240,065</u>	<u>2,184,310</u>

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

¹ The Company entered into an option agreement with the Managing Director of FYI Resources Ltd for the sale of 7 million shares it still holds in FYI Resources, for an option fee of \$80,000. In consideration of the payment of an option fee of \$80,000 by the grantee, the Company has granted Mr Hill an exclusive right during the option term of six months, expiring 25 November 2018, to purchase the option shares from the Company at a minimum price of 12 cents per share with the Company sharing a percentage (30%) of any upside between this price and the FYI share price when the option is exercised. The fair value of the derivative based on the changing market price of the FYI shares is immaterial at balance date.

² Included in these balances are amounts owing to key management personnel at balance date of \$364,075 (2017: \$480,900).

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

13. Borrowings

	Consolidated	
	2018 \$	2017 \$
Director loans ¹	-	151,300
Other	-	2,827
JV Borrowings from Contractor	-	1,121,621
	-	1,275,748

¹ Refer to note 20 for terms and conditions of Director loans.

Changes in liabilities arising from financing activities

	Consolidated	
	2018 \$	2017 \$
JV Borrowings at 1 July	1,121,621	-
Additions to borrowings from Mining Contractor	5,898,526	858,165
Finance costs incurred	2,147,560	263,456
Repayment of borrowings to Mining Contractor	(6,756,691)	-
Finance costs paid	(2,411,016)	-
JV Borrowings at 30 June	-	1,121,621
Director and other loans at 1 July	151,300	52,932
Additions to borrowings	445,000	550,000
Finance costs incurred	31,647	1,300
Repayment of borrowings	(595,000)	(52,932)
Repayment of borrowings by share issue	-	(400,000)
Finance costs paid	(32,947)	-
Director and other loans at 30 June	-	151,300

14. Provision for restoration and rehabilitation

	Consolidated	
	2018 \$	2017 \$
Current		
Provision for restoration and rehabilitation ¹	13,263	822,024
	13,263	822,024
Non-Current		
Provision for restoration and rehabilitation ¹	217,703	18,000
	217,703	18,000

¹ 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

15. 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	
	2018 \$	2017 \$
483,201,475 (30 June 2017: 483,201,475) fully paid ordinary shares	21,497,202	21,497,202

(i) Ordinary shares - number

At 1 July	483,201,475	324,201,475
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	483,201,475

(ii) Ordinary shares – value

	Consolidated	
	2018 \$	2017 \$
At 1 July	21,497,202	18,572,844
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)
Balance at 30 June	21,497,202	21,497,202

(b) Options

As at 30 June 2018 (30 June 2017: 32,102,000) 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 2018

16. Reserves

	Consolidated	
	2018	2017
	\$	\$
Reserves	2,283,474	1,737,474

Reserves comprise the following:

Options reserve

Balance as at start of financial year	1,737,474	1,579,195
Share-based payment	-	18,159
Options issued - share issue costs	-	140,120
Balance at 30 June	1,737,474	1,737,474

Asset revaluation reserve

Balance as at start of financial year	-	-
Net movement in value of asset classified as held for sale	546,000	-
Balance at 30 June	546,000	-

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 22.

The asset revaluation reserve is used to record increases in the fair value of available-for-sale investments and decreases to the extent that such decreases relate to an increase on the same asset previously recognized in equity.

17. 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 2018

17. Financial risk management (continued)

The Group hold the following financial instruments:

	Consolidated	
	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	1,008,062	385,447
Trade and other receivables	422,130	1,328,862
Term deposit	20,000	20,000
Available-for-sale investments	910,000	-
	2,360,192	1,734,309
Financial liabilities		
Trade and other payables	1,240,065	2,184,310
Borrowings	-	1,275,748
	1,240,065	3,460,058

(a) Market risk

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 2018 and 2017, 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
	2018 %	2018 \$	2017 %	2017 \$
Deposit		20,000		20,000
Other cash available		1,008,062		385,447
Net exposure to cash flow interest rate risk	0.3%	1,028,062	0.8%	405,447

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 2018 and 2017, 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.

Share price risk

The Group's available-for-sale investments expose it to the financial risk of changes in share price. At balance date the group is not materially exposed to share price risk.

