

EMPIRE RESOURCES LIMITED

ABN 32 092 471 513

Annual Report

30 June 2019

Corporate Directory

Directors	:	Michael Ruane David Sargeant Jeremy Atkinson Sean Richardson
Company Secretary	:	Simon Storm
Registered Office	:	Registered Office and Principal Place of Business 159 Stirling Highway Nedlands WA 6009 Telephone: (08) 9386 4699 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

Empire Resources Limited
Review of Operations

REVIEW OF OPERATIONS

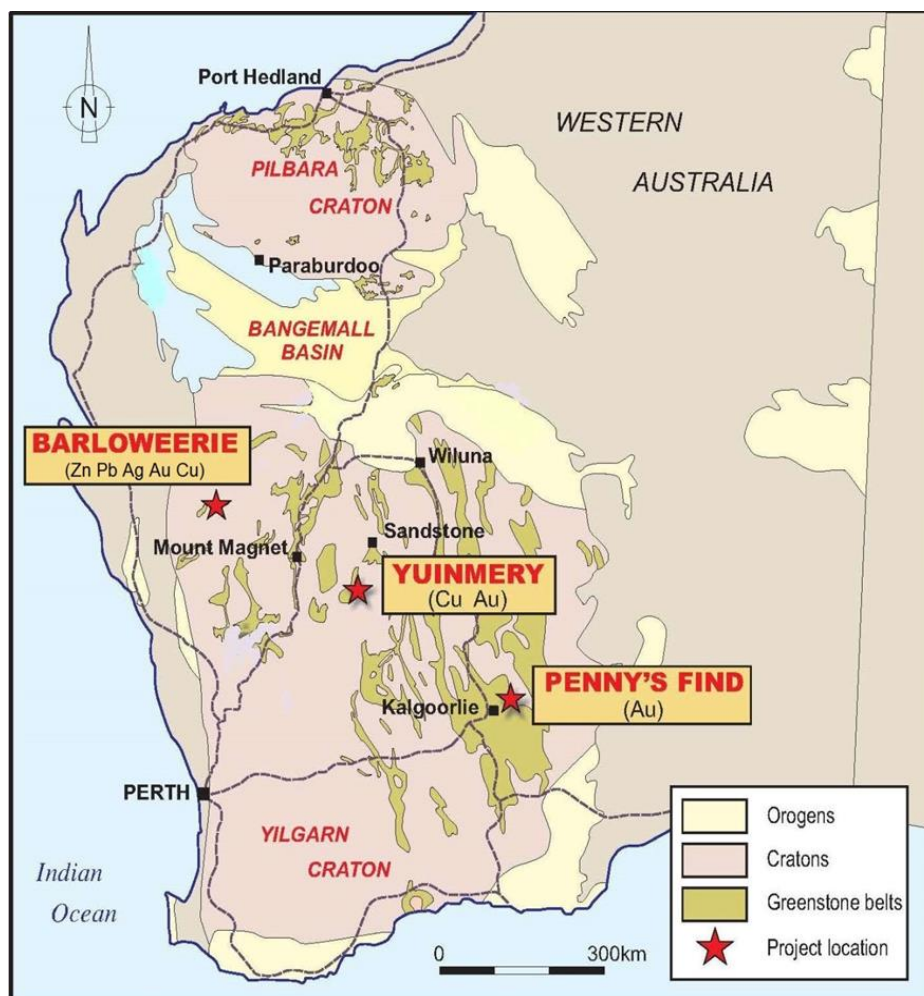


Figure 1 : Project Location Map

Penny's Find Gold Mine (WA): (100% interest)

The Company acquired full ownership of all assets and exploration tenements associated with the Penny's Find gold mine, located 50km northeast of Kalgoorlie in Western Australia.

This outcome followed the conclusion of negotiations concerning debts owed to it by Empire's 40% joint venture partner in Penny's Find, public unlisted Brimstone Resources Ltd ("Brimstone").

Under a signed settlement agreement cancelling Brimstone's debts to Empire:

- Empire would own all of the project including its mine infrastructure, resource inventory, and other associated facilities, as well as several nearby gold exploration tenements;
- Empire would be entitled to retain all proceeds arising from the dispute with Eastern Goldfields Mining Services from whom the Company is seeking to recover in excess of \$1 million;
- Brimstone would withdraw all court cases commenced by Brimstone against Empire; and
- Empire would indemnify Brimstone from any claims commenced by Mr Steve Norregaard related to the Penny's Find Joint Venture.

Given the joint venture agreement had been terminated in July 2018, the 40% interest in the assets and liabilities of the JV would be consolidated in Empire's accounts.

With the completion of open pit mining in April 2018, the mine was on care and maintenance mode.

Empire Resources Limited Review of Operations

Following resolution of the ownership of Brimstone's interest in the mine, a full assessment on taking Penny's Find into a larger, longer-term underground gold mine was considered.

Following a comprehensive review of its operations and financial position, the Company elected to execute a binding Term Sheet with Orminex (ASX:ONX) for the sale of the Penny's Find mining tenements as announced in March 2019 for \$600,000 plus an ongoing royalty stream.

The Company retained upside from ownership of highly prospective tenements surrounding and north of the Penny's Find mine lease (Figure 2).

Details of the sale included:

- Empire signed a binding Term Sheet to sell 100% of its Penny's Find Mine Tenements to WA minerals project developer, Orminex Limited via the Orminex subsidiary Orminex Penny's Find Pty Ltd ('OPF').
- Consideration for the deal included a tiered \$600,000 cash payment to Empire by Orminex in three equal milestones; on signing of an agreement, upon commencement of mining and at the first gold pour.
- Empire would also receive vendor royalty payments consisting of a 5% net smelter royalty (NSR) on the first 50,000 ounces of gold recovered. After the first 50,000 ounces of gold, the NSR reverts to a 2.5% of gold recovered for the life of mine. Orminex would pay all State royalties.
- Prepayments of vendor royalties apply if mining has not commenced within an agreed time frame or if mining ceases for an extended period.

The sale of the Penny's Find mining leases was a timely disposal as it provided Empire a significant cash injection, with the Company receiving the first staged payment of \$200,000 in the June 2019 quarter, and the ability to participate in a vendor royalty stream resulting from development of the project in a strong gold price regime. The income from the transaction would enable Empire to continue exploration on its prospective Penny's North exploration tenements.

The Company retained 22.4km² of prospective exploration tenure surrounding and to the north of the Penny's Find gold mine (Figure 2).

The Company has commenced an extensive geological review of the Penny's Find area, with compilation and review of all available historical and Company data underway. Several prospects that have previously been identified along the Penny's Find Shear remain a key focus for further exploration.

