

**EMPIRE RESOURCES LIMITED
AND CONTROLLED ENTITY**

ABN 32 092 471 513

Interim Financial Report

31 December 2017

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CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

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

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SHARE REGISTRY

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

AUDITORS

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 2017

Directors' Report

Your directors submit the interim report on Empire Resources Limited (the "Company") and its controlled entity ("the Group") for the half-year ended 31 December 2017. 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 Group's loss for the half-year ended 31 December 2017 was \$3,515,281 (2016: \$1,227,303).

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

The Company holds a 60% interest and acts as manager in an unincorporated exploration and mining joint venture to explore for, evaluate and mine reserves of gold, nickel and other minerals on the Penny's Find tenements. The joint venture commenced full scale open pit mining on 5 May 2017. First gold proceeds were received in October 2017. The remaining 40% interest is held by unlisted Brimstone Resources Ltd.

Dividends

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

Events subsequent to reporting date

i) In February 2018, the Company entered into a Repayment Deed with Blue Cap Mining Pty Ltd to reschedule the timing of the debt repayment. The agreement facilitated the payment to Blue Cap of \$600,000 as part of its repayment of outstanding debts on 29 January 2018 and there being a standstill on further calls on the joint venture to pay current invoiced amounts until proceeds of the next treatment campaign are received. Total repayments made to Blue Cap subsequent to half-year end totalled \$7,330,787 (inclusive of the \$600,000). All debts are to be paid in full by 28 April 2018 and interest will accrue on outstanding funds.

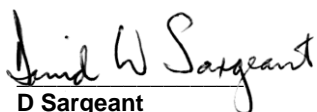
ii) In February 2018 and early March 2018 the Group repaid in cash a loan included in note 13 of \$250,000, plus interest and management fees.

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 subsequent financial periods.

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 17 and forms part of this directors' report for the half-year ended 31 December 2017.

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
14th March 2018

EMPIRE RESOURCES LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated	
		6 months ended 31/12/2017 \$	6 months ended 31/12/2016 \$
Revenue - sale of gold and silver		6,175,921	-
Interest income		86,105	14,056
Gain on recognition of available-for-sale asset	10	624,000	-
Interest expense		(23,916)	(11,942)
Depreciation expense		(599)	(10,010)
Amortisation expense	11	(2,093,433)	-
Exploration expense		(117,071)	(50,584)
Feasibility written back / (expense)		(1)	7,217
Pre Mining expense		(13,300)	(874,054)
Surface Mining expense		(6,829,321)	-
Impairment of inventories	9	(745,505)	-
Impairment of receivable	8	(129,471)	-
Employee benefits expense		(97,478)	(111,283)
Management fee expense		(126,900)	(126,900)
Directors' fees expense		(21,000)	(21,000)
Accounting expense		(33,455)	(37,160)
Consultancy expense		(4,041)	-
Share-based payment		-	(18,159)
ASX expense		(31,278)	(23,131)
Corporate relations expense		(45,497)	(50,837)
Insurance expense		(13,895)	(12,683)
Other expenses		(75,146)	(7,957)
Loss before income tax		(3,515,281)	(1,334,427)
Income tax benefit		-	107,124
Net loss for the period		(3,515,281)	(1,227,303)
Other comprehensive income for the year, net of tax			
Changes in the fair value of available-for-sale assets		372,000	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		372,000	-
Total comprehensive loss for the period		(3,143,281)	(1,227,303)
Basic and diluted loss per share (cents per share)	16	(0.73)	(0.32)

The accompanying notes form part of these financial statements.

