



EMPIRE RESOURCES LIMITED

ABN 32 092 471 513

Annual Report

30 June 2020

Corporate Directory

Directors	:	Michael Ruane Sean Richardson Jeremy Atkinson
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 (WA) Partnership Level 4 130 Stirling Street Perth WA 6000
Share Registry	:	Automic Group Level 2 267 St Georges Terrace Perth WA 6000
Australian Securities Exchange		Home Branch: Perth Code: ERL
ABN	:	32 092 471 513

Empire Resources Limited
Review of Operations

REVIEW OF OPERATIONS

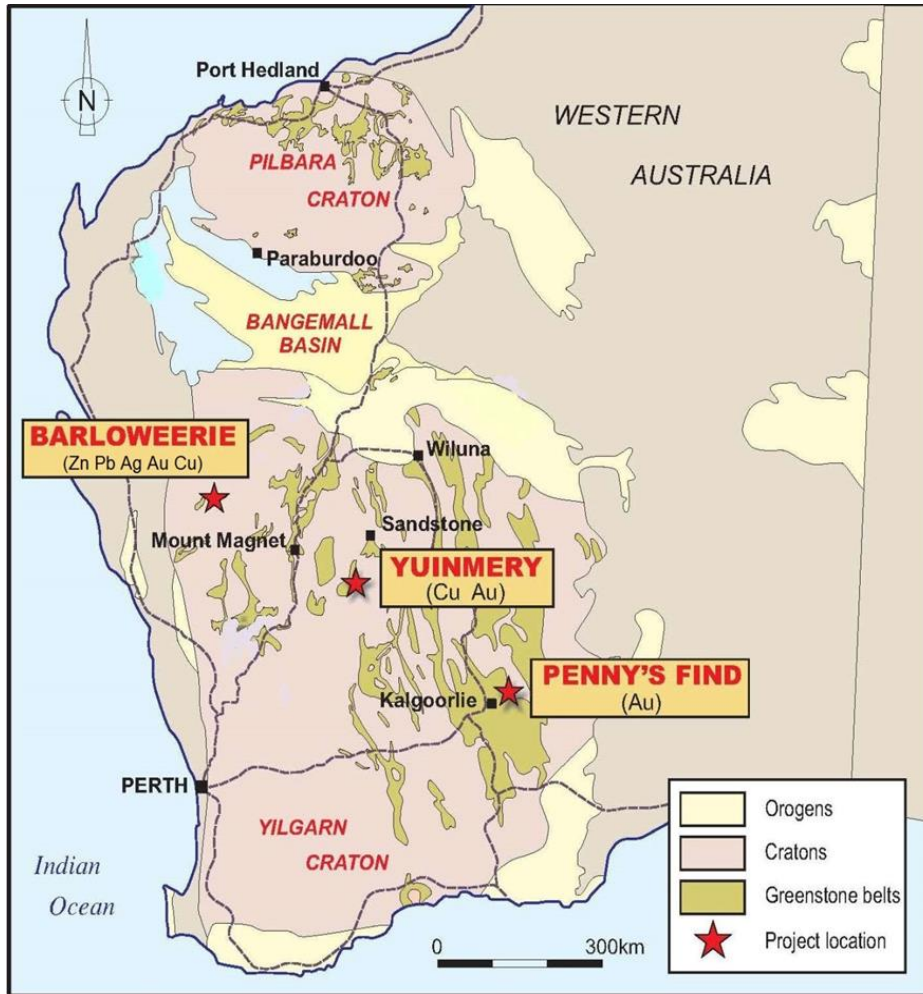


Figure 1 : Project Location Map

Penny's Gold Project (WA)

The Penny's Gold Project is located 50km east of Kalgoorlie, Western Australia within the north-northwest trending Gindalbie greenstone belt consisting of a sequence of mafic-ultramafic volcanic rocks with intercalated horizons of felsic volcanic rocks and metasediments. The sequence has been subjected to multiple deformation events resulting in significant folding, pronounced foliation, and a northerly plunging mineral lineation. To the east of the project is the GMQ shear where subsidiary structures are common and locally appear to influence spatial distribution of gold mineralisation, particularly where structures intersect or bifurcate. Outcrop within the project area is poor with the regolith dominated by a deeply dissected laterite weathering profile and the subsequently derived colluvial products.

Gold mineralisation at Penny's occurs within a lower order northwest trending shear that intersects a northerly trending structure. This structure is interpreted to continue to the north through the project area. To the east of this structure and within the project area lie multiple northerly and northwest trending structures interpreted from reprocessed aeromagnetic data.

During the June 2019 quarter, the Company engaged an independent geological consultant to complete a comprehensive geological review of the Company's Penny's Gold Project. The review included the collection, collation and interpretation of geochemical (surface and drilling), geological mapping and geophysical datasets (aeromagnetic and electromagnetic surveys) from Company and historical sources.

Drilling during the year demonstrated the strong potential for the project to host structurally controlled gold mineralisation comparable to the Penny's Find open pit mine (now excluded from the Project area), where 18,356oz was recovered by Empire from 138,272 tonnes grading 4.47g/t Au between 2017 and 2018.