Empire Resources Limited Review of Operations

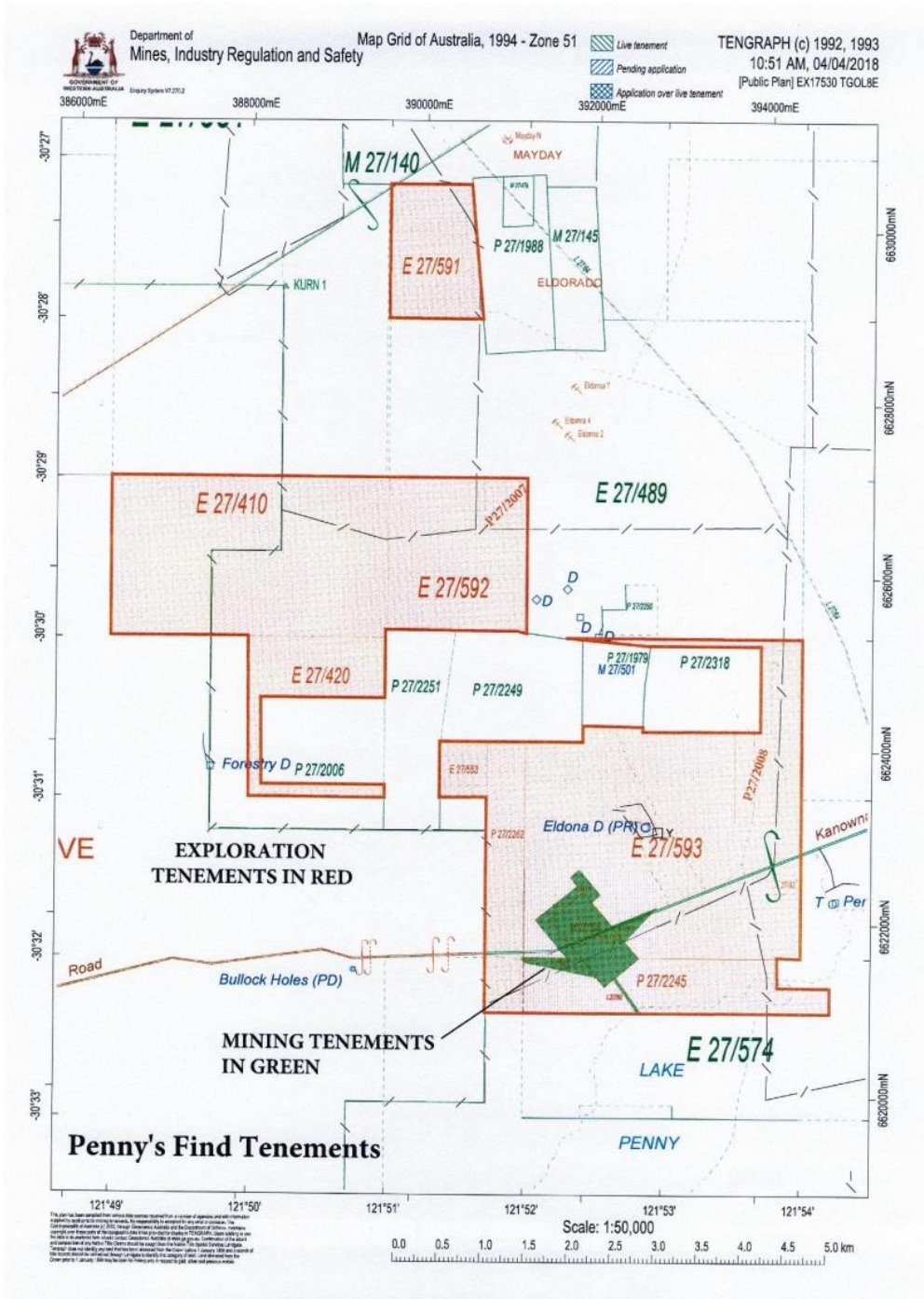


Figure 2: Penny's Find Project Tenements shaded in green are subject to the Sale to Orminex

Empire Resources Limited Review of Operations

Yuinmery Project (Cu-Au)

The Yuinmery project is a volcanogenic massive sulphide (VMS) copper-gold project located 80km southwest of Sandstone, WA. The Just Desserts Cu-Au deposit delineated by Empire hosts a JORC compliant Indicated and Inferred Resource of 1.27 million tonnes @ 1.9% Cu & 0.7g/t Au to a depth of 170m below surface (refer ASX Announcement 17 May 2016).

The 2012 JORC reportable Resource of primary and transitional copper-gold sulphide mineralisation above a 1.0% copper cut-off are summarised in Table 1 below.

Table 1 : Just Desserts Reportable Mineral Resources – May 2016

Reportable Mineral Resource to depth of 170m						
Cut-off	Weathering	Class	Tonnes	Cu %	Au ppm	Ag ppm
1% Cu	Partial	Indicated	47,000	1.37	0.37	1.09
		Inferred	31,000	2.14	0.22	2.20
		sub-total	78,000	1.68	0.31	1.53
	Fresh	Indicated	752,000	1.65	0.84	1.54
		Inferred	435,000	2.31	0.49	2.81
		sub-total	1,187,000	1.89	0.71	2.01
	All	Indicated	799,000	1.63	0.82	1.51
		Inferred	467,000	2.30	0.47	2.76
			Total	1,266,000	1.88	0.69

A mining lease application was granted by the DMIRS to cover the Just Desserts deposit and surrounding prospective ground.

Empire continues to assess opportunities in the region that complement the known Resources on its Yuinmery Project, including further development of the highly prospective A-Zone Cu-Au deposit located within granted mining lease M57/636 (Figure 3).

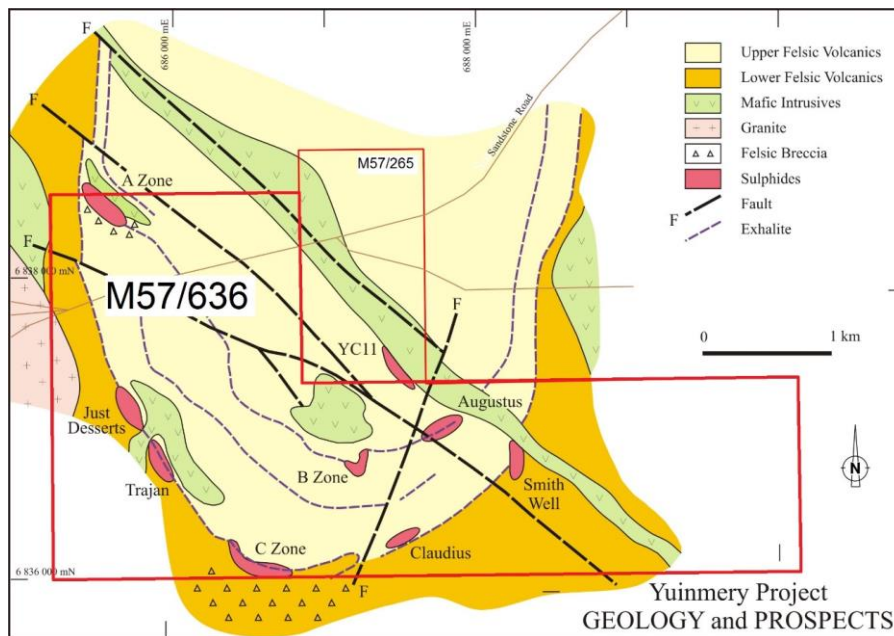


Figure 3: Yuinmery Project Geology and Prospects Within Granted Mining Leases

During the June 2019 quarter, Empire commenced a comprehensive geological review of the Yuinmery Project. The review included research of historical exploration activities undertaken at the project since Western Mining Corporation commenced exploration in 1969. A database of 115,179m of historical and Company drilling, and 10,228 geochemical samples have been compiled across the broader project area.

Empire Resources Limited Review of Operations

Figure below shows the location of drilling at Yuinmery by various companies since 1969.