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EMPIRE RESOURCES LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	Consolidated	
		31/12/2017	30/06/2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		722,167	385,447
Trade and other receivables	8	2,864,961	1,328,862
Other financial assets		20,000	20,000
Inventories	9	1,866,822	-
Available-for-sale investments	10	996,000	-
Total Current Assets		6,469,950	1,734,309
NON-CURRENT ASSETS			
Plant and equipment		123,325	143,968
Mine Properties	11	1,171,831	3,265,264
Total Non-Current Assets		1,295,156	3,409,232
TOTAL ASSETS		7,765,106	5,143,541
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	2,944,642	2,184,310
Borrowings	13	6,280,262	1,275,748
Provision for restoration and rehabilitation		822,024	822,024
Total Current Liabilities		10,046,928	4,282,082
NON-CURRENT LIABILITIES			
Provision for restoration and rehabilitation		18,000	18,000
Total Non-Current Liabilities		18,000	18,000
TOTAL LIABILITIES		10,064,928	4,300,082
NET (LIABILITIES) / ASSETS		(2,299,822)	843,459
EQUITY			
Issued capital	14	21,497,202	21,497,202
Reserves		2,109,474	1,737,474
Accumulated losses		(25,906,498)	(22,391,217)
TOTAL (DEFICIENCY)/EQUITY		(2,299,822)	843,459

The accompanying notes form part of these financial statements.

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EMPIRE RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Consolidated				Total \$
	Issued Capital \$	Accumulated Losses \$	Option Reserves \$	Asset Revaluation Reserve \$	
Balance at 1 July 2016	18,572,844	(20,514,560)	1,579,195	-	(362,521)
Loss for the period	-	(1,227,303)	-	-	(1,227,303)
Total comprehensive loss for the period	-	(1,227,303)	-	-	(1,227,303)
Shares issued during the period	1,260,000	-	-	-	1,260,000
Equity issue expenses	(221,926)	-	-	-	(221,926)
Share based payment	-	-	18,159	-	18,159
Options issued for share issue costs	-	-	140,120	-	140,120
Balance at 31 December 2016	19,610,918	(21,741,863)	1,737,474	-	(393,471)
Balance at 1 July 2017	21,497,202	(22,391,217)	1,737,474	-	843,459
Loss for the period	-	(3,515,281)	-	-	(3,515,281)
Change in fair value of available-for-sale investment	-	-	-	372,000	372,000
Total comprehensive loss for the period	-	(3,515,281)	-	372,000	(3,143,281)
Balance at 31 December 2017	21,497,202	(25,906,498)	1,737,474	372,000	(2,299,822)

The accompanying notes form part of these financial statements.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31/12/2017	31/12/2016
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	3,881,957	-
Payments for exploration and evaluation expenditure		
	(111,485)	(766,555)
Payments for pre Mining expenditure	(8,800)	-
Payments for surface Mining expenditure	(1,281,072)	-
Payments to suppliers and employees	(216,620)	(321,790)
Interest received	499	1,056
Interest paid	-	(9,092)
Net cash inflow / (outflow) from operating activities	2,264,479	(1,096,381)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(1,247)	(63,525)
Payment for mine properties	(2,074,449)	-
Sale of plant and equipment	12,037	-
Payments to joint venture on behalf of Brimstone Resources Ltd	(281,600)	(248,000)
Net cash outflow from investing activities	(2,345,259)	(311,525)
Cash Flows from Financing Activities		
Proceeds from issue of equity securities	-	1,260,000
Equity securities issue costs	(17,500)	(154,379)
Proceeds from borrowings	445,000	350,000
Repayments of borrowings	(10,000)	(52,932)
Net cash inflow from financing activities	417,500	1,402,689
Net increase/(decrease) in cash held	336,720	(5,217)
Cash at the beginning of the period	385,447	265,828
Cash at the end of the period	722,167	260,611

The accompanying notes form part of these financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 and any public announcements made by Empire Resources Limited 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 and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of preparation

The interim financial report has been prepared on a historical cost basis except for the revaluation of certain financial assets to fair value. 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 financial 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 2017, except for the following:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Determining the beginning of production

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point commercial production commences. This is based on the specific circumstances of the project, and considers when the specific asset becomes 'available for use' as intended by management which includes consideration of the following factors:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1. Statement of Significant Accounting Policies (continued)

- the level of development expenditure compared to project cost estimates;
- accumulation of ore on the ROM pad;
- mineral recoveries, availability and throughput levels at or near expected/feasibility study levels;
- the ability to produce gold into a saleable form (where more than an insignificant amount is produced); and
- the achievement of continuous production.