(b) Credit risk

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

17. Financial risk management (continued)

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

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

(c) Liquidity risk

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

	Weighted Average Effective Interest	Floating Interest Rate	Fixed Interest Rate Maturing	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
		\$	\$	\$	\$	\$	\$
30 June 2018							
Financial Assets:							
Cash and cash equivalents	0.3%	1,008,062	-	-	-	-	1,008,062
Trade and other receivables		-	-	-	-	422,130	422,130
Other financial assets	2.4%	-	20,000	-	-	-	20,000
Available-for-sale investments		-	-	-	-	910,000	910,000
Total Financial Assets		1,008,062	20,000	-	-	1,332,130	2,360,192
Financial Liabilities:							
Trade and other payables		-	-	-	-	1,240,065	1,240,065
Short-term borrowings		-	-	-	-	-	-
Total financial liabilities		-	-	-	-	1,240,065	1,240,065

	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	2.4%	-	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

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

17. Financial risk management (continued)

Maturities of financial assets and liabilities

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

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

Year ended 30 June 2018	<6 months	6-12 months	1-5 years	>5 years	Total
Consolidated					
Financial assets					
Cash & cash equivalents	1,008,062	-	-	-	1,008,062
Trade & other receivables	422,130	-	-	-	422,130
Other financial assets	-	20,000	-	-	20,000
Available-for-sale investments	910,000	-	-	-	910,000
	<u>2,340,192</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>2,360,192</u>
Financial liabilities					
Trade & other payables	(1,240,065)	-	-	-	(1,240,065)
Short-term borrowings	-	-	-	-	-
	<u>(1,240,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,240,065)</u>
Net maturity	<u>1,100,127</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>1,120,127</u>

(d) Fair value estimation

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

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

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

18. Commitments and Contingencies

Consolidated	
2018	2017
\$	\$

(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	5,098	61,176
- between 12 months and 5 years	-	5,098
- greater than 5 years	-	-
	5,098	66,274

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 which expires on 31 July 2018.

The Holding clause takes effect on 1 August 2018 with either party to provide 70 days notice in writing to vacate the premises

Consolidated	
2018	2017
\$	\$

(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	246,567	110,273
- between 12 months and 5 years	366,005	287,392
- greater than 5 years	257,722	279,556
	870,294	677,221

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.

Both Empire and Brimstone are defending the claim, with an expected trial date sometime in the second half of 2019.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

19. Directors and other key management personnel

(i) Details of Key Management Personnel

Chairman – non-executive

Mr L Christensen (from 23 April 2018)

Mr T Revy (from 8 January 2010 – 23 April 2018)

Managing Director

Mr D Sargeant (from 13 April 2000)

Non-Executive Director

Mr A Jessup (from 15 August 2003 – 17 July 2018)

Mr C Banasik (from 17 July 2018)

Mr B Fraser (from 17 July 2018)

(ii) Compensation of Key Management Personnel

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	302,946	295,800
	302,946	295,800

The amounts outstanding to Key Management Personnel at the reporting date are included in Note 20.

20. 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	
	2018	2017
	\$	\$
Amounts payable at balance date to Key Management Personnel in relation to remuneration		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	299,475	319,440
Murilla Exploration Pty Ltd - Mr A Jessup	6,600	119,460
Mr T Revy	52,500	42,000
Pooky Corporation Pty Ltd - Mr L Christensen	5,500	-
	364,075	480,900

	Consolidated	
	2018	2017
	\$	\$
Amounts payable to Directors as unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	-	151,300
	-	151,300

A coupon interest rate equivalent to the Australian Government Bond 2 year yield was calculated at each month end and was payable at maturity.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

20. Related Parties (continued)

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 of 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	2018	-	6,725	1,951	-
	2017	-	6,664	1,977	-
Brimstone Resources	2018	-	77,893	739,600	-
	2017	-	134,421	828,000	-

The Group has a 4% interest in FYI Resources Limited (2017: 13%).

The Group has a 60% interest (2017: 60%) in the Penny's Find Joint Venture. Brimstone Resources Ltd's appointed Receivers and Managers have a 40% (2017: 40%) interest in the Penny's Find Joint Venture.

21. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd.

	Consolidated	
	2018 \$	2017 \$
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of the financial reports of the Company	41,000	27,000
Audit of the Penny's Find Joint Venture	20,000	6,000
Tax Compliance	5,050	3,740

22. 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

22. Share Based Payments (continued)

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
	2018	2018	2017	2017
Outstanding at the beginning of the year	32,102,000	\$0.03	53,102,000	\$0.04
Granted 18 July 2016	-	-	9,000,000	\$0.04
Expired 31 August 2016	-	-	(30,000,000)	\$0.05
Outstanding at the end of the year	32,102,000	\$0.03	32,102,000	\$0.03

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.