Empire Resources Limited

Review of Operations

Yuinmery Project (Cu-Au)

The Yuinmery Copper-Gold project is located in the Mid-West region of Western Australia and consists of five granted tenements, two mining and three exploration, for a total area of 84.5 km². The project has a current JORC 2012 Resource of 2.52Mt @ 1.31% Cu, 0.49g/t Au and 1.76g/t Ag using a 0.5% Cu cut-off (refer ASX:ERL announcement "Updated copper-gold Resource Yuinmery Project" 17 May 2016).

The Yuinmery project area covers the eastern portion of the Archaean Youanmi greenstone belt with rock types consisting largely of mafic and ultramafic volcanics with altered chloritic felsic and intermediate volcanic units. The volcanic units contain a number of intercalated strongly sulphidic cherty sediments, which are host to Volcanic Massive Sulphide (VMS) copper-gold mineralisation. The project area lies between the Youanmi Shear zone (western boundary) and the Yuinmery Shear zone (eastern boundary) with the southern area covering the southern closure of a northerly plunging syncline.

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.

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.

The Company completed several drilling campaigns at Yuinmery during the year and looks forward to further exploration in the future.

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

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

The exploration licence 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.

CORPORATE ACTIVITIES

Rights Issue

During the December 2019 quarter, the Company conducted a 2:5 Rights Issue which raised \$1,227,352, before costs, by the issue of 153,418,999 fully paid shares. An additional 24,550,000 shares were issued in January 2020 as part of a short fall and small scale offering placement, raising \$196,400.

FYI Resources Limited

During the year, the Company sold 1,334,743 shares in FYI Resources Limited (ASX:FYI), realising proceeds of \$87,590. Empire's holding in FYI at the close of the June quarter was nil shares.

NTM Gold Ltd

During the year 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. During the year, the Company sold 261,292 shares in NTM Gold Limited (ASX:NTM), realising proceeds of \$22,210.

Empire's holding in NTM at 30 June 2020 was 45,888,708 shares.

Dr Ruane has held NTM stock since early 2018 and currently holds 43.76 million shares. This combined with the Company's holding comprises 13% of NTM's expanded capital.

Dr Ruane was appointed a Director of NTM in April 2020.

Empire Resources Limited

Review of Operations

Loan Facility

The investment in NTM was funded from cash reserves and an unsecured loan of \$1.5M provided by Empire's Non-Executive Chairman and major shareholder, Dr Michael Ruane.

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.

The term was extended indefinitely in July 2020.

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.

Legal claim

Johannes (Steve) Norregaard 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 defended the claim which settled in January 2020.

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.

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 2020.

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

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
Reward Minerals Ltd	Executive Director	02/12/2004
NTM Gold Ltd	Director	24/04/2020

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.

Jeremy Atkinson – Non Executive Director BA CPA GradDipAppFin

Mr Atkinson is a qualified CPA (Australia), professionally trained in project financial modelling. In the past eight 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.

David Sargeant - Non-Executive Director - BSc. MAusIMM – Resigned 15 August 2020

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

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

Empire Resources Limited

Directors' Report

before joining Price Waterhouse in Perth. During the past 18 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 was a non-executive Director and Company Secretary of West African Resources Ltd until his retirement in May 2020, CFO and Company Secretary of BlackEarth Minerals Ltd until September 2020 and currently acts as CFO & Company Secretary for two unlisted companies.

Principal Activities

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

Dividends

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

Result for the Financial Period

Profit from ordinary activities after provision for income tax was \$422,038 (2019: Loss \$1,323,987).

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

In July 2019, the Company made an investment in NTM Gold Limited (NTM) by investing \$1.5 million at 3.25 cents per share for 46.15 million shares. At 30 June 2020, the Company recognised a gain on NTM financial assets of \$2,193,431 (2019: \$Nil) which represented an increase in the market value of NTM to 8 cents per share.

Expenses

Interest expense was up to \$110,651 (2019: \$7,567) due to the 7.5% interest on an unsecured loan of \$1.5 million from an entity associated with Dr Michael Ruane.

The Company conducted exploration activities at its various exploration projects with expenditure on exploration increasing 436% to \$846,643 (2019: \$157,379) which was mainly attributable to the drilling program at Yuinmery. During the year, the Company incurred legal fees relating to the EGMS dispute of \$190,808 (2019:\$69,824) which was included as a care and maintenance expense for the Penny's Find mine.

Operating cash flows

Cash outflow from operating activities was \$1,787,470 (2019: \$2,219,870) due to the reduced care and maintenance mining work at the previously owned Penny's Find mine. The payments for exploration and evaluation expenditure were increased due to the Yuinmery drilling program.

Investing cash flows

Cash inflows from investing activities were \$119,800 (2019: \$800,372) due to the sale of FYI Resources shares and NTM shares for \$109,800 (2019: \$346,594). In the prior year, the Company received the first payment for the sale of the Penny's Find mine for \$200,000 and on settlement with Brimstone Resources Ltd, the cash acquired was \$313,591.

Financing cash flows

Cash inflows from financing activities were \$1,372,415 (2019: \$1,304,738) following share placements of \$1,372,415 net of share issue costs (2019: \$1,304,738).

Statement of financial position

Current assets

Current assets increased by 256% to \$4,631,702 (2019:\$1,299,466) mainly due to the increase in value of the investment in NTM Gold Ltd shares.

Non-current assets

Non-current assets decreased by 43% to \$47,532 (2019: \$82,708) due to the depreciation of plant and equipment.