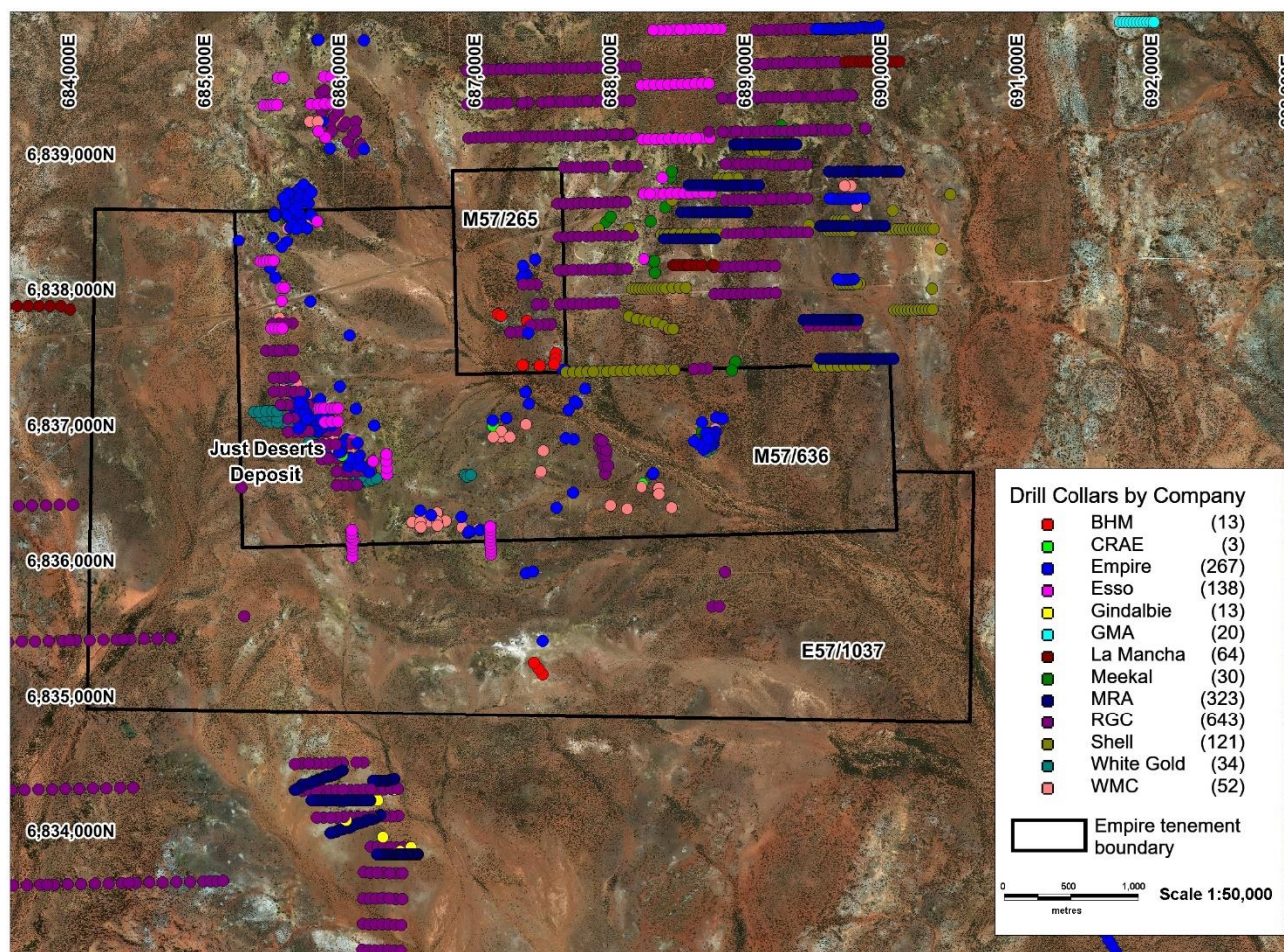


Figure 4 - Compiled historical drilling by company

The geological review also included the compilation and assessment of several generations of geophysical surveys. The Company has engaged geophysical consultants to assist in the compilation and review of all registered geophysical surveys across the broader project area.

The historical data offers a rich collection of information that, when assessed as a collective, will allow the Company to refine existing targets as well as identify new areas for detailed follow up exploration.

Barloweerie Project (Zn-Pb-Ag-Au-Cu)

The Company has an application 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. The exploration licence has been recommended for approval by the Minister.

CORPORATE ACTIVITIES

Board Changes

The Company announced to the ASX on 3 October 2018 the appointments of Dr Michael Ruane as Chairman of the Company and Mr Jeremy Atkinson as a Non-Executive Director following the resignations of two Non-Executive Directors, Messrs Christopher Banasik and Brett Fraser. Mr Lee Christensen did not seek re-election as a Director at the Company's AGM hence ceased to be a Director from 27 November 2018.

On 4 July 2019 the Company appointed Mr Sean Richardson as Managing Director. Mr Richardson replaced Mr David Sargeant, who remains as a Non-Executive Director.

Empire Resources Limited

Review of Operations

Rights Issue

During the December 2018 quarter, the Company conducted a 1:3 Rights Issue which raised \$1,310,982, before costs, by the issue of 131,098,215 fully paid shares.

The Company issued to the Underwriter 5,015,000 Shares representing a fixed underwriting fee of \$16,100 plus 3% of the Underwritten Amount (\$34,050) being a total of \$50,150.

FYI Resources Limited

During the year the Company sold 5,665,257 shares in FYI Resources Limited (ASX:FYI), realising proceeds of approximately \$347,000. Empire's holding in FYI at the close of the June quarter was 1,334,743 fully paid ordinary shares. Subsequent to the financial year end a further 456,000 FYI shares were disposed, realising proceeds of approximately \$29,000.

Project Assessment

Empire continued to assess opportunities in the Eastern Goldfields of Western Australia complimentary to its existing portfolio. The Company assessed several prospective projects during the quarter.

Subsequent to year end the Company took a placement of 46.15M fully paid ordinary shares in NTM Gold Limited (ASX:NTM) by investing \$1.5M at \$0.0325 per share. At completion, Empire held 8.70% of NTM's expanded capital. Empire's investment in NTM followed an extensive review of exploration and investment opportunities in the Eastern Goldfields. Empire believes that there are significant opportunities for junior gold exploration and development companies in the current economic climate and the recent record Australian dollar gold price underpins Empire's view that some quality junior gold companies are currently undervalued.

Funds raised by NTM are to be used for additional drilling at the Redcliffe Gold Project, focussing on RC and DC drilling at the Hub and Redcliffe East prospects.

Loan Facility

The investment was funded from current cash reserves and an unsecured loan of \$1.5M provided by Empire's Non-Executive Chairman and major shareholder, Dr Michael Ruane. Dr Ruane has held NTM stock since early 2018 and currently holds 15.78M shares, or 2.97% of NTM's expanded capital.

The key terms and conditions of the loan facility were as follows:

Commencement Date:	11 July 2019.
Lender:	Kesli Chemicals Pty Ltd
Term:	12 months
Interest Rate:	7.5% per annum. Interest accrues daily on outstanding money and will be paid quarterly in arrears.
Security:	The loan money and interest are unsecured.
Purpose:	Board approved payments for working capital, direct exploration and investments.

Eastern Goldfields Milling Services (EGMS)

Empire remains in dispute with Eastern Goldfield Milling Services Pty Ltd regarding unaccounted gold following a toll treatment milling campaign conducted by EGMS at its Burbanks Gold Processing facility in late 2017. The Company is seeking to recover gold to a value in excess of \$1 Million. The matter has been referred to Arbitration. The first Arbitration hearing occurred on 13 March 2019.

COMPETENT PERSON STATEMENTS

The information in this report concerning the Mineral Resources for the 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 2019.

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.

Michael Ruane – Non Executive Chairman BSc, PHD – Appointed 3 October 2018

Dr Ruane holds BSc and PhD qualifications in chemistry from UWA and has been involved in the mining and chemical industries for over 35 years. Dr Ruane has been responsible for the listing or development of numerous Public Companies including Metaliko Resources Ltd (merged with Echo Resources Ltd 2017 (ASX: EAR)), Intermin Resources Ltd (ASX: HRZ), Reward Minerals Ltd (ASX: RWD), Haddington Resources Ltd (now Altura Mining Limited (ASX: AJM) and Wedgetail Exploration Ltd (now Millennium Minerals Ltd (ASX: MOY)).

Company	Position	Appointed	Resigned
Reward Minerals Ltd	Executive Director	02/12/2004	
Metaliko Resources Ltd	Director	28/06/2012	12/01/2017

Sean Richardson – Managing Director MBA, MSc (Curtin) – Appointed 4 July 2019

Mr Richardson is an experienced Minerals Executive, a graduate of the Western Australian School of Mines (WASM) and a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM). Mr Richardson has over 25 years' operational, consultancy and managerial experience in Australian, North American, African, South-East and Central Asian mineral projects. His experience ranges from exploration through project development to production, having held senior management positions for a number of ASX listed and private exploration, mining and consultancy companies including; Bardoc Gold Limited, North West Nickel and Atlas Iron.

David Sargeant - Non-Executive 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

Jeremy Atkinson – Non Executive Director BA CPA GradDipAppFin – Appointed 3 October 2018

Mr Atkinson is a qualified CPA (Australia), professionally trained in project financial modelling. In the past six years Mr Atkinson has specialised professionally in the construction of financial models for mining projects in Australia, Africa, Europe and South America and is very conversant with commercial terms and cost parameters associated with mining and processing of a range of mineral commodities including gold. He also holds a degree in modern languages from Oxford University and speaks English, French and German languages fluently. Prior to his involvement in the mining industry Mr Atkinson spent 18 years in senior strategic and operational positions in the development and turnaround of various international manufacturing businesses.

Lee Christensen – Non-Executive Director- B. Juris, LLB, B Com. – Resigned 27 November 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.

Empire Resources Limited Directors' Report

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

Company	Position	Appointed	Resigned
Titanium Sands Ltd	Director	16/05/2015	
Quantify Technology Ltd	Interim Chairman	28/05/2018	01/10/2018

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.

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 and resigned 2 October 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 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	Resigned
First Graphene Ltd	Director	20/05/2015	12/02/2018

Brett Fraser – Non-Executive Director - FCPA, FFIN, B.Bus, FGIA - Appointed 17 July 2018 and resigned 2 October 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	

Empire Resources Limited

Directors' Report

Company Secretary

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

Mr Storm is a Chartered Accountant with more than 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. During the past 17 years he has held various senior finance and company secretarial roles with listed and unlisted entities in the resources, agribusiness, banking, construction, telecommunications, property development and funds management industries.

He currently holds officer roles in various ASX listed companies, including West African Resources Ltd (Non-executive Director and Company Secretary), BlackEarth Minerals Ltd (CFO & Company Secretary) and acts as CFO & Company Secretary for three other unlisted companies.