Inventories

Management estimates the net realisable values of inventories taking into account the most reliable evidence available at each reporting date. Future realisation of these inventories may be affected by market driven changes that may reduce future selling prices.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2017, 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 2016.

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 also reviewed all new Standards and Interpretation that have been issued but are not yet effective for the half-year ended 31 December 2017. 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.

Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$3,515,281 (2016:\$ 1,227,303) for the half-year and as disclosed in the Statement of Cash Flows, the Group recorded cash inflows from operating activities of \$2,264,479 (2016:Outflow \$1,096,381), cash outflows from investing activities of \$2,345,259 (2016:\$311,525) and a cash inflow from financing activities of \$417,500 (2016: \$1,402,689). 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 Joint Venture will continue to receive proceeds from the sale of gold during the second half of the financial year;
- the Joint Venture retains the support from Blue Cap Mining Pty Ltd to the extent that it entered into a repayment deed to reschedule the timing of the debt repayment and there being a standstill on further calls on the joint venture to pay current invoiced amounts until proceeds from future treatment campaigns were received;
- The Group has a working capital deficit of \$3,576,978 (30/6/17: \$2,547,773) at balance date and retains the ability to sell its remaining shares in FYI Resources Ltd, in the event that the capital raisings and gold sales are delayed; and
- The Group 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.

Should the sale of gold as forecasted not be completed or the Group is unable to generate cash from other sources, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

EMPIRE RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2017 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 mining to be its primary reporting function.

4. Dividends

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

5. Contingent Liabilities

The Company has been named as a defendant in a writ issued in the Supreme Court of Western Australia. The writ claims damages, or alternatively the amount of \$40,000 plus an undefined profit claim plus interest and costs and such other relief as the Court thinks fit. The Company believes that the claims are entirely without merit and will be vigorously defended.

6. Events Subsequent to Reporting Date

i) In February 2018, the Company entered into a Repayment Deed with Blue Cap Mining Pty Ltd to reschedule the timing of the debt repayment. The agreement facilitated the payment to Blue Cap of \$600,000 as part of its repayment of outstanding debts on 29 January 2018 and there being a standstill on further calls on the joint venture to pay current invoiced amounts until proceeds of the next treatment campaign are received. Total repayments made to Blue Cap subsequent to half-year end totalled \$7,330,787 (inclusive of the \$600,000). All debts are to be paid in full by 28 April 2018 and interest will accrue on outstanding funds.

ii) In February 2018 and early March 2018 the Group repaid in cash a loan included in note 13 of \$250,000, plus interest and management fees.

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 subsequent financial periods.

7. Investments

(a) Investments previously accounted for using the Equity Method

Name of entity	Principal activity	Country of incorporation	Ownership interest		Market Value	
			31/12/2017	30/06/2017	31/12/2017	30/06/2017
			%	%	\$	\$
Associated entity						
FYI Resources Ltd	Mineral exploration	Australia	9%	13%	996,000	288,000

In November 2017, the investment was reclassified to available-for-sale investment. Refer to Note 10. The equity accounted investment had a carrying amount of \$Nil (2016: \$Nil) at the point of reclassification. The market value at reclassification was \$624,000 which enabled the Company to record a gain on reclassification in the profit or loss of \$624,000.

EMPIRE RESOURCES LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

(b) Investments in subsidiary

Controlled entity	Country of incorporation	Percentage Owned	Percentage Owned
		31/12/2017 %	30/06/2017 %
Parent Entity: Empire Resources Limited	Australia		
Subsidiary of Empire Resources Limited: Torrens Resources Pty Ltd	Australia	100	100

8. Trade and other receivables

	Consolidated	
	31/12/2017 \$	30/06/2017 \$
Current		
Trade receivables	27,503	22,939
JV Trade receivables ¹	817,473	99,490
Payments to JV on behalf of Brimstone Resources Ltd ²	1,109,600	828,000
GST receivables	646,889	254,322
Other receivables	392,967	124,111
Provision for impairment of receivables	(129,471)	-
	2,864,961	1,328,862

Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. One Joint Venture receivable is impaired at balance date.

