

**EMPIRE RESOURCES LIMITED**

**ABN 32 092 471 513**

**Annual Financial Statements**

**for the year ended 30 June 2010**

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## Directors' Report

Your directors submit their report on Empire Resources Limited and its controlled entity for the financial year ended 30 June 2010.

### Directors

The company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

#### **Tom Revy - Chairman (Non-Executive) – BappSc. Grad Dip Bus. (Appointed 8 January 2010)**

Mr Revy is a mining professional with in excess of 27 years experience in the mining industry to date including operations, process design and commissioning, technical and general management, business development, project and company evaluation and corporate management. Countries where extensive work has been undertaken include Australia, PNG, Southern and Central Africa, Central and South America and China. He also holds the role of Director of the Australian Latin American Business Council (ALABC).

#### **David Sargeant - Managing Director - BSc. MAusIMM**

Mr Sargeant – who holds a Bachelor of Science degree in economic geology from the University of Sydney – has more than 35 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 Dalgarranga Gold Project.

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

<b>Company</b>	<b>Position</b>	<b>Appointed</b>	<b>Ceased</b>
FYI Resources Ltd	Non-executive Director	30/11/2009	-

#### **Adrian Jessup - Executive Director - BSc. MAusIMM**

Mr Jessup also holds a Bachelor of Science degree (with honours) in economic geology from the University of Sydney and has more than 35 years continuous experience as a geologist, company director and consultant involved in mineral exploration, ore deposit evaluation and mining. He is a member of AusIMM, the Geological Society of Australia and the Australian Institute of Geoscientists.

For the last fifteen years, Mr Jessup has operated a geological consulting company. During that time, he was a founding director of Sylvania Resources Limited and remained on the board for two years. Prior to that, Mr Jessup was managing director of Giralda Resources NL for eight years, from the company's inception in 1987. Previously, he had worked for AMAX Exploration Inc., as a senior geologist and as regional manager in charge of that company's mineral exploration in Western Australia.

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

<b>Company</b>	<b>Position</b>	<b>Appointed</b>	<b>Ceased</b>
FYI Resources Ltd	Non-executive Director	30/11/2009	-

**Adrian Griffin - Chairman (Non-Executive) - BSc. MAusIMM (Resigned 8 January 2010)**

Mr Griffin graduated from the University of Melbourne in 1975 and is a member of the Australasian Institute of Mining and Metallurgy ('AusIMM') and the Geological Society of Australia. He began his professional career with exploration for base metals in Tasmania. He went on to develop mine planning, grade control and exploration methods in iron ore with BHP.

In the 1980s, Mr Griffin was operations manager for a number of public companies involved in the mining and production of gold and base metals throughout Australia and southeast Asia. In 1988, he managed the commissioning of underground production at the Bellevue gold mine in Western Australia.

Mr Griffin began consulting to the mining industry in 1990 and has held board positions with a number of public companies since then. His management experience is broad, encompassing as it does exploration, financing, development, commissioning and the production of a wide range of mineral commodities.

Mr Griffin was a director of the following listed companies during the past three years up to the date of his resignation.

<b>Company</b>	<b>Position</b>	<b>Appointed</b>	<b>Ceased</b>
Washington Resources Limited	Managing Director	1/9/2004	1/12/2008
Northern Uranium Limited	Nonexecutive Director	2/06/2006	-
Reedy Lagoon Corporation Limited	Nonexecutive Director	9/05/2007	-

**MANAGEMENT**

**Simon Storm - Company Secretary – BCom. BCompt(Hons). CA, FCIS**

Mr Storm is a Chartered Accountant with over 26 years of Australian and international experience in the accounting profession and commerce. He commenced his career with Deloitte Haskins & Sells in Africa then London before joining Price Waterhouse in Perth.

He has held various senior finance and/or company secretarial roles with listed and unlisted entities in the banking, resources, construction, telecommunications and property development industries. In the last 8 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies in these sectors.

**David Ross – Exploration Manager – BSc(Hons). MSc. MAusIMM**

Mr Ross holds a Bachelor of Science degree (with honours) in geology from Aberdeen University, Scotland and a Master of Science degree in economic geology from McMaster University in Canada. He is a member of the AusIMM, the Geological Society of Australia and the Australian Institute of Geoscientists.