Current liabilities

Current liabilities increased by 415% to \$1,834,119 (2019: \$356,383) due to the \$1.5 million loan with an entity associated with Dr Michael Ruane.

Empire Resources Limited

Directors' Report

Review of Operations

Refer pages 2-4 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.

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% (2019: 9.5%) are paid on these fees as required by law.

At the forthcoming AGM in November 2020, shareholder approval will be sought to increase the aggregate fee pool to \$250,000 per year.

Empire Resources Limited

Directors' Report

Share-based compensation

Performance Related Share Issue

The Managing Director, Sean Richardson was issued with 20 million performance rights in Empire subject to the price of Empire's shares remaining 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 his engagement in July 2019.

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 Director

The Executive Director provides his services via an employee services agreement.

Non- executive 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	Salary	Post-employment benefits	Share-based payments Value of performance rights	Total	Performance based % of remuneration
		\$	\$	\$	\$	\$	\$	Options %
Directors								
Non-Executive								
Dr M Ruane ¹	2020	36,000	-	-	-	-	36,000	0%
	2019	27,000	-	-	-	-	27,000	0%
Mr J Atkinson ¹	2020	36,000	-	-	-	-	36,000	0%
	2019	26,806	-	-	-	-	26,806	0%
Mr D Sargeant ⁸	2020	36,000	-	-	-	-	36,000	0%
	2019	-	142,050	-	-	-	142,050	0%
Mr L Christensen ^{2,3}	2020	-	-	-	-	-	-	0%
	2019	25,000	-	-	-	-	25,000	0%
Mr A Jessup ⁴	2020	-	-	-	-	-	-	0%
	2019	-	1,700	-	-	-	1,700	0%
Mr C Banasik ^{5,6}	2020	-	-	-	-	-	-	0%
	2019	8,760	-	-	-	-	8,760	0%
Mr B Fraser ^{5,6}	2020	-	-	-	-	-	-	0%
	2019	11,232	-	-	-	-	11,232	0%
Executive								
Mr S Richardson ⁷	2020	-	-	198,351	18,843	24,871	242,065	10%
Total Directors	2020	108,000	-	198,351	18,843	24,871	350,065	7%
	2019	98,798	143,750	-	-	-	242,548	0%

¹ Appointed 3 October 2018

² Appointed 23 April 2018

³ Resigned 27 November 2018

⁴ Resigned 17 July 2018

⁵ Appointed 17 July 2018

⁶ Resigned 2 October 2018

⁷ Appointed 4 July 2019

⁸ Resigned 15 August 2020

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.

Empire Resources Limited Directors' Report

2020 Shareholdings of Key Management Personnel

Directors	Balance at beginning of year	Granted as remuneration	Disposed	Acquired	Balance at end of year
Mr D Sargeant ²	8,016,668	-	-	4,153,332	12,170,000
Dr M Ruane	124,204,960	-	(200,000)	131,857,062	255,862,022
Mr J Atkinson	5,266,667	-	-	3,331,667	8,598,334
Mr S Richardson ¹	500,000	-	-	10,850,000	11,350,000
	<u>137,988,295</u>	<u>-</u>	<u>(200,000)</u>	<u>150,192,061</u>	<u>287,980,356</u>

¹ Appointed 4 July 2019

² Resigned 15 August 2020

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.

Performance rights

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

2020 Performance rights holdings of Key Management Personnel

Directors	Balance at beginning of year	Granted as remuneration	Exercised	Balance at end of year	Vested and exercisable at 30 June 2020
Mr D Sargeant ²	-	-	-	-	-
Dr M Ruane	-	-	-	-	-
Mr J Atkinson	-	-	-	-	-
Mr S Richardson ¹	-	20,000,000	-	20,000,000	-
	<u>-</u>	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>	<u>-</u>

¹ Appointed 4 July 2019

² Resigned 15 August 2020

Mr. Sean Richardson received 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.

Option holdings

There were no options over ordinary shares in the Company held during the reporting period by any director or key management personnel

End of Remuneration Report.

Empire Resources Limited Directors' Report

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

	Consolidated	
	2020 \$	2019 \$
Amounts payable at balance date to Key Management Personnel in relation to remuneration		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	16,500	156,255
Kesli Chemicals Pty Ltd - Dr M Ruane	18,000	27,900
Northshore Capital Advisors Pty Ltd - Mr J Atkinson	3,300	3,300
	37,800	187,455

The above amounts relate to unpaid remuneration.

Loans from Directors

	Consolidated	
	2020 \$	2019 \$
Amounts payable to Directors as unsecured loans		
Kesli Chemicals Pty Ltd - Dr M Ruane	1,556,096	-
	1,556,096	-
Interest expense on unsecured loans		
Kesli Chemicals Pty Ltd - Dr M Ruane	109,726	6,267

The company obtained an unsecured loan of \$1.5 million with a 12 month term and 7.5% interest from an entity associated with 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.

The term was extended indefinitely in July 2020.

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 performance rights issued by the Company at the date of this report is as follows:

Director	Number of Ordinary Shares		Number of Rights	
	Direct	Indirect	Direct	Indirect
Dr M Ruane	-	256,862,022	-	-
Mr J Atkinson	-	10,538,334	-	-
Mr S Richardson	-	11,350,000	20,000,000	-

Company Performance

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

Empire Resources Limited

Directors' Report

Likely Developments and Expected Results

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

Environmental Regulation

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

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

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2020 and the number of meetings attended by each director.

