

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

ABN 32 092 471 513

Interim Financial Report

for the half-year ended 31 December 2011

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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

31 DECEMBER 2011

CORPORATE DIRECTORY

DIRECTORS

Tom Revy BAppSc – Chairman
David Sargeant BSc – Managing Director
Adrian Jessup BSc(Hons) – Executive Director

MANAGEMENT

David Ross BSc(Hons) MSc – Exploration Manager

COMPANY SECRETARY

Simon Storm BCom, BCompt(Hons), CA, FCIS

REGISTERED and PRINCIPAL OFFICE

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Victoria Park 6100
Western Australia

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Website www.resourcesempire.com.au
ABN 32 092 471 513

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross 6153
Western Australia

AUDITOR

HLB Mann Judd
Level 4
130 Stirling Street
Perth 6000
Western Australia

SECURITIES EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Limited. Home Exchange Perth
ASX Code: Shares ERL

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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

DIRECTORS' REPORT 31 DECEMBER 2011

Directors' Report

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The directors of the Company at any time during or since the end of the half-year are:

Tom Revy
David Sargeant
Adrian Jessup

Review of Operations and Exploration Activities

The Company's loss for the half-year ended 31 December 2011 was \$1,973,210 (2010: \$1,012,735).

During the period the principal activities of the Company consisted of mineral exploration and evaluation of properties in Australia. There has been no significant change in these activities during the financial period.

Dividends

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

Events subsequent to reporting date

After reporting date, the Group has raised \$387,500 of equity capital via an issue of ordinary shares under the share purchase plan at \$0.05. The funds raised will be used meet the ongoing working capital requirements of the Group.

After reporting date, the Company re-negotiated their staged sale agreement for the Penny's Find gold project with Brimstone Resources Limited (Brimstone). At the election of Brimstone, the sale consideration now consists of either:

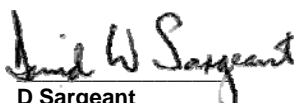
- A total cash payment of \$3 million by June 2013 (which includes a non-refundable payment of \$500,000 already made) for a 100% interest together with a royalty on any gold produced in excess of 52,500oz.
- A partial sale of either a 51% or 75% interest by the expenditure of \$750,000 by 30 September 2012 or further expenditure of an additional \$750,000 by June 2013.

No other matter or circumstance has arisen, since the end of the financial half year, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the subsequent financial half year.

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This written Auditor's Independence Declaration is set out on page 13 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.



D Sargeant
Managing Director

Perth, Western Australia
7th March 2012

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
	31/12/2011 \$	31/12/2010 \$
Revenue from continuing operations	46,954	469,560
Depreciation expense	(10,926)	(10,347)
Exploration expense	(1,397,233)	(982,626)
Employee benefits expense	(30,426)	(12,796)
Management fee expense	(204,600)	(137,364)
Directors fees	(15,000)	(15,000)
Accounting expense	(30,308)	(28,800)
Consultancy expense	(360)	-
Share-based payment	(77,305)	(56,862)
ASX expense	(26,425)	(14,416)
Corporate relations expense	(62,426)	(23,894)
Insurance expense	(13,200)	(11,162)
Other expenses	(69,887)	(75,227)
Share of loss of equity accounted investments	(82,068)	(113,801)
Loss before income tax	(1,973,210)	(1,012,735)
Income tax expense	-	-
Net loss for the year	(1,973,210)	(1,012,735)
Other comprehensive income		
Share of comprehensive loss of equity accounted investment	-	-
Total comprehensive loss for the year	(1,973,210)	(1,012,735)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company		
Basic and diluted loss per share (cents per share)	(1.46)	(0.96)

The accompanying notes form part of these financial statements.

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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Note	Consolidated	
		31/12/2011	30/06/2011
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,676,541	1,781,147
Trade and other receivables		121,436	310,855
Total Current Assets		1,797,977	2,092,002
NON-CURRENT ASSETS			
Investments accounted for using the equity method		781,159	863,227
Plant and equipment		12,765	23,691
Total Non-Current Assets		793,924	886,918
TOTAL ASSETS		2,591,901	2,978,920
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		647,712	297,851
Total Current Liabilities		647,712	297,851
TOTAL LIABILITIES		647,712	297,851
NET ASSETS		1,944,189	2,681,069
EQUITY			
Issued capital	7	15,675,725	14,516,700
Reserves		924,749	847,444
Accumulated losses		(14,656,285)	(12,683,075)
TOTAL EQUITY		1,944,189	2,681,069

The accompanying notes form part of these financial statements.

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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated Group			
	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance at 1 July 2010	11,723,878	(10,635,551)	739,174	1,827,501
Shares issued during the half year	2,776,800	-	-	2,776,800
Equity issue expenses	(184,878)	-	-	(184,878)
Share-based payments	-	-	56,862	56,862
Loss attributable to members of the parent entity	-	(1,012,735)	-	(1,012,735)
Balance at 31 December 2010	14,315,800	(11,648,286)	796,036	3,463,550
Balance at 1 July 2011	14,516,700	(12,683,075)	847,444	2,681,069
Shares issued during the half year	1,230,000	-	-	1,230,000
Equity issue expenses	(70,975)	-	-	(70,975)
Share-based payments	-	-	77,305	77,305
Loss attributable to members of the parent entity	-	(1,973,210)	-	(1,973,210)
Balance at 31 December 2011	15,675,725	(14,656,285)	924,749	1,944,189

The accompanying notes form part of these financial statements.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 December 2011**