With over 20 years experience as an exploration geologist in Western Australia his career has seen him involved with numerous mineral exploration, ore deposit evaluation and mine development projects for both gold and base metals. He has held senior geologist positions with Brunswick NL and Giralia Resources and was geological superintendent for Australian Resources at the Gidgee Gold Mine. Most recently he held the position of chief geologist with De Grey Mining Ltd where he was instrumental in the discovery of the Orchard Well VMS deposits.

## **Principal Activities**

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.

## **Result for the Financial Period**

Loss from ordinary activities after income tax expense was \$522,353 (2009: \$1,167,359)

## **Review of Operations**

During the year, the Company continued exploration activities at its Yuinmery copper – gold project with the first high grade intersections made at the Trajan prospect and encouraging copper intersections being found at the Augustus prospect. In addition the Company sold its Yarlalweelor uranium project in WA to FYI Resources Limited and holds a 32% shareholding in that company. In order to continue funding its operations the Company raised \$1,540,000 before costs through a series of share placements.

Significant changes in the state of affairs of the Company during the financial year were as follows:

- Sale of Yarlalweelor uranium project to FYI Resources Ltd.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company.

## **Remuneration Report (Audited)**

This report details the amount and nature of remuneration of each director of the Company and the executives receiving the highest remuneration.

### ***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 by the board after seeking professional advice 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 economic entity. 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 director's fees will be \$30,000 per annum for the Chairman, inclusive of statutory superannuation contributions. Shareholders have approved aggregate remuneration for all non-executive directors at an amount of \$100,000 per annum. Where applicable, superannuation contributions of 9% are paid on these fees as required by law.

#### *Share-based compensation*

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and Employees of a high calibre, the Company has established the Empire Resources Limited Share Plan ("SP") and the Empire Resources Option Plan.

The Directors consider the plans are an appropriate method to:

- a) reward Directors and Employees for their past performance;
- b) provide long-term incentives to participate in the Company's future growth;
- c) motivate Directors and Employees and generate loyalty in Employees; and
- d) assist to retain the services of valuable Employees.

The value attributed to the share based compensation for the year is as follows:

	Year granted	Vested %	Forfeited %	Financial years in which shares/options may vest	Total value of grant vested \$	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
<b>Directors</b>							
Mr A Griffin <sup>1</sup>	2007	72%	-	2008-11	50,286	19,341	19,341
Mr T Revy <sup>2</sup>	2010	-	-	2010-13	-	7,500	7,500
Mr D Sargeant	2007	72%	-	2008-11	75,430	29,011	29,011
	2010	-	-	2010-13	-	7,500	7,500
Mr A Jessup	2007	72%	-	2008-11	50,286	19,341	19,341
	2010	-	-	2010-13	-	7,500	7,500
<b>Specified Executives</b>							
Mr S Storm	2007	72%	-	2008-11	35,200	13,539	13,539
	2010	-	-	2010-13	-	7,500	7,500

<sup>1</sup> Resigned 8 January 2010

<sup>2</sup> Appointed 8 January 2010

	Shares				
	A Remuneration consisting of shares	B Value at issue date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
<b>Directors</b>					
Mr A Griffin <sup>1</sup>	11%	69,627	-	-	69,627
Mr T Revy <sup>2</sup>	0%	-	-	-	-
Mr D Sargeant	4%	104,441	-	-	104,441
Mr A Jessup	3%	69,627	-	-	69,627
<b>Specified Executives</b>					
Mr S Storm	6%	48,739	-	-	48,739

<sup>1</sup> Resigned 8 January 2010

<sup>2</sup> Appointed 8 January 2010

- A = The percentage of the value of remuneration consisting of shares, based on the value of shares expensed during the current year
- B = The value at issue date calculated in accordance with AASB 2 Share-based Payment of shares issued during the year as part of remuneration.
- C = The value at exercise date of shares that were issued as part of remuneration and were exercised during the year, being the intrinsic value of the shares at that date
- D = The value at lapse date of shares that were issued as part of remuneration and that lapsed during the year. Lapsed shares refer to shares that vested but expired due to the term of the loan expiring.

### Executives

Executive Directors receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Directors do not receive any retirement benefits. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation. 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.