¹ JV Trade receivables comprise cash calls by the Joint Venture Manager, Empire Resources Limited on the other joint venture partner, Brimstone Resources Ltd.

² These advances are receivable from Brimstone Resources Ltd. The interest is calculated at 16% per annum, calculated daily, compounding monthly. The repayment date is by the open cut completion date expected to be during the fourth quarter of the financial year. Leading up to this date, Brimstone Resources Ltd is required to repay the balance utilising 50% of the monies payable to Brimstone Resources Ltd under the funding agreement with Blue Cap Mining Pty Ltd. The amount is secured against Brimstone Resources Ltd 40% interest in the joint venture.

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EMPIRE RESOURCES LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

9. Inventories

	Consolidated	
	31/12/2017	30/06/2017
	\$	\$
Raw materials (Ore stockpiles)	569,191	-
Work in progress (Metals in circuit)	539,946	-
Finished goods (Gold bullion)	757,685	-
	1,866,822	-

Costs incurred in, or benefits added, through the production process are accumulated as stockpiles, gold in process, ore on leach pad and product inventory. Net realisable value tests are performed every 6 months and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the numbers of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

The metallurgical balancing process is constantly monitored and recovery estimates are refined based on reconciliations with actual results over time.

During the period \$745,505 was recognised in the statement of profit or loss and other comprehensive income as an impairment charge to write down inventory to its net realisable value.

10. Available-for-sale Investments

	Consolidated	
	31/12/2017	30/06/2017
	\$	\$
Investment in FYI Resources Ltd - listed shares	996,000	-
	996,000	-

In November 2017, Empire Resources Ltd considered it no longer had significant influence over FYI Resources Ltd ("FYI") following a dilutionary 13,333,330 share issue by FYI, and therefore discontinued the use of the equity method of accounting for this investment. Management considers the asset of 12,000,000 shares to be an available-for-sale asset and on the date of the initial recognition as an available-for-sale asset, the Company recorded a gain of \$624,000 in profit or loss. The investment is recorded at the share market price of 8.3 cents at 31 December 2017 with a corresponding increase in the asset revaluation reserve of \$372,000. In February 2018, Empire Resources Ltd sold 5,000,000 shares at 8 cents.

The investment is a level 1 financial instrument.

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EMPIRE RESOURCES LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

11. Mine Properties

	Consolidated	
	31/12/2017	30/06/2017
	\$	\$
Cost	3,265,264	3,265,264
Accumulated amortisation	(2,093,433)	-
Carrying value	1,171,831	3,265,264
Balance at beginning of year	3,265,264	-
Additions - Development expenditure incurred	-	3,265,264
Amortisation for the half-year	(2,093,433)	-
	1,171,831	3,265,264

The following have been pledged as security over amounts owing to Blue Capital Services Pty Ltd under the signed funding agreement for the Penny's Find Joint Venture:

Mining Lease M27/156
General Purpose Lease G27/1
Miscellaneous Licence L27/90
Miscellaneous Licence L27/91
Miscellaneous Licence L27/92

12. Trade and other payables

	Consolidated	
	31/12/2017	30/06/2017
	\$	\$
Trade payables and accruals	2,563,488	1,893,137
Employee benefits	381,154	291,173
	2,944,642	2,184,310

13. Borrowings

	Consolidated	
	31/12/2017	30/06/2017
	\$	\$
Director loans (i)	339,159	151,300
Other loans (ii)	277,927	2,827
JV Borrowings from Contractor (iii)	5,663,176	1,121,621
	6,280,262	1,275,748

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EMPIRE RESOURCES LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

(i) The interest rate on the loan is 12% per annum. It is expected the Company will repay the loan from the proceeds of a future share placement of ordinary shares. No fixed terms for repayment have been set.