Director	Directors' Meetings	
	Meetings attended	Meetings held whilst a Director
Dr Michael Ruane	3	3
Mr Jeremy Atkinson	3	3
Mr David Sargeant ²	1	3
Mr Sean Richardson ¹	3	3

¹ Appointed 4 July 2019

² Resigned 15 August 2020

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

Proceedings on Behalf of the Company

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

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

Indemnification and Insurance of Directors and Officers

Indemnification

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

Insurance

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

Events subsequent to reporting date

On 7 August 2020, the Company issued 108,966,333 shares at 1.2 cents raising \$1,307,596.

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

Empire Resources Limited Directors' Report

Non-audit Services

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

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

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

Assurance Services

HLB Mann Judd (Current Auditor)

1. Audit 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 2020	Year ended 30 June 2019
\$	\$
29,633	27,030
<hr/> 29,633	<hr/> 27,030
2. Joint Venture Audit services	
Audit of the Penny's Find Joint Venture -2018	
-	28,000
<hr/>	<hr/>
3. Company Tax Compliance Services	
7,000	6,000
<hr/>	<hr/>

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires the company's auditors, HLB Mann Judd, to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2020. 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
17 September 2020

EMPIRE RESOURCES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	Consolidated	
		2020 \$	2019 \$
Interest income		2,492	7,275
Net fair value gain on financial assets	9	2,193,431	-
Other income	2	90,498	559,285
Interest expense		(110,651)	(7,567)
Depreciation expense		(3,517)	(13,572)
Exploration expense	3	(846,643)	(157,379)
Care and maintenance	3	(194,712)	(395,810)
Employee benefits expense		(125,271)	(85,616)
Management fee expense		-	(143,750)
Directors' fees expense		(108,000)	(98,798)
Accounting expense		(82,061)	(88,360)
Consultancy expense		(87,167)	(73,913)
Share-based payment	20	(24,871)	-
ASX expense		(19,976)	(23,398)
Corporate relations expense		(610)	(4,382)
Insurance expense		(19,660)	(62,537)
Net fair value loss on financial assets	9	-	(500,678)
Other expenses		(241,244)	(234,787)
Profit/(loss) before income tax		422,038	(1,323,987)
Income tax benefit		-	-
Net profit/(loss) for the year		422,038	(1,323,987)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		422,038	(1,323,987)
Basic and diluted earnings gain (loss) per share (cents per share)	5	0.06	(0.24)

*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 2020

	Note	Consolidated	
		2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	598,047	893,302
Trade and other receivables	7	352,558	316,757
Other financial assets	8	10,000	20,000
Financial assets at fair value through profit or loss	9	3,671,097	69,407
Total Current Assets		4,631,702	1,299,466
NON-CURRENT ASSETS			
Plant and equipment	10	47,532	82,708
Total Non-Current Assets		47,532	82,708
TOTAL ASSETS		4,679,234	1,382,174
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	278,023	356,383
Borrowings	12	1,556,096	-
Total Current Liabilities		1,834,119	356,383
TOTAL LIABILITIES		1,834,119	356,383
NET ASSETS		2,845,115	1,025,791
EQUITY			
Issued capital	13	24,178,914	22,806,499
Reserves	14	1,762,345	1,737,474
Accumulated losses		(23,096,144)	(23,518,182)
TOTAL EQUITY		2,845,115	1,025,791

*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 2020**

	Consolidated				Total \$
	Issued Capital \$	Accumulated Losses \$	Option Reserves \$	Asset Revaluation Reserve \$	
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 period	-	(1,323,987)	-	-	(1,323,987)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(1,323,987)	-	-	(1,323,987)
Shares issued during the period	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
Balance at 1 July 2019	22,806,499	(23,518,182)	1,737,474	-	1,025,791
Profit for the period	-	422,038	-	-	422,038
Other comprehensive income	-	-	-	-	-
Total comprehensive profit for the period	-	422,038	-	-	422,038
Shares issued during the period	1,423,752	-	-	-	1,423,752
Equity issue expenses	(51,337)	-	-	-	(51,337)
Share based payment	-	-	24,871	-	24,871
Balance at 30 June 2020	24,178,914	(23,096,144)	1,762,345	-	2,845,115

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 2020

	Note	Consolidated	
		2020 \$	2019 \$
Cash Flows from Operating Activities			
Receipts from customers		29,934	1,200
Payments for exploration and evaluation expenditure		(747,409)	(187,671)
Payments for suspension of operations		(14,690)	(400,129)
Payments for surface mining expenditure		(188,422)	(259,263)
Payments to employees and suppliers		(815,349)	(1,380,651)
Interest received		3,166	6,601
Other		-	7,466
Interest paid		(54,700)	(7,423)
Net cash outflow from operating activities	6 (i)	(1,787,470)	(2,219,870)
Cash Flows from Investing Activities			
Purchase of plant and equipment		-	(63,813)
Proceeds from sale of plant and equipment		-	4,000
Cash acquired on acquisition of 40% share of Penny's Find JV		-	313,591
Proceeds from sale of financial assets		109,800	346,594
Proceeds from realisation of financial assets		10,000	-
Proceeds from sale of Tenement		-	200,000
Net cash inflow from investing activities		119,800	800,372
Cash Flows from Financing Activities			
Proceeds from issue of equity securities		1,423,752	1,335,982
Equity securities issue costs		(51,337)	(31,244)
Proceeds from borrowings		-	500,000
Repayments of borrowings		-	(500,000)
Net cash inflow from financing activities		1,372,415	1,304,738
Net decrease in cash held		(295,255)	(114,760)
Cash at the beginning of the period		893,302	1,008,062
Cash at the end of the period	6	598,047	893,302

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 2020

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 2019 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 17 September 2020.