### Compensation of Key Management Personnel for the year ended 30 June 2010.

The following table discloses the remuneration of the Key Management Personnel (Directors and executive officers) of the Company. The information in this table is audited.

				Short-term Benefits	Post-employment benefits	Share-based payments	
Directors	Directors Fees	Consulting Fees				Value of shares & options	Total
<b>Specified Directors</b>							
<b>Non-Executive</b>							
				-			-
Mr A Griffin <sup>1</sup>	2010	15,000	-	15,000	-	23,209	38,209
	2009	30,000	-	30,000	-	23,209	53,209
Mr T Revy <sup>2</sup>	2010	15,000	-	15,000	-	34	15,034
	2009	-	-	-	-	-	-
<b>Executive</b>							
Mr D Sargeant	2010	-	164,000	164,000	-	34,848	198,848
	2009	-	132,000	132,000	-	34,814	166,814
Mr A Jessup	2010	-	108,000	108,000	-	23,243	131,243
	2009	-	132,000	132,000	-	23,209	155,209
<b>Total Specified Directors</b>	<b>2010</b>	<b>30,000</b>	<b>272,000</b>	<b>302,000</b>	<b>-</b>	<b>81,334</b>	<b>383,334</b>
	2009	30,000	264,000	294,000	-	81,232	375,232
<b>Specified Executives</b>							
Mr S Storm	2010	-	34,800	34,800	-	16,280	51,080
	2009	-	31,200	31,200	-	16,246	47,446
<b>Total Specified Executives</b>	<b>2010</b>	<b>-</b>	<b>34,800</b>	<b>34,800</b>	<b>-</b>	<b>16,280</b>	<b>51,080</b>
	2009	-	31,200	31,200	-	16,246	47,446

<sup>1</sup> Resigned 8 January 2010

<sup>2</sup> Appointed 8 January 2010

## **Employment contracts**

### **– Mr D Sargeant**

By agreement dated 24 October 2009, the Company and Kirkdale Holdings Pty Ltd (ACN 009 096 388) ('Kirkdale') agreed the terms and conditions under which Kirkdale would provide the services of Mr Sargeant as Managing Director of the Company.

The agreement has:

- (a) a term of three years;
- (b) requires the payment to Kirkdale of a fee of \$15,000 (GST excl) per month (increasing by 10% each year) and reimbursement of expenses;
- (c) provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement.

### **– Mr A Jessup**

By agreement dated 24 October 2009, the Company and Murilla Exploration Pty Ltd (ACN 068 277 190) ('Murilla') agreed the terms and conditions under which Murilla would provide the services of Mr Jessup as an executive officer of the Company.

The agreement has:

- (a) a term of three years;
- (b) requires the payment to Murilla of a fee of \$7,000 (GST excl) per month (increasing by 10% each year) and reimbursement of expenses;
- (c) provisions requiring the payment of a termination benefit of 50% of the amount due on termination of the agreement.

Directors may be paid additional fees for special duties or services outside the scope of the ordinary duties of a Director. Directors will also be reimbursed for all reasonable expenses incurred in the course of their duties.

## **Share Options**

At the date of this report unissued ordinary shares of the Company under option are:

<u>Grant Date</u>	<u>Date of Expiry</u>	<u>Exercise Price \$</u>	<u>Number under Option</u>
1-Feb-07	31-Dec-10	0.25	3,000,000
2-Jun-10	2-Jun-13	0.15	8,227,729
25-Jun-10	25-Jun-13	0.14	2,700,000
			<u>13,927,729</u>

## **Directors' Interest**

The relevant interest of each director in the shares and options over shares issued by the Company at the date of this report is as follows:

Director	Number of Ordinary Shares		Number of Options	
	Direct	Indirect	Direct	Indirect
Mr T Revy	350,000	-	500,000	-
Mr D Sargeant	-	6,100,000	-	500,000
Mr A Jessup	722,222	1,345,333	-	500,000

### Company Performance

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

### Significant Changes in the State of Affairs

There were no other significant changes in the state of affairs of the Company other than those noted in the review of operations.

### Likely Developments and Expected Results

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

### Environmental Regulation

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

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

### Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the period ended 30 June 2010 and the number of meetings attended by each director.