The following table lists the inputs to the model used for the years ended 30 June 2018 and 30 June 2017:

	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
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

¹Issued 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	
	2018	2017
	\$	\$
Share based payments	-	18,159

23. 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2018

24. Events after the Balance Date

On 12 July 2018 the Company (as the sole Non-Defaulting Participant) terminated the Penny's Find Mining Joint Venture Agreement. A receiver was appointed to Brimstone Resources Ltd interest in the Joint Venture who controlled a 40% interest in the mining tenements that comprise the Penny's Find mine.

On 21 September 2018, the Company entered into a settlement agreement with Brimstone Resources Ltd whereby:

- Empire will own all of the project including its mine infrastructure, resource inventory, and other associated facilities, as well as several nearby gold exploration tenements;
- Brimstone will withdraw all court cases commenced by Brimstone;
- Empire will be entitled to retain all proceeds arising from the dispute with Eastern Goldfields Mining Services; and
- Empire indemnifies Brimstone in respect to the claim commenced by Mr Johannes (Steve) Norregaard.

The settlement will result in the Company cancelling the debt owed by Brimstone . Brimstone had incurred the debt as a consequence of Empire funding Brimstone's share of the the JV funding obligations, on which interest accrued. At 30 June 2018, the debt owed by Brimstone amounted to \$941,050 and had been fully provided for in the Company's books.

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 2018

25. Parent Entity Financial Information

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

	Parent Entity	
	2018 \$	2017 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,008,062	385,447
Trade and other receivables	422,130	1,328,862
Other financial assets	20,000	20,000
Assets classified as held for sale	910,000	-
Total Current Assets	2,360,192	1,734,309
NON-CURRENT ASSETS		
Plant and equipment	151,320	143,968
Mine Properties	-	3,265,264
Total Non-Current Assets	151,320	3,409,232
TOTAL ASSETS	2,511,512	5,143,541
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,240,065	2,184,310
Borrowings	-	1,275,748
Provision for restoration and rehabilitation	13,263	822,024
Total Current Liabilities	1,253,328	4,282,082
NON-CURRENT LIABILITIES		
Provision for restoration and rehabilitation	217,703	18,000
Total Non-Current Liabilities	217,703	18,000
TOTAL LIABILITIES	1,471,031	4,300,082
NET ASSETS	1,040,481	843,459
EQUITY		
Issued capital	21,497,202	21,497,202
Reserves	2,283,474	1,737,474
Accumulated losses	(22,740,195)	(22,391,217)
TOTAL EQUITY	1,040,481	843,459
Loss before income tax expense	(348,978)	(1,983,781)
Income tax benefit	-	107,124
Other comprehensive loss for the year, net of tax	546,000	-
Total comprehensive income / (loss) for the year	197,022	(1,876,657)

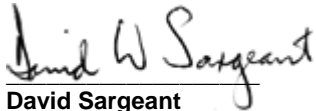
DIRECTORS' DECLARATION

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 2018 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 2018.

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


David Sargeant
Director

Perth, Western Australia
26 September 2018

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
26 September 2018



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 ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 2018 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 a 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

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Key Audit Matter
How our audit addressed the key audit matter

Provision for Restoration and Rehabilitation

 Note 14 of the Financial Report

The carrying value of the Group's provision for restoration and rehabilitation at balance date is \$230,966.

The provision for restoration and rehabilitation is a key audit matter due to the significant judgement involved in estimating costs which are planned to be incurred in future years and the related timing of incurring those costs.

Our procedures included but were not limited to the following:

- 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.
-

Impairment of Loans

 Note 7 of the Financial Report

At balance date, the Company was owed an amount of \$941,050 from Brimstone Resources Limited.

An impairment assessment was conducted by management during the year due to the non-repayment of amounts owing by Brimstone Resources Limited prior to the due date under the agreement between the parties. Subsequently a receiver was appointed to Brimstone Resources Limited's interest in the Penny's Find mine.

As a result, management fully impaired the loan owing from Brimstone Resources Limited. The matter is including as a key audit matter due to its significance to the financial report.