Principal Activities

During the period the principal activities of the Company consisted of mining properties in Australia and mineral exploration and evaluation of properties.

Dividends

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

Result for the Financial Period

Loss from ordinary activities after provision for income tax was \$1,323,987 (2018: \$348,978).

Review of results and operations

The operations and results of the Company for the financial year are reviewed below.

This review includes information on the financial position of the Company, and its business strategies and prospects for future financial years.

Revenue

Following completion of open pit gold mining at the Penny's Find project, the revenue from the sale of gold and silver was \$Nil. (2018: \$18,360,847). Interest received was down \$139,489 on prior year as a consequence of interest no longer being earned on payments made to the joint venture on behalf of Brimstone Resources Ltd. Following the settlement in July 2018 with Brimstone Resources Ltd for its 40% interest in the Penny's Find joint operation, the Company recognised a gain on acquisition of that 40% interest of \$299,687 (2018: \$Nil). In May 2019, the Company finalised the sale of the Penny's Find Mine and recognised \$159,911 (2018: \$Nil) as revenue, being the first payment of \$200,000 net of \$40,089 being the written down value of equipment sold.

Expenses

During the year, the Company incurred care and maintenance mining work at the Penny's Find Mine of \$395,810. (2018: \$13,881,776). The prior year surface mining expense related mainly to the JV blasting, drilling, ore haulage and processing costs. The fair value loss on the Company's holding of FYI shares was \$500,678 (2018: Gain \$624,000). The Company conducted exploration activities at its various exploration projects with expenditure on exploration decreasing 44% to \$157,379 (2018: \$280,885). The JV amortisation expense is \$Nil (2018: \$3,265,264) as the capitalised Mine Properties were fully amortised.

Operating cash flows

Cash outflow from operating activities was \$2,219,870 (2018: inflow \$7,096,843) due to the completion of open pit gold mining in the prior year. There were payments for suspension of operations of \$400,129 (2018: \$Nil).

Investing cash flows

Cash inflows from investing activities were \$800,372 (2018: \$449,963) due to the sale of FYI Resources shares for \$346,594 (2018: \$480,000) and the first payment for the sale of the Penny's Find mine for \$200,000 (\$Nil). In addition, on settlement with Brimstone Resources Ltd, the cash acquired was \$313,591 (2018: \$Nil)

Financing cash flows

Cash inflow from financing activities was \$1,304,738 (2018: Outflow \$6,924,191) due to share placements of \$1,304,738 net of share issue costs (2018: \$Nil). In the prior year, the Company repaid the joint venture funding facility \$6,756,691.

Empire Resources Limited

Directors' Report

Statement of financial position

Current assets

Current assets decreased by 45% to \$1,299,466 (2018: \$2,360,192) mainly due to the sale FYI Resources Ltd shares during the year and the remaining shareholding being valued at \$69,407 (2018: \$910,000) being 5.2 cents per share at 30 June 2019.

Non-current assets

Non-current assets decreased 45% to \$82,708 (2018: \$151,320) due to the sale of mining equipment and depreciation of plant and equipment.

Current liabilities

Current liabilities decreased by 72% to \$356,383 (2018: \$1,253,328) due to a decrease in JV trade and other payables as a consequence of the completion of mining work on the Penny's Find Mine. The employee benefits decreased to \$93,852 (2018: \$261,856) as the Company paid out the salary and leave owing to the Exploration Manager.

Non-current liabilities

Non-current liabilities decreased to \$Nil (2018: \$217,703) due to the sale of the Company's interest in the Penny's Find mine. The 30 June 2018 balance related to the closure project management costs for the rehabilitation work to be carried out should a decision be made not to pursue underground mining.

Review of Operations

Refer pages 2-7 for details.

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 as discussed elsewhere in this Report.

Empire Resources Limited

Directors' 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 \$36,000 per annum for the Chairman and 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% (2018: 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.

Executive Directors

Executive Directors provide their services via a consultancy arrangement. Directors do not receive any retirement benefits. Options are not issued as part of remuneration for long term incentives.

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

Empire Resources Limited Directors' Report

Compensation of Key Management Personnel

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 M Ruane ¹	2019	27,000	-	27,000	0%
Mr J Atkinson ¹	2019	26,806	-	26,806	0%
Mr T Revy ²	2018	34,146	-	34,146	0%
Mr L Christensen ^{3,4}	2019	25,000	-	25,000	0%
	2018	15,000	-	15,000	0%
Mr A Jessup ⁵	2019	-	1,700	1,700	0%
	2018	-	36,000	36,000	0%
Mr C Banasik ^{6,7}	2019	8,760	-	8,760	0%
Mr B Fraser ^{6,7}	2019	11,232	-	11,232	0%
Executive					
Mr D Sargeant	2019	-	142,050	142,050	0%
	2018	-	217,800	217,800	0%
Total Directors	2019	98,798	143,750	242,548	0%
	2018	49,146	253,800	302,946	0%

¹ Appointed 3 October 2018

² Resigned 23 April 2018

³ Appointed 23 April 2018

⁴ Resigned 27 November 2018

⁵ Resigned 17 July 2018

⁶ Appointed 17 July 2018

⁷ Resigned 2 October 2018

Empire Resources Limited Directors' Report

Equity Holdings

Equity instrument disclosures relating to Directors and other key management personnel

Shareholdings

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

2019 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 L Christensen ⁴	-	-	-	-	-
Mr D Sargeant	6,400,000	-	-	1,616,668	8,016,668
Mr A Jessup ¹	2,567,555	-	-	(2,567,555)	-
Mr C Banasik ²	-	-	-	-	-
Mr B Fraser ²	-	-	-	-	-
Mr M Ruane ³	-	-	-	124,204,960	124,204,960
Mr J Atkinson ³	-	-	-	5,266,667	5,266,667
	8,967,555	-	-	128,520,740	137,488,295

¹Resigned 17 July 2018

²Resigned 2 October 2018

³Appointed 3 October 2018

⁴Resigned 27 November 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.

2019 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 2019
Mr L Christensen ⁴	-	-	-	-	-	-
Mr D Sargeant	7,440,000	-	-	(7,440,000)	-	-
Mr A Jessup ¹	7,440,000	-	-	(7,440,000)	-	-
Mr C Banasik ²	-	-	-	-	-	-
Mr B Fraser ²	-	-	-	-	-	-
Mr M Ruane ³	-	-	-	-	-	-
Mr J Atkinson ³	-	-	-	-	-	-
	14,880,000	-	-	(14,880,000)	-	-

¹Resigned 17 July 2018

²Resigned 2 October 2018

³Appointed 3 October 2018

⁴Resigned 27 November 2018

End of Remuneration Report.

Empire Resources Limited Directors' Report

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

	Consolidated	
	2019	2018
	\$	\$
Amounts payable at balance date to Key Management Personnel in relation to remuneration		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	156,255	299,475
Kesli Chemicals Pty Ltd - Mr M Ruane	27,900	-
Northshore Capital Advisors Pty Ltd - Mr J Atkinson	3,300	-
Murilla Exploration Pty Ltd - Mr A Jessup	-	6,600
Mr T Revy	-	52,500
Pooky Corporation Pty Ltd - Mr L Christensen	-	5,500
	187,455	364,075

The above amounts relate to unpaid remuneration.

Loans from Directors

	Consolidated	
	2019	2018
	\$	\$
Interest expense on unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	-	5,338
Kesli Chemicals Pty Ltd - Mr M Ruane	6,267	-
	6,267	5,338

The Company received a short term loan from Dr Ruane for \$500,000 in October 2018 which was repaid in December 2018. Interest at an interest rate of 7.5% was calculated daily and was payable on settlement of the loan.

The Company received a short term loan from Mr Sargeant for \$185,000 in the year ended 30 June 2018. This amount was unsecured and was 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

On 18 July 2019, 9 million unlisted options expired. At the date of this report there were no unissued ordinary shares of the Company under option.

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 M Ruane	-	124,204,960	-	-
Mr J Atkinson	-	5,266,667	-	-
Mr D Sargeant	-	8,016,668	-	-
Mr S Richardson	-	500,000	-	-

Mr Sean Richardson will receive 20 million performance rights in the Company which vest when the price of the Company's shares remain at or above a 20 day VWAP price of 1.5 cents for a period of not less than 20 days and within a period of two years of continuous employment from the date of employment. The issue of the performance rights are subject to shareholder approval, which will be sought at the next general meeting of shareholders.