Director	Directors' Meetings	
	A	B
Mr Adrian Griffin	3	3
Mr Thomas Revy	3	3
Mr David Sargeant	6	6
Mr Adrian Jessup	5	6

A - meetings attended

B - meetings held whilst a director

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 15 September 2010, Empire Resources Ltd entered into a staged sale agreement for its Penny's Find gold project with unlisted company Brimstone Resources Ltd. At the election of Brimstone Resources Ltd, the sale consideration comprises either:

- Staged cash payments totalling \$2 million for a 100% interest of the Penny's Find project, or
- Stage cash payment totalling \$0.5 million together with exploration and development expenditure of up to \$3 million for an 80% interest in the Penny's Find project.

On 1 September 2010 the Company announced it had entered into an option agreement to purchase an interest in three granted exploration licences and two granted prospecting licences held by La Mancha Resources Australia surrounding the Company's advanced Yuinmery copper – gold resource project in Western Australia.. The five tenements are the subject of a joint venture between La Mancha Resources Australia and Giralia Resources Limited in which La Mancha currently holds an interest of approximately 75.82%. Under the terms of the option agreement, Empire must spend a minimum of A\$150,000 per annum for up to three years while retaining an option to purchase La Mancha's interest for a cash consideration of A\$750,000. A 2% net smelter royalty capped at A\$5,000,000 will be payable by Empire on any minerals produced from the La Mancha tenements.

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

#### **Non-audit Services**

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

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

The Board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement FI, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

During the period, the following fees were paid or payable for services provided by the auditors of the parent entity HLB Mann Judd and RSM Bird Cameron, its related practices and non-related audit firms:

**Assurance Services**

**HLM Mann Judd (Current Auditor)**

**1. Audit services**

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

Total remuneration for audit services

**2. Other assurance services**

Tax related

**Total remuneration for other assurance services**

**Total remuneration for assurance services**

**Assurance Services**

**RSM Bird Cameron (Former Auditor)**

**1. Audit services**

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

Total remuneration for audit services

**2. Other assurance services**

Tax related

**Total remuneration for other assurance services**

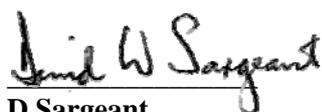
**Total remuneration for assurance services**

	<b>Consolidated</b>	
	<b>Year ended 30 June 2010</b>	<b>Year ended 30 June 2009</b>
	<b>\$</b>	<b>\$</b>
	18,500	-
	18,500	-
	-	-
	-	-
	18,500	-
	-	25,200
	-	25,200
	2,250	5,700
	2,250	5,700
	2,250	30,900

**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 2010. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Director's Report.

Signed in accordance with a resolution of Directors.



**D Sargeant**  
**Managing Director**  
 Perth, Western Australia  
 24 September 2010

EMPIRE RESOURCES LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group	
		2010 \$	2009 \$
Revenue from Continuing operations	2	1,534,161	139,732
Depreciation expense	3	(23,577)	(24,601)
Exploration expense	3	(1,147,416)	(647,618)
Employee benefits expense		(20,032)	(20,149)
Management fee expense		(254,772)	(260,103)
Directors Fees		(30,000)	(30,000)
Accounting expense		(48,265)	(42,855)
Consultancy expense		(6,658)	(200)
Share-based payment		(113,909)	(113,724)
ASX expense		(15,415)	(24,938)
Corporate Relations expense		(27,134)	(23,315)
Insurance expense		(15,482)	(16,107)
Other expenses		(110,695)	(103,481)
Share of loss of equity accounted investees	8	(243,159)	-
<b>Loss before income tax</b>		<b>(522,353)</b>	<b>(1,167,359)</b>
Income tax expense	4	-	-
<b>Net loss for the year</b>		<b>(522,353)</b>	<b>(1,167,359)</b>
Other comprehensive income		-	-
Income tax relating to components of other comprehensive income		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(522,353)</b>	<b>(1,167,359)</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)	5	(0.61)	(1.62)