Our procedures included but were not limited to the following:

- We reviewed the joint venture agreement and amending agreement including repayment terms;
 - We substantively tested the recognition of distributions and cash calls relating to the joint venture;
 - We reviewed management's reconciliation of the loan owing from Brimstone Resources Limited; and
 - We reviewed correspondence from the receiver.
-

Contingent Liability

 Note 18 of the Financial Report

Management has disclosed a contingent liability in the financial report in respect of proceedings commenced in the Supreme Court of Western Australia against the Company and Brimstone Resources Limited.

The disclosure is considered a key audit matter due to the judgment involved in deciding whether a liability is possible and requires disclosure only in the financial report; or whether a liability should be recognised if a settlement is probable.

Our procedures included but were not limited to the following:

- We obtained a legal representation letter from the Company's solicitor acting for the matter;
 - We assessed and discussed the disclosure with management;
 - We reviewed correspondence in relation to the matter; and
 - We considered whether a liability should be recognised.
-

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 2018, 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 2018.

In our opinion, the Remuneration Report of Empire Resources Limited for the year ended 30 June 2018 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

Perth, Western Australia
26 September 2018



D I Buckley
Partner

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2018.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number of Holders
1 - 1,000	98
1,001 - 5,000	65
5,001 - 10,000	102
10,001 - 100,000	762
100,001 - and over	451
	<u>1,478</u>

The number of shareholdings held in less than marketable parcels is 605.

(b) Twenty largest shareholders

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

SHAREHOLDERS	Number of shares held	% Holding
1 KESLI CHEMICALS PTY LTD	33,782,824	6.99%
2 BLAMNCO TRADING PTY LTD	30,000,000	6.21%
3 FITALL GROUP LTD	20,000,000	4.14%
4 TYSON RESOURCES PTY LTD	16,511,803	3.42%
5 LEE JAMES NOMINEES PTY LTD	12,000,000	2.48%
6 GREEN CAPITAL NO 2 PTY LTD	11,860,000	2.45%
7 MR LACHLAN ANTHONY CHRISTIE	10,450,001	2.16%
8 RBJ NOMINEES PTY LTD	9,300,000	1.92%
9 AGENS PTY LTD	9,119,139	1.89%
10 HSBC CUSTODY NOMINEES	6,944,444	1.44%
11 ARMCO BARRIERS PTY LTD	6,700,000	1.39%
12 SANGORA HOLDINGS PTY LTD	6,000,000	1.24%
13 TRONES INVESTMENTS PTY LTD	5,915,000	1.22%
14 MR ZACHARY TUCKWELL	5,000,000	1.03%
15 MBM CORPORATION PTY LTD	5,000,000	1.03%
16 CAMIRA HOLDINGS PTY LTD	5,000,000	1.03%
17 MR JASON FRANK MADALENA	4,600,000	0.95%
18 MR ROBERT WILLIAM PROE	4,217,143	0.87%
19 PRB MCDONALD PTY LTD	4,062,500	0.84%
20 MR BENJAMEN MICHAEL RIDDLE	4,020,201	0.83%
	<u>210,483,055</u>	<u>43.53%</u>

(c) Substantial Shareholder

Shareholder	Number of shares
MICHAEL RUANE	50,889,629
BLAMNCO TRADING PL	33,782,824

(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 :-

<u>Unlisted Option Holder</u>	<u>Number</u>
Kirkdale Holdings Pty Ltd	7,440,000
Murilla Exploration Pty Ltd	7,440,000

**INTERESTS IN MINING AND EXPLORATION TENEMENTS
AT 24 SEPTEMBER 2018**

PROJECT	TENEMENT	INTEREST	REMARKS
PENNY'S FIND	E27/410	100%	
	E27/420	100%	
	E27/553	100%	
	E27/591	100%	
	E27/592	100%	
	E27/593	100%	
	M27/156	100%	
	P27/2007	100%	
	P27/2008	100%	
	P27/2245	100%	
	P27/2262	100%	
	G27/1	100%	
	L27/90	100%	
	L27/91	100%	
	L27/92	100%	
	L27/93	100%	
YUINMERY	M57/265	100%	
	M57/636	100%	
	E57/1037	100%	
Evolution Option	E57/681	100%	Option to acquire 91.4% interest
	E57/1027	100%	Option to acquire 91.4% interest