Empire Resources Limited

Directors' Report

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 2019 and the number of meetings attended by each director.

Director	Directors' Meetings	
	Meetings attended	Meetings held whilst a Director
Mr Michael Ruane ¹	5	5
Mr Jeremy Atkinson ¹	4	5
Mr Lee Christensen ^{2,3}	5	5
Mr David Sargeant	8	8
Mr C Banasik ^{4,5}	3	3
Mr B Fraser ^{4,5}	3	3

¹ Appointed 3 October 2018

² Appointed 23 April 2018

³ Resigned 27 November 2018

⁴ Appointed 17 July 2018

⁵ Resigned 2 October 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.

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.

Empire Resources Limited Directors' Report

Events subsequent to reporting date

On 11 July 2019, Empire made an investment in NTM Gold Limited by investing \$1.5 million at 3.25 cents per share for 46.15 million shares.

The company obtained an unsecured loan of \$1.5 million with a 12 month term from the Non-executive Chairman, Dr Michael Ruane.

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 and review services

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

Total remuneration

Consolidated	
Year ended 30 June 2019	Year ended 30 June 2018
\$	\$

27,030	41,000
27,030	41,000

2. Joint Venture Audit services

Audit of the Penny's Find Joint Venture -2018

- 2019

28,000	20,000
-	-

3. Company Tax Compliance Services

6,000	5,050
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Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires the company's auditors, HLB Mann Judd, to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2019. 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.



Michael Ruane

Director

Perth, Western Australia

13 September 2019

EMPIRE RESOURCES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Consolidated	
		2019 \$	2018 \$
Revenue - sale of gold and silver		-	18,360,847
Interest income		7,275	146,764
Other income	2	559,285	764,000
Interest expense		(7,567)	(30,105)
Depreciation expense		(13,572)	(1,194)
Amortisation expense	11	-	(3,265,264)
Exploration expense		(157,379)	(280,885)
Pre Mining expense		-	(4,030)
Care and maintenance / Surface Mining expense	3	(395,810)	(13,881,766)
Impairment of receivable		-	(1,119,294)
Employee benefits expense		(85,616)	(168,870)
Management fee expense		(143,750)	(253,800)
Directors' fees expense		(98,798)	(49,146)
Accounting expense		(88,360)	(71,722)
Consultancy expense		(73,913)	(14,500)
ASX expense		(23,398)	(32,821)
Corporate relations expense		(4,382)	(134,695)
Insurance expense		(62,537)	(17,086)
Fair value loss on equity investment	9	(500,678)	-
Other expenses		(234,787)	(295,411)
Loss before income tax		(1,323,987)	(348,978)
Income tax benefit	4	-	-
Net loss for the year		(1,323,987)	(348,978)
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of equity investment		-	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 income (loss) for the year		(1,323,987)	197,022
Basic and diluted loss per share (cents per share)	5	(0.24)	(0.07)

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 2019

	Note	Consolidated	
		2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	893,302	1,008,062
Trade and other receivables	7	316,757	422,130
Other financial assets	8	20,000	20,000
Financial assets at fair value through profit or loss	9	69,407	910,000
Total Current Assets		1,299,466	2,360,192
NON-CURRENT ASSETS			
Plant and equipment	10	82,708	151,320
Total Non-Current Assets		82,708	151,320
TOTAL ASSETS		1,382,174	2,511,512
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	356,383	1,240,065
Provision for restoration and rehabilitation	14	-	13,263
Total Current Liabilities		356,383	1,253,328
NON-CURRENT LIABILITIES			
Provision for restoration and rehabilitation	14	-	217,703
Total Non-Current Liabilities		-	217,703
TOTAL LIABILITIES		356,383	1,471,031
NET ASSETS		1,025,791	1,040,481
EQUITY			
Issued capital	15	22,806,499	21,497,202
Reserves	16	1,737,474	2,283,474
Accumulated losses		(23,518,182)	(22,740,195)
TOTAL EQUITY		1,025,791	1,040,481

*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 2019

	Consolidated				
	Issued Capital \$	Accumulated Losses \$	Option Reserves \$	Asset Revaluation Reserve \$	Total \$
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
Balance at 1 July 2018	21,497,202	(22,740,195)	1,737,474	546,000	1,040,481
Adjustment to the opening balance of accumulated losses on initial application of AASB 9 in relation to equity investments	-	546,000	-	(546,000)	-
	21,497,202	(22,194,195)	1,737,474	-	1,040,481
Loss for the year	-	(1,323,987)	-	-	(1,323,987)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(1,323,987)	-	-	(1,323,987)
Shares issued during the year	1,386,132	-	-	-	1,386,132
Equity issue expenses	(76,835)	-	-	-	(76,835)
Balance at 30 June 2019	22,806,499	(23,518,182)	1,737,474	-	1,025,791

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 2019

	Note	Consolidated	
		2019 \$	2018 \$
Cash Flows from Operating Activities			
Receipts from customers		1,200	17,981,062
Payments for exploration and evaluation expenditure		(187,671)	(312,886)
Payments for suspension of operations		(400,129)	-
Payments for pre mining expenditure		-	(4,030)
Payments for surface mining expenditure		(259,263)	(5,994,748)
Payments to suppliers and employees		(1,380,651)	(2,094,209)
Interest received		6,601	1,135
Other		7,466	-
Interest paid		(7,423)	(34,232)
Finance costs		-	(2,445,249)
Net cash (outflow) / inflow from operating activities	6 (i)	(2,219,870)	7,096,843
Cash Flows from Investing Activities			
Purchase of plant and equipment		(63,813)	(3,282)
Payment for mine properties		-	(127,192)
Proceeds from sale of plant and equipment		4,000	12,037
Payments to joint venture on behalf of Brimstone Resources Ltd		-	(281,600)
Receipts from joint venture on behalf of Brimstone Resources Ltd		-	370,000
Proceeds from sale of financial assets		346,594	480,000
Proceeds from sale of Tenement		200,000	-
Cash acquired on acquisition of 40% share of Penny's Find JV	2	313,591	-
Net cash inflow from investing activities		800,372	449,963
Cash Flows from Financing Activities			
Proceeds from issue of equity securities		1,335,982	-
Equity securities issue costs		(31,244)	(17,500)
Repayment of funding facility		-	(6,756,691)
Proceeds from borrowings		500,000	445,000
Repayments of borrowings		(500,000)	(595,000)
Net cash inflow / (outflow) from financing activities		1,304,738	(6,924,191)
Net (decrease) / increase in cash held		(114,760)	622,615
Cash at the beginning of the year		1,008,062	385,447
Cash at the end of the year	6	893,302	1,008,062

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 2019

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 2018 financial report, unless otherwise stated.

(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, and is presented in Australian dollars.

The financial report was authorised for issue by the Board on 13 September 2019.

(b) Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$1,323,987 (2018: \$348,978) and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of \$2,219,870 (2018: Inflow \$7,096,843), cash inflows from investing activities of \$800,372 (2018: \$449,963) and a cash inflow from financing activities of \$1,304,738 (2018: Outflow \$6,924,191). 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 working capital of \$943,083 (2018: \$1,106,864) at balance date, operating lease commitments for the next 12 months of \$Nil (2018: \$5,098) and exploration expenditure commitments for the next 12 months of \$197,947 (2018: \$246,567), as disclosed in Note 18,
- The Directors anticipate to receive a further \$200,000 from Orminex Penny's Find Pty Ltd in the 2020 financial year, 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.

Should this payment from Orminex not be received or other working capital not be realised, 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 2019

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 128 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 9. 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 2019

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.

When the Group undertakes its activities under a joint operation, the Group recognises its share of assets held jointly, its liabilities incurred jointly and its share of revenue and expenses from the joint operation.

(e) Plant and Equipment

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

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

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

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

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

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

(f) Income Tax

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

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

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

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

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

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

(g) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

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

(h) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of the acquisition plus costs incidental to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(i) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

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

(j) Financial instruments

Applicable to 30 June 2019

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows

the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derecognition of financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired or been transferred;
- has transferred substantially all the risks and rewards of the asset, or
- The Group no longer controls the asset.

Applicable to 30 June 2018

Recognition

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

Loans and receivables

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

Available-for-sale financial assets

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

Financial liabilities

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(k) 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.

(l) Employee Entitlements

Salaries, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other creditors in respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Equity settled transactions

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

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.

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

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

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

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

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

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

(m) Trade and other receivables

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

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

(n) Trade and other payables

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

(o) Issued capital

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

(p) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits

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

(q) Revenue Recognition

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

(i) Interest

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

(ii) Sundry income

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

(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.

