

# **EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY**

ABN 32 092 471 513

## **Interim Financial Report**

for the half-year ended 31 December 2012

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**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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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

# EMPIRE RESOURCES LIMITED

## DIRECTORS' REPORT 31 DECEMBER 2012

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### Directors' Report

Your directors submit their report on Empire Resources Limited (the "Company") and its controlled entity ("the Group") for the half-year ended 31 December 2012. 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 were:

Tom Revy  
David Sargeant  
Adrian Jessup

### Review of Operations and Exploration Activities

The Company's loss for the half-year ended 31 December 2012 was \$1,249,584 (2011: \$1,973,210).

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

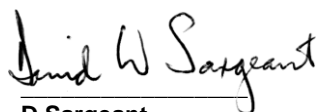
In March 2013, the Company applied for a R&D tax incentive in relation to its exploration activities in the 2012 financial year. The Company expects to receive a R&D tax offset payment of \$498,632.

Other than this, no matter or circumstance has arisen, since the end of the financial half 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 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 2012.

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  
12<sup>th</sup> March 2013

**EMPIRE RESOURCES LIMITED**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Consolidated	
	31/12/2012 \$	31/12/2011 \$
Revenue from continuing operations	6,165	46,954
Depreciation expense	(1,909)	(10,926)
Exploration expense	(695,977)	(1,397,233)
Employee benefits expense	(19,180)	(30,426)
Management fee expense	(217,800)	(204,600)
Directors' fees	(15,000)	(15,000)
Accounting expense	(29,905)	(30,308)
Consultancy expense	-	(360)
Share-based payment	(6,805)	(77,305)
ASX expense	(23,223)	(26,425)
Corporate relations expense	(64,302)	(62,426)
Insurance expense	(13,396)	(13,200)
Other expenses	(70,839)	(69,887)
Share of loss of equity accounted investments	(97,413)	(82,068)
<b>Loss before income tax</b>	<b>(1,249,584)</b>	<b>(1,973,210)</b>
Income tax expense	-	-
<b>Net loss for the year</b>	<b>(1,249,584)</b>	<b>(1,973,210)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(1,249,584)</b>	<b>(1,973,210)</b>
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company</b>		
Basic and diluted loss per share (cents per share)	<b>(0.79)</b>	<b>(1.46)</b>

*The accompanying notes form part of these financial statements.*

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EMPIRE RESOURCES LIMITED

CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

	Note	Consolidated	
		31/12/2012	30/06/2012
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		490,940	640,807
Trade and other receivables		66,887	193,802
<b>Total Current Assets</b>		<b>557,827</b>	<b>834,609</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method		606,982	704,395
Plant and equipment		6,838	5,893
<b>Total Non-Current Assets</b>		<b>613,820</b>	<b>710,288</b>
<b>TOTAL ASSETS</b>		<b>1,171,647</b>	<b>1,544,897</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		223,610	237,477
<b>Total Current Liabilities</b>		<b>223,610</b>	<b>237,477</b>
<b>TOTAL LIABILITIES</b>		<b>223,610</b>	<b>237,477</b>
<b>NET ASSETS</b>		<b>948,037</b>	<b>1,307,420</b>
<b>EQUITY</b>			
Issued capital	7	16,970,103	16,086,707
Reserves		938,286	931,481
Accumulated losses		(16,960,352)	(15,710,768)
<b>TOTAL EQUITY</b>		<b>948,037</b>	<b>1,307,420</b>

*The accompanying notes form part of these financial statements.*

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EMPIRE RESOURCES LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated Group			
	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2011</b>	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)
<b>Balance at 31 December 2011</b>	<b>15,675,725</b>	<b>(14,656,285)</b>	<b>924,749</b>	<b>1,944,189</b>
<b>Balance at 1 July 2012</b>	<b>16,086,707</b>	<b>(15,710,768)</b>	<b>931,481</b>	<b>1,307,420</b>
Shares issued during the half year	950,000	-	-	950,000
Equity issue expenses	(66,604)	-	-	(66,604)
Share-based payments	-	-	6,805	6,805
Loss attributable to members of the parent entity	-	(1,249,584)	-	(1,249,584)
<b>Balance at 31 December 2012</b>	<b>16,970,103</b>	<b>(16,960,352)</b>	<b>938,286</b>	<b>948,037</b>

*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 2012**

	Consolidated	
	31/12/2012	31/12/2011
	\$	\$
<b>Cashflows from Operating Activities</b>		
Payments to suppliers and employees	(460,847)	(446,316)
Interest received	7,305	54,036
Other - R&D tax offset	131,344	204,022
<b>Net cash outflow from operating activities</b>	<b>(322,198)</b>	<b>(188,258)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(1,972)	-
Exploration and evaluation expenditure	(659,093)	(1,075,373)
<b>Net cash outflow from investing activities</b>	<b>(661,065)</b>	<b>(1,075,373)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of equity securities	900,000	1,230,000
Equity securities issue costs	(66,604)	(70,975)
<b>Net cash inflow from financing activities</b>	<b>833,396</b>	<b>1,159,025</b>
<b>Net decrease in cash held</b>	<b>(149,867)</b>	<b>(104,606)</b>
Cash at the beginning of the period	640,807	1,781,147
Cash at the end of the financial period	490,940	1,676,541

*The accompanying notes form part of these financial statements.*

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# EMPIRE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

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### 1. Statement of Significant Accounting Policies

#### Statement of Compliance

These interim consolidated financial statements are general purpose financial statements 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 2012 (which is available upon request from the Company's registered office at 53 Canning Highway, Western Australia 6100 or at [www.resourceempire.com.au](http://www.resourceempire.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 2012.

#### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, 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 2012.

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

The Directors have reviewed all new Standards and Interpretation that have been issued but are not yet effective for the half-year ended 31 December 2012. 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.

# EMPIRE RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

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### 1. Statement of Significant Accounting Policies (continued)

#### Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$1,249,584 (2011:\$1,973,210) for the half-year and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of \$322,198 (2011:\$188,258) and cash outflows from investing activities of \$661,065 (2011:\$1,075,343) and a cash inflow from financing activities of \$833,396 (2011: \$1,159,025). After consideration of these financial conditions, the Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the Group:

- The Group has successfully completed a capital raising during the half-year as disclosed in Note 7 and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is budgeted to occur in the twelve month period from the date of this financial report;
- The Company has net current assets of \$334,217 (30/6/12: \$597,132) at balance date and retains the ability to scale down their operations to conserve cash, in the event that the capital raisings are delayed or reduced;
- The Company has the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in investments, mineral exploration and development assets; and
- As outlined in Note 6, the Company expects to receive an R&D tax offset payment of \$498,632.

Due to the above matters, the Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate that this basis of accounting be adopted in the preparation of the financial statements.

#### 2. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2012 annual financial report.

#### 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 Group since the last annual reporting date.

#### 6. Events Subsequent to Reporting Date

In March 2013, the Company applied for a R&D tax incentive in relation to its exploration activities in the 2012 financial year. The Company expects to receive a R&D tax offset payment of \$498,632.

Other than this, no matter or circumstance has arisen, since the end of the financial half 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 the subsequent financial half year.

EMPIRE RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2012

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	
	31/12/2012	30/06/2012
	\$	\$
171,645,921 (30 June 2012: 150,645,921) fully paid ordinary shares	<b>16,970,103</b>	16,086,707

	Consolidated Group	
	31/12/2012	30/06/2012
	No.	No.
<b>(i) Ordinary shares - number</b>		
At beginning of period	<b>150,645,921</b>	127,295,921
Share placement - 15,000,000 on 23 September 2011 at \$0.082	-	15,000,000
Shares issued ERL share Plan - 7,750,000 on 14 February 2012 at \$0.05	-	7,750,000
Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 20 February 2012 at \$0.05	-	600,000
Share placement - 20,000,000 on 2 November 2012 at \$0.045	<b>20,000,000</b>	-
Shares issued pursuant to a Farm-in and JV Agreement - 400,000 on 8 November 2012 at \$0.05	<b>400,000</b>	-
Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 8 November 2012 at \$0.05	<b>600,000</b>	-
<b>Balance at end of period</b>	<b>171,645,921</b>	150,645,921

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**EMPIRE RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2012**

**7. Issued capital (continued)**

	Consolidated Group	
	31/12/2012	30/06/2012
(ii) Ordinary shares – value	\$	\$
At beginning of period	<b>16,086,707</b>	14,516,700
Share placement - 15,000,000 on 23 September 2011 at \$0.082	-	1,230,000
Shares issued ERL share Plan - 7,750,000 on 14 February 2012 at \$0.05	-	387,500
Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 20 February 2012 at \$0.05	-	30,000
Share placement - 20,000,000 on 2 November 2012 at \$0.045	<b>900,000</b>	-
Shares issued pursuant to a Farm-in and JV Agreement - 400,000 on 8 November 2012 at \$0.05	<b>20,000</b>	-
Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 8 November 2012 at \$0.05	<b>30,000</b>	-
Less share issue costs	<b>(66,604)</b>	(77,493)
<b>Balance at end of period</b>	<b>16,970,103</b>	<b>16,086,707</b>

**(b) Options**

As at 31 December 2012 (30 June 2012: 13,927,729) 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>

**8. Commitments**

In October 2012, the Company entered into a joint venture agreement to acquire an 80% interest in the Point Kidman tenements. The Company issued 1,000,000 shares to the Vendors on 8 November 2012 at \$0.05 per share.

Pursuant to this agreement, the Company is required to issue to the Vendors a further 1,000,000 shares on 26 October 2014 and a further 1,000,000 shares on 26 October 2015, at the prevailing market price on those dates. The Company may withdraw from this agreement at any time.

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## EMPIRE RESOURCES LIMITED

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### DIRECTORS' DECLARATION

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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 Group's financial position as at 31 December 2012 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  
12<sup>th</sup> March 2013

**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 2012, 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**  
**12 March 2013**

**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 Group"), which comprises the condensed statement of financial position as at 31 December 2012, 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 information, and the directors' declaration.

#### *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 internal control 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 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*.

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*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 2012 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 company's financial position as at 31 December 2012 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**  
**Chartered Accountants**



**Perth, Western Australia**  
**12 March 2013**

**N G NEILL**  
**Partner**

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