(b) 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.

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.

(c) 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%

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

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 asset's 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.

(d) Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

(e) 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.

(f) 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.

(g) 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.

(h) Financial instruments

Recognition and derecognition

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

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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

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'.

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

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.

(i) 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.

(j) Employee Entitlements

Salaries, wages and annual leave

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

Equity settled transactions

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

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

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black Scholes or Binomial option pricing model, further details of which are given in Note 20. 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

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 earnings 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.

(k) 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.

(l) 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.

(m) 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

(n) 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.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST 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.

(p) Critical accounting estimates and judgements

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

Key Estimates — Impairment

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black and Scholes model or Binomial option pricing model, using the assumptions detailed in Note 20.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 20.

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.

(q) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2020, 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 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations of the Group and, therefore, no material change is necessary to Group accounting policies.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

1. Statement of Significant Accounting Policies (continued)

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 2020. 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.

(r) 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.

(s) Earnings per share

Basic earnings per share is calculated as net profit 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 earnings 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.

(t) Parent Entity Financial Information

The financial information for the parent entity, Empire Resources Limited disclosed in Note 23 has been prepared on the same basis as the Group.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

2. Revenue and other income

	Consolidated	
	2020	2019
	\$	\$
Other income		
Net gain on disposal of financial assets	18,183	6,679
Net gain on sale of tenement	-	159,911
Net gain on acquisition of share of Penny's Find JV	-	299,687
Option agreement income	-	80,000
Royalty income	27,213	-
Other income	45,102	13,008
	90,498	559,285

3. Loss from ordinary activities

Consolidated	
2020	2019
\$	\$

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

(a) Expenses

Drilling	401,212	-
Exploration Geologist	87,032	22,518
Assaying	80,528	-
Other	277,871	134,861
Exploration expense	846,643	157,379
Labour	-	16,757
Rehabilitation written back ¹	-	(384,943)
Other surface mining costs	3,904	636,219
Legal	190,808	69,824
Underground	-	57,953
Care and maintenance	194,712	395,810

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

4. Income tax

(a) Numerical reconciliation between income tax expense and the profit before income tax

	Consolidated	
	2020 \$	2019 \$
Profit (loss) before tax	422,038	(1,323,987)
Income tax benefit/(expense) at 27.5% (2019:27.5%)	(116,060)	364,096
Tax effect of:		
- deductible capital raising expenditure	32,686	30,235
- non deductible expenditure	-	(217)
- non assessable income	-	82,414
- deductible temporary differences	28,755	168,992
- net fair value gain on financial assets	603,194	-
- share based payment	(6,840)	-
Deferred tax asset not recognised	(541,735)	(645,520)
Income tax benefit attributable to profit from ordinary activities before tax	-	-

(b) Unrecognised deferred tax balances

Tax losses attributable to members of the Group - revenue	17,235,465	16,108,421
Potential tax benefit at 27.5%	4,739,753	4,429,816
Amounts recognised in statement of comprehensive income		
- employee provisions	600	25,809
- provision for impairment of receivables	57,577	57,577
- other	9,350	9,350
- financial assets	-	137,686
- accrued interest	-	(409)
Amounts recognised in equity		
- share issue costs	59,715	59,715
Net unrecognised deferred tax asset at 27.5%	4,866,995	4,719,544

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

5. Earnings per share

	Consolidated	
	2020 Cents	2019 Cents
Basic and diluted earnings (loss) per share (cents per share)	0.06	(0.24)
Profit/(Loss) used in the calculation of basic EPS (\$)	422,038	(1,323,987)
Weighted average number of shares outstanding during the period used in calculations of basic loss per share	716,927,344	557,988,511

6. Cash and cash equivalents

	Consolidated	
	2020 \$	2019 \$
Cash at bank and in hand	598,047	893,302
	598,047	893,302

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	
	2020 \$	2019 \$
Profit/(loss) after income tax	422,038	(1,323,987)
Depreciation	35,176	86,381
Share based payments expense	24,871	-
Gains on disposal of financial assets	(18,183)	(6,679)
Proceeds from sale of motor vehicle	-	(4,000)
Interest expense	56,220	-
Net gain from sale of tenement	-	(159,911)
Gain on acquisition of share of Penny's Find JV	-	(299,687)
Fair value gain on financial assets	(2,193,431)	-
Fair value loss on financial assets	-	500,678
	(1,673,309)	(1,207,205)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	(20,548)	222,994
(Decrease)/increase in trade and other payables	(12,997)	(668,215)
(Decrease)/increase in employee benefits	(80,616)	(182,501)
(Decrease)/increase in provisions	-	(384,943)
Net cash outflow from operating activities	(1,787,470)	(2,219,870)

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

7. Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
Current		
Trade receivables	2,530	-
GST receivables	23,556	8,533
Other receivables	535,842	517,594
Provision for impairment of receivables	(209,370)	(209,370)
	352,558	316,757

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.