(r) 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.

(s) Critical accounting estimates and judgements

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

Key Estimates — Impairment

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

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 model 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.

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.

(t) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for annual reporting periods beginning on or after 1 July 2018.

As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018.

Due to the transition methods chosen by the Group in applying AASB 9 and AASB 15, comparative information throughout the financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied. All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The Company has elected to designate its equity investments on the date of initial application, 1 July 2018, as fair value through profit or loss. As a result, the balance of the asset revaluation reserve at 1 July 2018 has been transferred to accumulated losses.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

1. Statement of Significant Accounting Policies (continued)

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information.

AASB 15 Revenue from Contracts with Customers

The Directors have determined that there is no material impact of AASB 15 on the Group and therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adapted

The Directors have also reviewed all new Standards and Interpretation that have been issued but are not yet effective for the year ended 30 June 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Group accounting policies.

(u) Segment Reporting

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

(v) 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.

(w) 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 2019

2. Revenue and other income

	Consolidated	
	2019 \$	2018 \$
Other income		
Net gains on disposal of financial assets	6,679	140,000
Net gain on recognition of available-for-sale asset	-	624,000
Net gain on sale of tenement ²	159,911	-
Net gain on acquisition of share of Penny's Find JV ¹	299,687	-
Option agreement income	80,000	-
Other income	13,008	-
	559,285	764,000

¹ On the 12 July 2018, the Company terminated the joint operation and on 21 September 2018 entered into a settlement with Brimstone Resources Limited for its 40% interest in the joint operation. Resulting from the settlement the Company recognised a gain in profit or loss of \$299,687 primarily from the cash (\$313,591) within the joint operation and the mining related assets.

² The net gain represents a cash receipt from Orminex (refer note 18) less proceeds allocated to mining assets sold to Orminex from the sale of the Penny's Find Mine.

3. Loss from ordinary activities

	Consolidated	
	2019 \$	2018 \$
The loss from ordinary activities before income tax has been determined after:		
(a) Expenses		
Rehabilitation	-	1,137
Labour	16,757	743,637
Contractors fixed costs	-	1,122,263
Day Works	-	111,256
Load & Haul Waste	-	2,599,802
Fuel	-	609,626
Rehabilitation written back ¹	(384,943)	(585,738)
Other surface mining costs	237,125	7,022,080
Finance costs - mining contractors	-	2,147,561
Suspension of operations	468,918	91,730
Underground	57,953	18,412
Care and maintenance / Surface Mining expense	395,810	13,881,766

¹ The reversal of the provision for rehabilitation and restoration was recognised on disposal of the Penny's Find Mine. Refer note 18 for further details.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

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	
	2019 \$	2018 \$
Loss before tax	(1,323,987)	(348,978)
Income tax benefit at 27.5% (2018:27.5%)	364,096	95,969
Tax effect of:		
- deductible capital raising expenditure	30,235	26,890
- non deductible expenditure	(217)	(337)
- non assessable income	82,414	-
- deductible temporary differences	168,992	(113,657)
- gain on recognition of available-for-sale asset	-	171,600
Deferred tax asset not recognised	(645,520)	(180,465)
Income tax benefit attributable to loss from ordinary activities before tax	-	-

(c) Unrecognised deferred tax balances

Tax losses attributable to members of the Group - revenue	16,108,421	16,035,887
Potential tax benefit at 27.5%	4,429,816	4,409,869
Amounts recognised in statement of comprehensive income		
- employee provisions	25,809	74,161
- provision for restoration and rehabilitation	-	69,290
- provision for impairment of receivables	57,577	-
- other	9,350	53,291
- financial assets	137,686	-
- accrued interest	(409)	-
Amounts recognised in equity		
- share issue costs	59,715	75,077
Net unrecognised deferred tax asset at 27.5%	4,719,545	4,681,688

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

5. Loss per share

	Consolidated	
	2019 Cents	2018 Cents
Basic and diluted loss per share (cents per share)	(0.24)	(0.07)
Loss used in the calculation of basic EPS (\$)	(1,323,987)	(348,978)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	557,988,511	483,201,475

6. Cash and cash equivalents

	Consolidated	
	2019 \$	2018 \$
Cash at bank and in hand	893,302	1,008,062
	893,302	1,008,062

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	
	2019 \$	2018 \$
Loss after income tax	(1,323,987)	(348,978)
Depreciation	86,381	58,495
Amortisation	-	3,265,264
Gains on disposal of financial assets	(6,679)	(140,000)
Gain on recognition of available-for sale asset	-	(624,000)
Proceeds from sale of motor vehicle	(4,000)	-
Impairment of receivable	-	1,119,294
Net gain from sale of tenement	(159,911)	-
Gain on acquisition of share of Penny's Find JV	(299,687)	-
Fair value loss on equity investment	500,678	-
	(1,207,205)	3,330,075
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	222,994	(459,277)
(Decrease)/increase in trade and other payables	(668,215)	(673,865)
(Decrease)/increase in borrowings	-	5,508,285
(Decrease)/increase in employee benefits	(182,501)	(29,317)
(Decrease)/increase in provisions	(384,943)	(579,058)
Net cash (outflow) / inflow from operating activities	(2,219,870)	7,096,843

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

7. Trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Current		
Trade receivables	-	24,453
JV Trade receivables	-	52,622
Payments to JV on behalf of Brimstone Resources Ltd	-	739,600
Interest on loan to Brimstone Resources Ltd	-	201,450
GST receivables	8,533	193,289
Other receivables	517,594	330,010
Provision for impairment of receivables	(209,370)	(1,119,294)
	316,757	422,130

Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. In addition, the Group applies AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

A portion of the other receivables balance of \$516,108 and the impairment provision of \$209,370 relate to a dispute over gold not accounted for from a milling campaign conducted by Eastern Goldfields Mining Services (EGMS) late in 2017. The Company is seeking to recover gold owed with a value in excess of \$1 Million. The matter is currently being referred to Arbitration.

	Consolidated	
	2019	2018
	\$	\$
Aging of past due		
30-60 days	-	-
60-90 days	-	-
90-120 days	516,108	309,665
Total	516,108	309,665

8. Financial assets

	Consolidated	
	2019	2018
	\$	\$
Deposit	20,000	20,000
	20,000	20,000

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

9. Financial assets available -for-sale through profit or loss

(a) Financial assets available for sale through profit or loss

	Consolidated	
	2019 \$	2018 \$
Listed shares-investment in FYI Resources Ltd - at fair value	69,407	910,000
	69,407	910,000

Financial Assets

Balance at the beginning of year	910,000	910,000
Disposals	(339,915)	-
Fair value loss on financial asset	(500,678)	-
Carrying amount at the end of the year	69,407	910,000

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 2019 %	Percentage Owned 2018 %
	Parent Entity: Empire Resources Limited	Australia	
Subsidiary of Empire Resources Limited: Torrens Resources Pty Ltd	Australia	100	100

10. Plant and equipment

	Consolidated	
	2019 \$	2018 \$
Plant and Equipment		
Cost	54,562	159,815
Accumulated depreciation	(52,692)	(102,549)
	1,870	57,266
Motor Vehicles		
Cost	166,472	179,270
Accumulated depreciation	(85,634)	(85,216)
	80,838	94,054
Total Plant and Equipment	82,708	151,320

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

10. Plant and Equipment (continued)

	Consolidated	
	2019 \$	2018 \$
Plant and Equipment		
Balance at the beginning of year	57,266	93,399
Additions on settlement of PFJV	37,695	2,032
Disposals	(40,089)	-
Depreciation expense	(53,002)	(38,165)
Carrying amount at the end of the year	<u>1,870</u>	<u>57,266</u>
Motor Vehicles		
Balance at the beginning of year	94,054	50,569
Additions on settlement of PFJV	20,163	63,812
Depreciation expense	(33,379)	(20,327)
Carrying amount at the end of the year	<u>80,838</u>	<u>94,054</u>
Total Plant and Equipment	<u>82,708</u>	<u>151,320</u>

11. Mine Properties

	Consolidated	
	2019 \$	2018 \$
Cost	5,442,107	3,265,264
Accumulated amortisation	(5,442,107)	(3,265,264)
Carrying value	<u>-</u>	<u>-</u>
	2019	2018
	\$	\$
Balance at beginning of year	-	3,265,264
Amortisation for the year	-	(3,265,264)
	<u>-</u>	<u>-</u>

12. Trade and other payables

	Consolidated	
	2019 \$	2018 \$
Trade payables and accruals ¹	262,531	898,209
Employee benefits	93,852	261,856
Other payables	-	80,000
	<u>356,383</u>	<u>1,240,065</u>

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

¹ Included in these balances are amounts owing to key management personnel at balance date of \$187,455 (2018: \$364,075).