*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 2010**

	Note	Consolidated Group	
		2010	2009
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	595,674	809,433
Trade and other receivables	7	70,861	15,648
<b>Total Current Assets</b>		<b>666,535</b>	<b>825,081</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	8	1,256,645	-
Plant & equipment	9	34,427	58,004
<b>Total Non-Current Assets</b>		<b>1,291,072</b>	<b>58,004</b>
<b>TOTAL ASSETS</b>		<b>1,957,607</b>	<b>883,085</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	130,106	101,287
<b>Total Current Liabilities</b>		<b>130,106</b>	<b>101,287</b>
<b>TOTAL LIABILITIES</b>		<b>130,106</b>	<b>101,287</b>
<b>NET ASSETS</b>		<b>1,827,501</b>	<b>781,798</b>
<b>EQUITY</b>			
Issued capital	11	11,723,878	10,269,731
Reserves	12	739,174	625,265
Accumulated losses		(10,635,551)	(10,113,198)
<b>TOTAL EQUITY</b>		<b>1,827,501</b>	<b>781,798</b>

*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 2010

	Consolidated Group			Total
	Share Capital	Accumulated	Option	
	Ordinary	Losses	Reserve	
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	9,420,471	(8,945,839)	511,541	986,173
Shares issued during the year	850,000	-	-	850,000
Options issued during the year	-	-	113,724	113,724
Equity issue expenses	(740)	-	-	(740)
Total comprehensive loss for the year	-	(1,167,359)	-	(1,167,359)
<b>Balance at 30 June 2009</b>	<b>10,269,731</b>	<b>(10,113,198)</b>	<b>625,265</b>	<b>781,798</b>
<b>Balance at 1 July 2009</b>	<b>10,269,731</b>	<b>(10,113,198)</b>	<b>625,265</b>	<b>781,798</b>
Shares issued during the year	1,539,691	-	-	1,539,691
Options issued during the year	-	-	113,909	113,909
Equity issue expenses	(85,544)	-	-	(85,544)
Total comprehensive loss for the year	-	(522,353)	-	(522,353)
<b>Balance at 30 June 2010</b>	<b>11,723,878</b>	<b>(10,635,551)</b>	<b>739,174</b>	<b>1,827,501</b>

*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 2010**

	Note	Consolidated Group 2010 \$	2009 \$
<b>Cashflows from Operating Activities</b>			
Receipts from customers		11,000	74,526
Payments to suppliers and employees		(537,650)	(491,295)
Interest received		24,357	65,206
<b>Net cash used in operating activities</b>	<b>18(i)</b>	<b>(502,293)</b>	<b>(351,563)</b>
<b>Cash Flows from Investing Activities</b>			
Payment for renewal or purchase of prospects		-	(90,000)
Exploration and evaluation expenditure		(1,167,660)	(959,537)
<b>Net cash used in investing activities</b>		<b>(1,167,660)</b>	<b>(1,049,537)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of equity securities		1,539,691	850,000
Equity securities issue costs		(83,497)	(740)
<b>Net cash provided by financing activities</b>		<b>1,456,194</b>	<b>849,260</b>
<b>Net decrease in cash held</b>		<b>(213,759)</b>	<b>(551,840)</b>
Cash at the beginning of the financial year		809,433	1,361,273
Cash at the end of the financial year	<b>6</b>	<b>595,674</b>	<b>809,433</b>

*The above Statement of Cash Flows should be read in conjunction  
with the accompanying notes.*

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 1. Statement of Significant Accounting Policies

The financial report covers the consolidated entity of Empire Resources Limited (“Empire”) and its controlled entity and Empire as an individual parent entity. Empire is a listed public company limited by shares, incorporated and domiciled in Australia.

#### (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 is prepared on the basis of historical costs. 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).

The financial report was authorised for issue by the Board on 24 September 2010.

The following is a summary of the material accounting policies adopted by the consolidated entity 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 June 2009 financial report.