	2020	2019
	\$	\$
Aging of past due		
30-60 days	-	-
60-90 days	-	-
90-120 days	516,108	516,108
Total	516,108	516,108

8. Financial assets

	Consolidated	
	2020	2019
	\$	\$
Deposit	10,000	20,000
	10,000	20,000

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

9. Financial assets at fair value through profit or loss

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

	Consolidated	
	2020 \$	2019 \$
Listed shares-investment in FYI Resources Ltd - at fair value	-	69,407
Listed shares-investment in NTM Gold Ltd - at fair value	3,671,097	-
	<u>3,671,097</u>	<u>69,407</u>

Financial Assets

Balance at the beginning of year	69,407	910,000
Additions	1,499,875	-
Disposals	(109,799)	(339,915)
Net fair value gain / (loss) on financial asset	2,193,431	(500,678)
Net gain on disposal of financial assets	18,183	-
Carrying amount at the end of the period	<u>3,671,097</u>	<u>69,407</u>

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

(b) Investments in subsidiary

Controlled entity	Country of incorporation	Percentage Owned	Percentage Owned
		2020 %	2019 %
Parent Entity: Empire Resources Limited	Australia		
Subsidiary of Empire Resources Limited: Torrens Resources Pty Ltd	Australia	100	100

10. Plant and equipment

	Consolidated	
	2020 \$	2019 \$
Plant and Equipment		
Cost	54,562	54,562
Accumulated depreciation	(54,541)	(52,692)
	<u>21</u>	<u>1,870</u>
Motor Vehicles		
Cost	166,472	166,472
Accumulated depreciation	(118,961)	(85,634)
	<u>47,511</u>	<u>80,838</u>
Total Plant and Equipment	<u>47,532</u>	<u>82,708</u>

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

10. Plant and Equipment (continued)

	Consolidated	
	2020 \$	2019 \$
Plant and Equipment		
Balance at the beginning of year	1,870	57,266
Additions on settlement of PFJV	-	37,695
Disposals	-	(40,089)
Depreciation expense	(1,849)	(53,002)
Carrying amount at the end of the year	<u>21</u>	<u>1,870</u>
Motor Vehicles		
Balance at the beginning of year	80,838	94,054
Additions on settlement of PFJV	-	20,163
Depreciation expense	(33,327)	(33,379)
Carrying amount at the end of the year	<u>47,511</u>	<u>80,838</u>
Total Plant and Equipment	<u>47,532</u>	<u>82,708</u>

11. Trade and other payables

	Consolidated	
	2020 \$	2019 \$
Trade payables and accruals ¹	264,787	262,531
Employee benefits	13,236	93,852
	<u>278,023</u>	<u>356,383</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 \$37,800 (2019: \$187,455).

12. Borrowings

	Consolidated	
	2020 \$	2019 \$
Director and other loans at 1 July	-	-
Additions to borrowings	1,500,000	500,000
Finance costs incurred	109,726	6,267
Repayment of borrowings	-	(500,000)
Finance costs paid	(53,630)	(6,267)
Balance at 30 June	<u>1,556,096</u>	<u>-</u>

¹ Refer to note 18 for terms and conditions of Director loans.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

13. Issued Capital

(a) Ordinary shares

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

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

	Consolidated	
	2020	2019
	\$	\$
799,783,689 (30 June 2019: 621,814,690) fully paid ordinary shares	24,178,914	22,806,499

	No.	No.
(i) Ordinary shares - number		
At 1 July	621,814,690	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
Issue of 153,418,999 shares at \$0.008 on 12 December 2019	153,418,999	-
Issue of 24,550,000 shares at \$0.008 on 24 January 2020	24,550,000	-
Balance at 30 June	799,783,689	621,814,690

	Consolidated	
	2020	2019
	\$	\$
(ii) Ordinary shares – value		
At 1 July	22,806,499	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
Issue of 153,418,999 shares at \$0.008 on 12 December 2019	1,227,352	-
Issue of 24,550,000 shares at \$0.008 on 24 January 2020	196,400	-
Less share issue costs	(51,337)	(76,835)
Balance at 30 June	24,178,914	22,806,499

(b) Options

As at 30 June 2020 (30 June 2019: 9,000,000) the Company had zero options on issue over ordinary shares.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

14. Reserves

	Consolidated	
	2020 \$	2019 \$
Reserves	1,762,345	1,737,474
Reserves comprise the following:		
Options reserve		
Balance as at start of financial year	1,737,474	1,737,474
Performance rights issued to Director	24,871	-
Balance at 30 June	1,762,345	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)
Balance at 30 June	-	-

The options reserve is used to recognise the fair value of rights and options 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.

15. Financial risk management

The Group's financial situation is not complex. Its 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 2020

15. Financial risk management (continued)

The Group holds the following financial instruments:

	Consolidated	
	2020 \$	2019 \$
Financial assets		
Cash and cash equivalents	598,047	893,302
Trade and other receivables	352,558	316,757
Term deposit	10,000	20,000
Listed equity investments	3,671,097	69,407
	4,631,702	1,299,466
Financial liabilities		
Trade and other payables	278,023	356,383
Short-term borrowings	1,556,096	-
	1,834,119	356,383

(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 2020 and 2019, the Group's deposits at variable rates were denominated in Australian Dollars.