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

13. Borrowings

Changes in liabilities arising from financing activities

	Consolidated	
	2019 \$	2018 \$
JV Borrowings at 1 July	-	1,121,621
Additions to borrowings from Mining Contractor	-	5,898,526
Finance costs incurred	-	2,147,560
Repayment of borrowings to Mining Contractor	-	(6,756,691)
Finance costs paid	-	(2,411,016)
Balance at 30 June	-	-
Director and other loans at 1 July	-	151,300
Additions to borrowings	500,000	445,000
Finance costs incurred	6,267	31,647
Repayment of borrowings	(500,000)	(595,000)
Finance costs paid	(6,267)	(32,947)
Balance at 30 June	-	-

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

14. Provision for restoration and rehabilitation

	Consolidated	
	2019 \$	2018 \$
Current		
Provision for restoration and rehabilitation	-	13,263
	-	13,263
Non-Current		
Provision for restoration and rehabilitation	-	217,703
	-	217,703

The provision for restoration and rehabilitation related to the estimated cost of rehabilitation work to be carried out in relation to the removal of facilities, closure of sites and restoring the affected areas at Penny's Find. In May 2019, the Company agreed to sell Penny's Find.

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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

15. Issued Capital (continued)

	Consolidated	
	2019	2018
	\$	\$
621,814,690 (30 June 2018: 483,201,475) fully paid ordinary shares	22,806,499	21,497,202
	No.	No.
(i) Ordinary shares - number		
At 1 July	483,201,475	483,201,475
Share placement - 131,098,215 on 11 December 2018 at \$0.01	131,098,215	-
Issue of 2,500,000 shares at \$0.01 on 6 March 2019	2,500,000	-
Issue of 5,015,000 shares at \$0.01 on 6 March 2019	5,015,000	-
Balance at 30 June	621,814,690	483,201,475
	\$	\$
(ii) Ordinary shares – value		
At 1 July	21,497,202	21,497,202
Share placement - 131,098,215 on 11 December 2018 at \$0.01	1,310,982	-
Issue of 2,500,000 shares at \$0.01 on 6 March 2019	25,000	-
Issue of 5,015,000 shares at \$0.01 on 6 March 2019	50,150	-
Less share issue costs	(76,835)	-
Balance at 30 June	22,806,499	21,497,202

(b) Options

As at 30 June 2019 (30 June 2018: 32,102,000) the Company had the following options on issue over ordinary shares:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
18-Jul-16	18-Jul-19	0.040	9,000,000
			9,000,000

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

16. Reserves

	Consolidated	
	2019	2018
	\$	\$
Reserves	1,737,474	2,283,474
Reserves comprise the following:		
Options reserve		
Balance at 30 June	1,737,474	1,737,474
Asset revaluation reserve		
Balance as at start of financial year	546,000	-
Adjustment to the opening balance of accumulated losses in applying AASB 9 to the changes in the fair value of available-for sale investments	(546,000)	-
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.

The asset revaluation reserve was 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 recognised 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 2019

17. Financial risk management (continued)

The Group hold the following financial instruments:

	Consolidated	
	2019 \$	2018 \$
Financial assets		
Cash and cash equivalents	893,302	1,008,062
Trade and other receivables	316,757	422,130
Term deposit	20,000	20,000
Listed equity investments	69,407	910,000
	1,299,466	2,360,192
Financial liabilities		
Trade and other payables	356,383	1,240,065
	356,383	1,240,065

(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 2019 and 2018, 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:

	2019		2018	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Deposit		20,000		20,000
Other cash available		893,302		1,008,062
Net exposure to cash flow interest rate risk	0.8%	913,302	0.3%	1,028,062

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 2019 and 2018, 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 listed equity 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 2019

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 Rate	Floating Interest Rate \$	Fixed Interest Rate Maturing Within Year \$	Non-interest bearing \$	Total \$
30 June 2019					
Financial Assets:					
Cash and cash equivalents	0.8%	893,302	-	-	893,302
Trade and other receivables		-	-	316,757	316,757
Other financial assets	2.4%	-	20,000	-	20,000
Listed equity investments		-	-	69,407	69,407
Total Financial Assets		893,302	20,000	386,164	1,299,466
Financial Liabilities:					
Trade and other payables		-	-	356,383	356,383
Total financial liabilities		-	-	356,383	356,383

	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Maturing Within Year \$	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
Total financial liabilities		-	-	1,240,065	1,240,065

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

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 2019	<6 months	6-12 months	1-5 years	>5 years	Total
Consolidated					
Financial assets					
Cash & cash equivalents	893,302	-	-	-	893,302
Trade & other receivables	316,757	-	-	-	316,757
Other financial assets	-	20,000	-	-	20,000
Listed equity investments	69,407	-	-	-	69,407
	<u>1,279,466</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>1,299,466</u>
Financial liabilities					
Trade & other payables	(356,383)	-	-	-	(356,383)
	<u>(356,383)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(356,383)</u>
Net maturity	<u>923,083</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>943,083</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.

18. Commitments and Contingencies

Consolidated	
2019	2018
\$	\$

(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
	<u>-</u>	<u>5,098</u>

The company entered into an operating lease on 1 August 2007 for office space it occupied in Victoria Park and vacated the premises in May 2019.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

18. Commitments and Contingencies (continued)

Consolidated	
2019	2018
\$	\$

(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	197,947	246,567
- between 12 months and 5 years	312,607	366,005
- greater than 5 years	701,748	257,722
	1,212,302	870,294

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 late in 2019 or early 2020.

Contingent asset

On 2 May 2019, the Company agreed with Orminex Penny's Find Pty Ltd (Orminex) to sell the Penny's Find mining tenements and some mining assets for \$600,000 plus an ongoing royalty stream. The cash component consists of \$600,000 from Orminex broken into three equal milestone payments:

- Completion payment - on signing of full form documents, which was received in May 2019,
- Mining Start payment - upon commencement of mining at the Penny's Find project, and
- First Gold payment - at the first gold pour.

Orminex has agreed to pay to the Company:

- an initial royalty for the first 50,000 ounces of gold produced from the tenement, and
- a further royalty on all future product derived from the tenement.

Orminex has agreed to pay to the Company:

- \$100,000 if underground mining has not commenced within 9 months of Orminex receiving licences from the WA Department of Water and Environmental Regulation,
- \$100,000 every 6 months thereafter if underground mining has not commenced, and
- \$100,000 if Orminex ceases mining operations for a continuous period exceeding 6 months, and \$100,000 every 6 months thereafter.

All payments related to the non-commencement or cessation of mining are:

- capped at a total of \$400,000, and
- will be treated as a prepayment of the Royalty.

The directors consider it probable that Mining Start and First Gold payment will be received by the Company.

19. Directors and other key management personnel

(i) Details of Key Management Personnel

Chairman – non-executive

Dr M Ruane (from 3 October 2018)

Mr L Christensen (from 23 April 2018 – 27 November 2018)

Managing Director

Mr D Sargeant (from 13 April 2000 – 3 July 2019)

Mr S Richardson (from 4 July 2019)

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

19. Directors and other key management personnel (continued)

Non-Executive Director

Mr J Atkinson (from 3 October 2018)

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

Mr C Banasik (from 17 July 2018 – 2 October 2018)

Mr B Fraser (from 17 July 2018 – 2 October 2018)

(ii) Compensation of Key Management Personnel

	Consolidated	
	2019 \$	2018 \$
Short-term employee benefits	242,548	302,946
	242,548	302,946

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	
	2019 \$	2018 \$
Amounts payable at balance date to Key Management Personnel in relation to remuneration		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	156,255	299,475
Kesli Chemicals Pty Ltd - Mr M Ruane	27,900	-
Northshore Capital Advisors Pty Ltd - Mr J Atkinson	3,300	-
Murilla Exploration Pty Ltd - Mr A Jessup	-	6,600
Mr T Revy	-	52,500
Pooky Corporation Pty Ltd - Mr L Christensen	-	5,500
	187,455	364,075

	Consolidated	
	2019 \$	2018 \$
Interest expense on unsecured loans		
DW Sargeant Pty Ltd - Mr D Sargeant	-	5,338
Kesli Chemicals Pty Ltd - Mr M Ruane	6,267	-
	6,267	5,338

For the loan from Dr Michael Ruane, an interest rate of 7.5% was calculated daily and was payable at maturity.