The group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### (b) Going Concern

As disclosed in the Statement of Comprehensive Income, the consolidated entity recorded operating losses of \$522,353 (2009:\$1,167,359) and as disclosed in the Statement of Cash Flows, the consolidated entity recorded cash outflows from operating activities of \$502,293 (2009: \$351,563) and investing activities of \$1,167,660 (2009:\$1,049,537) and a cash inflow from financing activities of \$1,456,194 (2008:\$849,260). Cash flows from financing activities arose from capital raisings that are disclosed in Note 11(a). 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 consolidated entity:

- The consolidated entity has successfully completed a capital raising during the year as disclosed in Note 11(a) and have 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;
- Subsequent to year end and disclosed in Note 20, Empire has entered into a sale agreement for the Penny’s Find Project;
- The consolidated entity has net current assets of \$536,429 (2009: \$723,794) at balance date and expenditure commitments for the next 12 months of \$752,054 (2009:\$685,458), as disclosed in Note 14, and retain the ability to scale down their operations to conserve cash, in the event that the capital raisings are delayed or partial; and

# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

- The company and consolidated entity have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in mineral exploration and development assets.

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

### (c) Basis of Consolidation

A controlled entity is any entity that Empire Resources Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

A list of the controlled entity is contained in Note 8 to the financial statements. The controlled entity has a 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.

### Changes in accounting policy

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 Consolidated and Separate Financial Statements became operative.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains and losses in profit and loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests in associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### (d) Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The balance dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### (e) Plant & Equipment

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

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

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

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

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

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

Notes to the Financial Statements 30 June 2010

(f) **Income Tax**

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

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

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

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

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

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

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.

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### (g) Cash & Cash Equivalents

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

### (h) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of the acquisition plus costs incidental to the acquisition.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

### (i) Impairment of assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

### (j) Financial Instruments

#### *Recognition*

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

#### *Loans and receivables*

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

#### *Available-for-sale financial assets*

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

#### *Financial liabilities*

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

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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Notes to the Financial Statements 30 June 2010

**Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**(k) Exploration and Development Expenditure**

Exploration, evaluation and acquisition costs are written off in the year they are incurred. Development costs are capitalised. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production.

**(l) Employee Entitlements**

**Salaries, wages and annual leave**

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

**Equity settled transactions**

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

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

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in Note 18. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Empire Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

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

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

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).

#### **(m) Trade Receivables**

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

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

#### **(n) Trade creditors**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(o) Recoverable Amount of Non-current Assets**

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows used in determining recoverable amount are not discounted to their present value.

#### **(p) Leases**

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

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

#### **(q) Revenue Recognition**

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

##### **(i) Interest**

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

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### (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.

#### (r) **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.

#### (s) **Critical accounting estimates and judgements**

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

#### **Key Estimates — Impairment**

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

#### **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 by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 18. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 18.

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.

#### (t) **Adoption of new and revised standards**

##### **Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2010, 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 the current annual reporting period.

During the year, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Principles of consolidation – revised AASB 127 Consolidated and Separate Financial Statements and changes made by AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate
- Segment reporting – new AASB 8 Operating Segments

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## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

- Financial Instruments – revised AASB 7 Financial Instruments: Disclosures

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2010. 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.

#### (u) Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now 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.

The Group operates only in one business and geographical segment being predominantly in the area of mineral exploration in Western Australia. The Group considers its business operations in mineral exploration to be its primary reporting function.

#### (v) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or 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.

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 2. Revenue

	Consolidated Group	
	2010	2009
	\$	\$
<b>Revenue</b>		
Interest received	24,357	65,206
Sale of tenement	1,499,804	-
Other income	10,000	74,526
	<u>1,534,161</u>	<u>139,732</u>

### 3. Loss from ordinary activities

	Consolidated Group	
	2010	2009
	\$	\$
Loss before income tax		
The loss from ordinary activities before income tax has been determined after:		
<b>(a) Expenses</b>		
Depreciation	<u>23,577</u>	24,601
Exploration costs written off	<u>1,147,416</u>	647,618

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 4. Income tax

##### (a) Income tax recognised in loss

No income tax is payable by the parent or consolidated group as they both recorded losses for income tax purposes for the year.