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

	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	2020 %	2020 \$	2019 %	2019 \$
Deposit		10,000		20,000
Other cash available		598,047		893,302
Net exposure to cash flow interest rate risk	0.3%	608,047	0.8%	913,302

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 2020 and 2019, 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.

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

15. Financial risk management (continued)

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.

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 \$	1 to 5 Years \$	Over 5 Years \$	Non-interest bearing \$	Total \$
30 June 2020							
Financial Assets:							
Cash and cash equivalents	0.3%	598,047	-	-	-	-	598,047
Trade and other receivables		-	-	-	-	352,558	352,558
Other financial assets	1.2%	-	10,000	-	-	-	10,000
Listed equity investments		-	-	-	-	3,671,097	3,671,097
Total Financial Assets		598,047	10,000	-	-	4,023,655	4,631,702
Financial Liabilities:							
Trade and other payables		-	-	-	-	278,023	278,023
Short-term borrowings	7.5%	-	1,556,096	-	-	-	1,556,096
Total financial liabilities		-	1,556,096	-	-	278,023	1,834,119

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

15. Financial risk management (continued)

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within Year	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
		\$	\$	\$	\$	\$	\$
30 June 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

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 2020	<6 months	6-12 months	1-5 years	>5 years	Total
Consolidated					
Financial assets					
Cash & cash equivalents	598,047	-	-	-	598,047
Trade & other receivables	352,558	-	-	-	352,558
Other financial assets	-	10,000	-	-	10,000
Listed equity investments	3,671,097	-	-	-	3,671,097
	4,621,702	10,000	-	-	4,631,702
Financial liabilities					
Trade & other payables	(278,023)	-	-	-	(278,023)
Short-term borrowings	(1,556,096)	-	-	-	(1,556,096)
	(1,834,119)	-	-	-	(1,834,119)

(d) Fair value estimation

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

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

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

16. Commitments and Contingencies

Consolidated	
2020	2019
\$	\$

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	363,041	197,947
- between 12 months and 5 years	510,655	312,607
- greater than 5 years	1,497,820	701,748
	2,371,516	1,212,302

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

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.

17. Directors and other key management personnel

(i) Details of Key Management Personnel

Chairman – non-executive

Dr M Ruane

Managing Director

Mr S Richardson (from 4 July 2019)

Mr D Sargeant (from 13 April 2000 – 3 July 2019) Resigned 15 August 2020

Non-Executive Director

Mr J Atkinson

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

17. Directors and other key management personnel (continued)

(ii) Compensation of Key Management Personnel

	Consolidated	
	2020 \$	2019 \$
Short-term employee benefits	306,351	242,548
Post-employment benefits	18,843	-
Share-based payments	24,871	-
	350,065	242,548

The amounts outstanding to Key Management Personnel at the reporting date are included in Note 18.

18. 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	
	2020 \$	2019 \$
Amounts payable at balance date to Key Management Personnel in relation to remuneration		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	16,500	156,255
Kesli Chemicals Pty Ltd - Dr M Ruane	18,000	27,900
Northshore Capital Advisors Pty Ltd - Mr J Atkinson	3,300	3,300
	37,800	187,455

	Consolidated	
	2020 \$	2019 \$
Amounts payable to Directors as unsecured loans		
Kesli Chemicals Pty Ltd - Dr M Ruane	1,556,096	-
	1,556,096	-

Interest expense on unsecured loans		
Kesli Chemicals Pty Ltd - Dr M Ruane	109,726	6,267
	109,726	6,267

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

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

18. Related Parties (continued)

	Consolidated	
	2020 \$	2019 \$
Other transactions with Directors for normal business reimbursements		
Kesli Chemicals Pty Ltd - Dr M Ruane	45,310	-
Tyson Resources Pty Ltd - Dr M Ruane	64,858	-
	110,168	-

19. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd.

	Consolidated	
	2020 \$	2019 \$
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of the financial reports of the Company	29,663	27,030
Audit of the Penny's Find Joint Venture - 2018	-	28,000
Tax Compliance	7,000	6,000

20. Share Based Payments

(a) Performance rights

The following table illustrates the number of and movements in performance rights during the year:

	Number	Number
	2020	2019
Outstanding at the beginning of the period	-	-
Issued 13 November 2019	20,000,000	-
Outstanding at the end of the period	20,000,000	-

The fair value of the performance rights is estimated as at the date of grant using the Binomial option pricing model taking into account the terms and conditions upon which the rights were granted.

The following table lists the inputs to the model used for performance rights issued during the year:

	Grant Date	Expiry date	Vesting Period	Value at grant date of rights	Probability	Option life
Director Performance Rights	13-Nov-19	04-Jul-21	Vesting occurs when the price of Empire's ordinary shares remain at or above a VWAP price of 1.5 cents for a period of not less than 20 days	\$0.008	41%	1.6 years

Empire Resources Limited

Notes to the Financial Statements 30 June 2020

20. Share Based Payments (continued)

(b) 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
	2020		2019	
Outstanding at the beginning of the period	9,000,000	\$0.04	32,102,000	\$0.03
Expired 3 May 2019	-	-	(22,102,000)	\$0.025
Expired 22 June 2019	-	-	(1,000,000)	\$0.04
Expired 18 July 2019	(9,000,000)	\$0.04	-	-
Outstanding at the end of the period	-	-	9,000,000	\$0.04

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

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
Consultant options	18-Jul-16	18-Jul-19	\$0.04	18-Jul-16	\$0.02	140%	3 years	0%	1.57%	\$0.02

(c) Expenses arising from share-based payment transactions

There were \$24,871 (2019: \$Nil) expenses arising from share-based payment transactions recognised during the period.