For the loan from David Sargeant, 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 2019

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 Related Parties \$	Amounts owed by Related Parties as at 30 June \$	Amounts Owed to Related parties as at 30 June \$
Consolidated					
Brimstone Resources	2019	-	6,700	-	-
	2018	-	77,893	739,600	-

The Group had a 60% interest (2018: 60%) in the Penny's Find Joint Venture. On the 12 July 2018, the Company terminated the joint operation and on 21st September 2018 entered into a settlement with Brimstone Resources for its 40% interest in the joint operation.

21. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd.

	Consolidated	
	2019 \$	2018 \$
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of the financial reports of the Company	27,030	41,000
Audit of the Penny's Find Joint Venture - 2018	28,000	20,000
- 2019	-	-
Tax Compliance	6,000	5,050

22. Share Based Payments

(a) Option plan

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
	2019	2019	2018	2018
Outstanding at the beginning of the year	32,102,000	\$0.03	32,102,000	\$0.03
Expired 3 May 2019	(22,102,000)	\$0.025	-	-
Expired 22 June 2019	(1,000,000)	\$0.04	-	-
Outstanding at the end of the year	9,000,000	\$0.04	32,102,000	\$0.03

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

22. Share Based Payments (continued)

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 options in existence during the year:

	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	\$0.025	03-May-16	\$0.02	240%	3 years	0%	2.00%	\$0.02
Manager options ¹	03-May-16	03-May-19	\$0.025	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

There were \$Nil (2018: \$Nil) expenses arising from share-based payment transactions recognised during the period.

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.

24. Events after the Balance Date

On 11 July 2019, Empire made an investment in NTM Gold Limited by investing \$1.5 million at 3.25 cents per share for 46.15 million shares.

The company obtained an unsecured loan of \$1.5 million with a 12 month term and 7.5% interest from the Non-executive Chairman, Dr Michael Ruane. The Company must repay the loan and interest on the earlier of:

- 11 July 2020, or
- on presentation of an Event of Default Notification, or
- seven days from the date of a successful capital raising in excess of \$1.5 million, or
- seven days from the date on which any bidder for the Company becomes entitled to 50% or more of the Company's fully paid securities.

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 Group in future financial periods.

Empire Resources Limited

Notes to the Financial Statements 30 June 2019

25. Parent Entity Financial Information

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

	Parent Entity	
	2019	2018
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	893,302	1,008,062
Trade and other receivables	316,757	422,130
Other financial assets	20,000	20,000
Assets classified as held for sale	69,407	910,000
Total Current Assets	1,299,466	2,360,192
NON-CURRENT ASSETS		
Plant and equipment	82,708	151,320
Total Non-Current Assets	82,708	151,320
TOTAL ASSETS	1,382,174	2,511,512
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	356,383	1,240,065
Provision for restoration and rehabilitation	-	13,263
Total Current Liabilities	356,383	1,253,328
NON-CURRENT LIABILITIES		
Provision for restoration and rehabilitation	-	217,703
Total Non-Current Liabilities	-	217,703
TOTAL LIABILITIES	356,383	1,471,031
NET ASSETS	1,025,791	1,040,481
EQUITY		
Issued capital	22,806,499	21,497,202
Reserves	1,737,474	2,283,474
Accumulated losses	(23,518,182)	(22,740,195)
TOTAL EQUITY	1,025,791	1,040,481
Loss before income tax expense	(1,324,236)	(348,978)
Other comprehensive loss for the year, net of tax	-	546,000
Total comprehensive income / (loss) for the year	(1,324,236)	197,022

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 2019 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 2019.

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



Michael Ruane
Director

Perth, Western Australia
13 September 2019

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
13 September 2019



D I Buckley
Partner

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INDEPENDENT AUDITOR'S REPORT

To the members of Empire Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Empire Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 that a material uncertainty exists 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
<p>Sale of Penny's Find Mining Tenements Note 18 of the Financial Report</p> <p>Following the acquisition of the remaining 40% interest in the Penny's Find Joint Venture from Brimstone Resources Limited, the Company disposed of the Penny's Find Gold Mine to Orminex Penny's Find Pty Ltd, which included a 100% interest in the mining tenements and existing site infrastructure and certain equipment.</p> <p>We have considered this to be a key audit matter due to the importance to readers of the financial report, the material nature of the transaction and the audit effort required to substantiate the transaction.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We reviewed and critically assessed the Sale and Purchase Agreement to understand the key terms and conditions; and • We substantiated the consideration recognised and disclosed in Note 18 of the financial report and the assets and liabilities derecognised on the sale.
<p>Acquisition of the remaining 40% in the Penny's Find Joint Venture Note 2 of the Financial Report</p> <p>On 12 July 2018, the Company terminated the Penny's Find Joint Venture operation and on 21 September 2018 entered into a settlement with Brimstone Resources Limited to acquire its 40% interest in the joint venture operation and the mining related assets.</p> <p>We have considered this to be a key audit matter due to the importance to readers of the financial report, the material nature of the transaction and the audit effort required to substantiate the transaction.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We reviewed and critically assessed the Deed of Settlement and Release to understand the key terms and conditions; • We assessed the accounting entries at acquisition date; and • We assessed the appropriateness of the amounts consolidated into the Company's general ledger at acquisition.
<p>Impairment of receivable Note 7 of the Financial Report</p> <p>Management has disclosed the ongoing arbitration with Eastern Goldfields Mining Services (EGMS) in relation to a dispute over gold not accounted for from a milling campaign conducted in late 2017. The Company has made an assessment of the recoverable amount of this receivable.</p> <p>The is considered a key audit matter due to the importance to readers of the financial report and judgment involved.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We obtained a written confirmation from the Company's solicitors acting on the matter; • We assessed and discussed the disclosure with management; and • We reviewed correspondence in relation to the matter.

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 2019 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.

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 within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Empire Resources Limited for the year ended 30 June 2019 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
13 September 2019



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 10 September 2019.

(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	62
5,001 - 10,000	97
10,001 - 100,000	661
100,001 - and over	447
	<u>1,365</u>

The number of shareholdings held in less than marketable parcels is 623.

(b) Twenty largest shareholders

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

SHAREHOLDERS	Number of shares held	% Holding
1 KESLI CHEMICALS PL	71,131,447	11.44%
2 BLAMNCO TRADING PL	35,000,000	5.63%
3 TYSON RES PL	28,064,582	4.51%
4 KESLI CHEMICALS PL RUANE S/F A/C	25,108,931	4.04%
5 BILL BROOKS PL BILL BROOKS S/F A/	20,609,174	3.31%
6 FITALL GRP LTD	20,000,000	3.22%
7 RBJ NOM PL SUPER FUND A/C	12,400,000	1.99%
8 AGENS PL MARK COLLINS S/F A	12,158,852	1.96%
9 LEEJAMES NOM PL HEPBURN S/F A/C	12,000,000	1.93%
10 CHRISTIE LACHLAN ANTHONY	10,450,001	1.68%
11 BILL BROOKS PL BILL BROOKS FAM A/	10,000,000	1.61%
12 ZINFANDEL EXPL PL	9,861,869	1.59%
13 SANGORA HLDGS PL	9,000,000	1.45%
14 ARMCO BARRIERS PL	8,100,000	1.30%
15 CAMIRA HLDGS PL	7,000,000	1.13%
16 HSBC CUSTODY NOM AUST LTD	6,944,444	1.12%
17 CROSBY CORP PL	6,493,031	1.04%
18 PROE ROBERT WILLIAM	5,647,143	0.91%
19 ATKINSON JEREMY P + S C ATKINSON SMSF A/C	5,266,667	0.85%
20 TUCKWELL ZACHARY	5,000,000	0.80%
	<u>320,236,141</u>	<u>51.51%</u>

(c) Substantial Shareholder

Shareholder	Number of shares
MICHAEL RUANE	124,304,960
BLAMNCO TRADING PL	35,000,000

(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 621,814,690

(e) Voting rights

All shares carry one vote per unit without restriction.

**INTERESTS IN MINING AND EXPLORATION TENEMENTS
AT 10 SEPTEMBER 2019**

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%	
	P27/2245	100%	
	P27/2262	100%	
	YUINMERY	M57/265	100%
M57/636		100%	
E57/1037		100%	
E57/681		-	Option*
E57/1027		-	Option*
BARLOWEERIE	E59/2306		Pending

* subject to signing a deed of assumption whereupon interest will be 91.89%