	Consolidated	
	31/12/2011	31/12/2010
	\$	\$
Cashflows from Operating Activities		
Sale of Penny's find gold project	-	500,000
Payments to suppliers and employees	(446,316)	(326,547)
Interest received	54,036	15,015
Other - R&D tax offset	204,022	-
	<hr/>	<hr/>
Net cash inflow/ (outflow) from operating activities	(188,258)	188,468
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Purchase of plant and equipment	-	(5,455)
Payment for renewal or purchase of prospects	-	(110)
Exploration and evaluation expenditure	(1,075,373)	(708,429)
	<hr/>	<hr/>
Net cash outflow from investing activities	(1,075,373)	(713,994)
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Proceeds from issue of equity securities	1,230,000	2,776,800
Equity securities issue costs	(70,975)	(171,895)
	<hr/>	<hr/>
Net cash inflow from financing activities	1,159,025	2,604,905
	<hr/>	<hr/>
Net increase / (decrease) in cash held	(104,606)	2,079,379
Cash at the beginning of the period	1,781,147	595,674
	<hr/>	<hr/>
Cash at the end of the financial period	1,676,541	2,675,053

The accompanying notes form part of these financial statements.

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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

1. Statement of Significant Accounting Policies

Statement of Compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 (which is available upon request from the Company's registered office at 53 Canning Highway, Western Australia 6100 or at www.resourcesempire.com.au) and any public announcements made by Empire Resources Ltd and its controlled entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

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

The Group has reviewed all new Standards and Interpretation that have been issued but are not yet effective for the half-year ended 31 December 2011. 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 its business and, therefore, no change necessary to Group accounting policies.

2. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2011 annual financial report.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

3. Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Empire Resources Ltd.

Consistent with prior year, the Group operates only in one business and geographical segment being predominantly in the area of mining and exploration in Australia. The Group considers its business operations in mineral exploration to be its primary reporting function.

4. Dividends

No dividends were paid or declared payable during or since the half-year.

5. Contingent Liabilities

There has been no change in contingent liabilities of the company or the consolidated entity since the last annual reporting date.

6. Events Subsequent to Reporting Date

After reporting date, the Group has raised \$387,500 of equity capital via an issue of ordinary shares under the share purchase plan at \$0.05. The funds raised will be used meet the ongoing working capital requirements of the Group.

After reporting date, the Company re-negotiated their staged sale agreement for the Penny's Find gold project with Brimstone Resources Limited (Brimstone). At the election of Brimstone, the sale consideration now consists of either:

- A total cash payment of \$3 million by June 2013 (which includes a non-refundable payment of \$500,000 already made) for a 100% interest together with a royalty on any gold produced in excess of 52,500oz.
- A partial sale of either a 51% or 75% interest by the expenditure of \$750,000 by 30 September 2012 or further expenditure of an additional \$750,000 by June 2013.

No other matter or circumstance has arisen, since the end of the financial half year, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the subsequent financial half year.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

**NOTES TO THE FINANCIAL STATEMENTS
31 December 2011**

7. 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 Group	
	31/12/2011	30/06/2011
	\$	\$
142,295,921 (30 June 2011: 127,295,921) fully paid ordinary shares	15,675,725	14,516,700

	Consolidated Group	
	31/12/2011	30/06/2011
	No.	No.
(i) Ordinary shares - number		
At 1 July 2011	127,295,921	97,195,921
Share placement - 9,400,000 on 13 October 2010 at \$0.062	-	9,400,000
Share placement - 5,000,000 on 26 November 2010 at \$0.062	-	5,000,000
Share placement - 15,700,000 on 7 December 2010 at \$0.12	-	15,700,000
Share placement - 15,000,000 on 23 September 2011 at \$0.082	15,000,000	-
Balance at 31 December 2011	142,295,921	127,295,921

	Consolidated Group	
	31/12/2011	30/06/2011
	\$	\$
(ii) Ordinary shares – value		
At 1 July 2011	14,516,700	11,723,878
Share placement - 9,400,000 on 13 October 2010 at \$0.062	-	582,800
Share placement - 5,000,000 on 26 November 2010 at \$0.062	-	310,000
Share placement - 15,700,000 on 7 December 2010 at \$0.12	-	1,884,000
Shares issued ERL share Plan - 2,450,000 on 8 May 2011 at \$0.082	-	200,900
Share placement - 15,000,000 on 23 September 2011 at \$0.082	1,230,000	-
Less share issue costs	(70,975)	(184,878)
Balance at 31 December 2011	15,675,725	14,516,700

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

7. Issued capital (continued)

(b) Options

As at 31 December 2011 (30 June 2011: 10,927,729) the Company had the following options on issue over ordinary shares:-

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
2-Jun-10	2-Jun-13	0.15	8,227,729
25-Jun-10	25-Jun-13	0.14	2,700,000
9-Aug-11	6-Aug-14	0.09	1,500,000
28-Nov-11	28-Nov-14	0.10	1,500,000
			<u>13,927,729</u>

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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

DIRECTORS' DECLARATION


In the opinion of the Directors of Empire Resources Limited ("Company"):

1. The financial statements and notes as set out on pages 5 to 11 are in accordance with the Corporations Act 2001, including:

- a) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed made in accordance with a resolution of the Board of Directors made pursuant to s303(5) of the Corporations Act 2001.


David Sargeant
Managing Director

Perth, Western Australia
7th March 2012

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Empire Resources Limited for the half-year ended 31 December 2011, 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 review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
7 March 2012**

**N G NEILL
Partner, HLB Mann Judd**

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Empire Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Empire Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Empire Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

**HLB MANN JUDD
Chartered Accountants**

Norman Glade

**Perth, Western Australia
7 March 2012**

**N G NEILL
Partner**

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