21. 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.

22. Events after the Balance Date

On 7 August 2020, the Company issued 108,966,333 shares at 1.2 cents raising \$1,307,596.

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 2020

23. Parent Entity Financial Information

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

	Parent Entity	
	2020	2019
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	598,047	893,302
Trade and other receivables	352,558	316,757
Other financial assets	10,000	20,000
Financial assets at fair value through profit or loss	3,671,097	69,407
Total Current Assets	4,631,702	1,299,466
NON-CURRENT ASSETS		
Plant and equipment	47,532	82,708
Total Non-Current Assets	47,532	82,708
TOTAL ASSETS	4,679,234	1,382,174
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	278,023	356,383
Borrowings	1,556,096	-
Total Current Liabilities	1,834,119	356,383
TOTAL LIABILITIES	1,834,119	356,383
NET ASSETS	2,845,115	1,025,791
EQUITY		
Issued capital	24,178,914	22,806,499
Reserves	1,762,345	1,737,474
Accumulated losses	(23,096,144)	(23,518,182)
TOTAL EQUITY	2,845,115	1,025,791
Profit / (loss) before income tax expense	422,038	(1,324,236)
Other comprehensive loss for the year, net of tax	-	-
Total comprehensive income / (loss) for the year	422,038	(1,324,236)

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 2020 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 2020.

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



Michael Ruane
Director

Perth, Western Australia
17 September 2020

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 2020, 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
17 September 2020



N G Neill
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 2020, 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 2020 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.

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. We have determined that there are no matters to be communicated in our report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 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.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Empire Resources Limited for the year ended 30 June 2020 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
17 September 2020



N G Neill
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 1 September 2020.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number of Holders
1 - 1,000	103
1,001 - 5,000	59
5,001 - 10,000	89
10,001 - 100,000	665
100,001 - and over	549
	<u>1,465</u>

The number of shareholdings held in less than marketable parcels is 513.

(b) Twenty largest shareholders

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

SHAREHOLDERS	Number of shares held	% Holding
1 KESLI CHEMICALS PTY LTD	107,536,479	11.83%
2 TYSON RESOURCES PTY LTD	88,610,659	9.75%
3 KESLI CHEMICALS PTY LTD <RUANE S/F A/C>	59,714,884	6.57%
4 BLAMNCO TRADING PTY LTD	35,000,000	3.85%
5 BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	23,510,550	2.59%
6 YUCAJA PTY LTD <THE YOEGIAR FAMILY A/C>	20,833,333	2.29%
7 RBJ NOMINEES PTY LTD <SUPERANNUATION FUND A/C>	20,000,000	2.20%
8 FITALL GROUP LTD	20,000,000	2.20%
9 AGENS PTY LTD <THE MARK COLLINS S/F A/C>	18,408,852	2.03%
10 ZINFANDEL EXPLORATION PTY LTD	13,709,125	1.51%
11 SANGORA HOLDINGS PTY LTD	13,000,000	1.43%
12 MR KENNETH JOSEPH HALL <HALL PARK A/C>	11,900,000	1.31%
13 ARMCO BARRIERS PTY LTD	11,000,000	1.21%
14 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,576,494	1.16%
15 MR JEREMY PAUL ATKINSON & MRS SARA CAROLINE ATKINSON <ATKINSON SMSF A/C>	10,538,334	1.16%
16 MR LACHLAN ANTHONY CHRISTIE	10,450,001	1.15%
17 LEE JAMES NOMINEES PTY LTD <THE HEPBURN SUPER FUND A/C>	10,000,000	1.10%
18 CAMIRA HOLDINGS PTY LTD	10,000,000	1.10%
19 HERA INVESTMENTS PTY LTD	9,125,833	1.00%
20 1215 CAPITAL PTY LTD	8,800,000	0.97%
	<u>512,714,544</u>	<u>56.41%</u>

(c) Substantial Shareholder

Shareholder	Number of shares
MICHAEL RUANE	<u>255,862,022</u>

ASX ADDITIONAL INFORMATION

(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 908,750,022

(e) Voting rights

All shares carry one vote per unit without restriction.

(f) Corporate Governance Statement

The Company's Corporate Governance Statement can be found at <https://resourcesempire.com.au/corporate-governance/>

(g) Unquoted Securities

The following person holds 20% or more of the equity securities in an unquoted class:

Class	Holder	Number of units	% Held
Performance Rights	Sean Richardson	20,000,000	100%

INTERESTS IN MINING AND EXPLORATION TENEMENTS AT 1 SEPTEMBER 2020

PROJECT	TENEMENT	INTEREST	REMARKS
PENNY'S FIND	E27/553	100%	
	E27/591	100%	
	E27/592	100%	
	E27/593	100%	
	P27/2245	100%	
	P27/2262	100%	
YUINMERY	M57/265	100%	
	M57/636	100%	
	E57/1037	100%	
	E57/681	91.89%	
	E57/1027	91.89%	
	E57/1159		Application
BARLOWEERIE	E59/2306	100%	
POISON HILLS	E51/1938	100%	
	E20/968		Application
	E51/1985		Application
WILUNA	P53/1707		Application