##### (b) Numerical reconciliation between income tax expense and the loss before income tax.

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Loss before tax	<b>(522,353)</b>	(1,167,359)
Income tax benefit at 30% (2009:30%)	<b>(156,706)</b>	(350,208)
Tax effect of:		
- deductible capital raising expenditure	<b>(34,111)</b>	(29,451)
- non deductible expenditure	<b>73,076</b>	-
- deductible temporary differences	<b>3,095</b>	-
-share based payment	<b>34,173</b>	34,117
Deferred tax asset not recognised	<b>80,473</b>	345,542
Income tax benefit attributable to loss from ordinary activities before tax	<b>-</b>	-
<b>(c) Unrecognised deferred tax balances</b>		
Tax losses attributable to members of the group - revenue	<b>8,409,486</b>	8,126,678
Potential tax benefit at 30%	<b>2,522,846</b>	2,438,003
<b><i>Deferred tax asset asset not booked</i></b>		
Amounts recognised in Statement of comprehensive income		
-employee provisions	<b>4,061</b>	346
-other	<b>7,725</b>	(1,425)
Amounts recognised in equity		
- share issue costs	<b>166,711</b>	(9,503)
Net unrecognised deferred tax asset at 30%	<b>2,701,343</b>	2,427,421

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

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 5. Loss per share

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share (cents per share)	<b>(0.61)</b>	<b>(1.62)</b>
Loss used in the calculation of basic EPS	<b>(522,353)</b>	<b>(1,167,359)</b>
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	<b>85,856,572</b>	<b>71,877,096</b>
Diluted loss per share has not been disclosed as it is not materially different from basic loss per share		

### 6. Cash and cash equivalents

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<b>595,674</b>	<b>809,433</b>
	<b>595,674</b>	<b>809,433</b>

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 6 Cash and cash equivalents (continued)

##### (i) Reconciliation of cash flow from operations with loss after income tax

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Loss after income tax	(522,353)	(1,167,359)
Sale of tenement	(1,499,804)	-
Depreciation	23,577	24,601
Share based payments expense	113,909	113,724
Exploration expenditure written off	1,167,660	959,537
Share of loss of equity accounted investees	243,159	-
	(473,852)	(69,497)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in trade and other receivables	(53,904)	52,251
(Decrease)/Increase in trade and other payables	24,422	(336,758)
(Decrease)/Increase in employee benefits	1,041	2,441
	(502,293)	(351,563)
Net cash outflow from operating activities	(502,293)	(351,563)

#### 7. Trade and other Receivables

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Current</b>		
Trade receivables	36,090	-
Other receivables	34,771	15,648
	70,861	15,648
	70,861	15,648

#### 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.

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 8. Investments

##### (a) Investments accounted for using the Equity Method

			<b>Consolidated Group</b>			
			<b>2010</b>	<b>2009</b>		
			\$	\$		
Reconciliation of movements in investments accounted for using the equity method:						
Balance at 1 July			-	-		
Acquisitions			<b>1,499,804</b>	-		
Share of loss since acquisition			<b>(243,159)</b>	-		
Balance at 30 June			<b>1,256,645</b>	-		
			<b>Consolidated Group</b>			
			<b>2010</b>	<b>2009</b>		
			\$	\$		
			Ownership interest		Published fair value	
			2010	2009	2010	2009
					\$	\$
Name of entity	Principal activity	Country of incorporation	%	%		
<b>Associated entities</b>						
FYI Resources Ltd	Mineral exploration	Australia	<b>32%</b>	-	<b>1,353,559</b>	-

			<b>Consolidated Group</b>			
			<b>2010</b>	<b>2009</b>		
			\$	\$		
Summarised financial information of associates:						
Financial position						
Total assets			<b>4,678,120</b>	-		
Total liabilities			<b>450,124</b>	-		
Net assets			<b>4,227,996</b>	-		
Group's share of associates' net assets			<b>1,353,559</b>	-		
Financial performance						
Total revenue			<b>29,645</b>	-		
Total loss for the year			<b>(1,223,518)</b>	-		
Group's share of associate's profit/(loss)			<b>(243,159)</b>	-		
Capital commitments and contingent liabilities of associate:						
Share of capital commitments incurred jointly with other investors			<b>406,534</b>	-		
Share of contingent liabilities incurred jointly with other investors			-	-		

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 8. Investments (continued)

#### (b) Investments in subsidiaries

Controlled entities	Country of incorporation	Percentage Owned	
		2010 %	2009 %
Parent Entity:			
Empire Resources Limited	Australia	-	-
Subsidiaries of Empire Resources Limited:			
Torrens Resources Pty Ltd	Australia	<b>100</b>	100