(ii) In September 2017, the Group received a loan of \$250,000 from a third party which was to be repaid from the proceeds of receipts of gold production or future placement of ordinary shares at the equivalent value of \$0.021 per ERL share. The interest rate on the loan is 12% per annum which will be calculated at each month end and will be payable on maturity. Additionally there is a 5% management fee payable upon return of the loan amount. Subsequent to half-year end this loan was repaid in full in cash.

(iii) The Joint Venture entered into an agreement with Blue Capital Services Pty Ltd to fund mining costs needed to bring the gold mine into full production. Blue Capital Services Pty Ltd will fund mining and related costs to a maximum of \$7,500,000 until the mining operations are cash flow positive. The fixed return is calculated at 30.7% of the accrued Working Capital Extension and at 31 December was \$3,223,486 (30 June 2017 \$439,094). At 31 December 2017, the Joint Venture had drawn-down \$6,215,140 (30 June 2017 \$1,430,274) on the Blue Cap funding facility. The total JV borrowings at 31 December 2017 were \$9,438,626 (30 June 2017 \$1,869,368) of which Empire's 60% share was \$5,663,176 (30 June 17 \$1,121,621) inclusive of the facility fee. Blue Cap has a mortgage over the Penny's Find Gold Project Mining tenements until the borrowings and fixed return are paid in full.

These borrowings were repayable by the end of January 2018. In February 2018, the Company entered into a Repayment Deed with Blue Cap Mining Pty Ltd to reschedule the timing of the debt repayment. The agreement facilitated the payment to Blue Cap of \$600,000 as part of its repayment of outstanding debts on 29 January 2018 and there being a standstill on further calls on the joint venture to pay current invoiced amounts until proceeds of the next treatment campaign are received. All debts are to be paid in full by 28 April 2018 and interest will accrue on outstanding funds.

14. 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	
	31/12/2017	30/06/2017
	\$	\$
483,201,475 (30 June 2017: 483,201,475) fully paid ordinary shares	21,497,202	21,497,202

(i) Ordinary shares - number

At 1 July	483,201,475	324,201,475
Share placement - 63,000,000 on 18 July 2016 at \$0.02	-	63,000,000
Share placement - 96,000,000 on 19 April 2017 at \$0.021	-	96,000,000
Balance at 31 December 2017	483,201,475	483,201,475

EMPIRE RESOURCES LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Consolidated	
	31/12/2017	30/06/2017
	\$	\$
(ii) Ordinary shares – value		
At 1 July	21,497,202	18,572,844
Share placement - 63,000,000 on 18 July 2016 at \$0.02	-	1,260,000
Share placement - 96,000,000 on 19 April 2017 at \$0.021	-	2,016,000
Less share issue costs	-	(351,642)
Balance at 31 December 2017	21,497,202	21,497,202

(b) Options

As at 31 December 2017 the Company had the following options on issue over ordinary shares:-

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
3-May-16	3-May-19	0.025	7,440,000
3-May-16	3-May-19	0.025	7,440,000
3-May-16	3-May-19	0.025	1,435,000
3-May-16	3-May-19	0.025	5,787,000
22-Jun-16	22-Jun-19	0.040	1,000,000
18-Jul-16	18-Jul-19	0.040	9,000,000
			<u>32,102,000</u>

15. Financial Instruments

The fair value of financial assets and liabilities approximate their carrying amounts at balance date. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

16. Loss Per Share

	Consolidated	
	6 months ended 31/12/2017 Cents	6 months ended 31/12/2016 Cents
Basic and diluted loss per share (cents per share)	(0.73)	(0.32)
Loss used in the calculation of basic EPS	(3,515,281)	(1,227,303)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	483,201,475	381,349,016

EMPIRE RESOURCES LIMITED

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto 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 2017 and of its performance for the half-year then ended; and

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
14th March 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Empire Resources Limited for the half-year ended 31 December 2017, 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
14 March 2018**

**D I Buckley
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Empire Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Empire Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 Group's financial position as at 31 December 2017 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*.

Material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 gives a true and fair view and 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*

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including: giving a true and fair view of the Group's financial position as at 31 December 2017 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*.



HLB Mann Judd
Chartered Accountants



D I Buckley
Partner

Perth, Western Australia
14 March 2018

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