### 9. Plant & equipment

	Consolidated Group	
	2010 \$	2009 \$
Plant and Equipment		
Cost	27,198	27,198
Accumulated depreciation	(25,069)	(19,635)
	<u>2,129</u>	<u>7,563</u>
Motor Vehicles		
Cost	90,217	90,217
Accumulated depreciation	(57,919)	(39,776)
	<u>32,298</u>	<u>50,441</u>
<b>Total Plant and Equipment</b>	<u><b>34,427</b></u>	<u>58,004</u>

Movements in the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial period is as set out below:

	Consolidated Group	
	2010 \$	2009 \$
<b>Plant and Equipment</b>		
Balance at the beginning of year	7,563	14,022
Additions	-	-
Depreciation expense	(5,435)	(6,459)
Carrying amount at the end of the year	<u>2,128</u>	<u>7,563</u>
<b>Motor Vehicles</b>		
Balance at the beginning of year	50,441	68,583
Additions	-	-
Depreciation expense	(18,142)	(18,142)
Carrying amount at the end of the year	<u>32,299</u>	<u>50,441</u>

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 10. Trade and other payables

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Trade payables and accruals	<b>106,869</b>	79,091
Employee benefits	<b>23,237</b>	22,196
	<b><u>130,106</u></b>	<u>101,287</u>

#### 11. 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.

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
97,195,921 (2009: 71,918,192) fully paid ordinary shares	<b>11,723,878</b>	10,269,731
	<b><u>11,723,878</u></b>	<u>10,269,731</u>

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	No.	No.
<b>(i) Ordinary shares - number</b>		
At 1 July 2009	<b>71,918,192</b>	66,918,192
Shares issued - 5,000,000 on 3 July 2008 at \$0.17 Apex Minerals NL	-	5,000,000
Shares issued - 10,750,000 on 14 August 2009 at \$0.05 Sophisticated investors	<b>10,750,000</b>	-
Shares issued - 1,850,000 on 24 November 2009 at \$0.05 Sophisticated investors	<b>1,850,000</b>	-
Shares placement - 4,450,000 on 23 December 2009 at \$0.075	<b>4,450,000</b>	-
Shares placement - 8,227,729 on 12 May 2010 at \$0.07	<b>8,227,729</b>	-
<b>Balance at 30 June 2010</b>	<b><u>97,195,921</u></b>	<u>71,918,192</u>

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 11. Issued capital (continued)

	<b>Consolidated Group</b>	
	<b>2,010</b>	<b>2,009</b>
<b>(ii) Ordinary shares – value</b>	<b>\$</b>	<b>\$</b>
At 1 July 2009	<b>10,269,731</b>	9,420,471
Shares issued - 5,000,000 on 3 July 2008 at \$0.17 Apex Minerals NL	-	850,000
Shares issued - 10,750,000 on 14 August 2009 at \$0.05 Sophisticated investors	<b>537,500</b>	-
Shares issued - 1,850,000 on 24 November 2009 at \$0.05 Sophisticated investors	<b>92,500</b>	-
Shares placement - 4,450,000 on 23 December 2009 at \$0.075	<b>333,750</b>	-
Shares placement - 8,227,729 on 12 May 2010 at \$0.07	<b>575,941</b>	-
Less share issue costs	<b>(85,544)</b>	(740)
<b>Balance at 30 June 2010</b>	<b><u>11,723,878</u></b>	<b><u>10,269,731</u></b>

#### (b) Options

As at 30 June 2010 (30 June 2009: 3,000,000) the Company had the following options on issue over ordinary shares:-

<u>Grant Date</u>	<u>Date of Expiry</u>	<u>Exercise Price \$</u>	<u>Number under Option</u>
1-Feb-07	31-Dec-10	0.25	3,000,000
2-Jun-10	2-Jun-13	0.15	8,227,729
25-Jun-10	25-Jun-13	0.14	2,700,000
			<b><u>13,927,729</u></b>

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 12. Reserves

	Consolidated Group	
	2010	2009
	\$	\$
Reserves	<u>739,174</u>	<u>625,265</u>
Reserves comprise the following:		
<b>Options reserve</b>		
Balance as at start of financial year	625,265	511,541
Share-based payment	113,909	113,724
Balance as at end of the financial year	<u>739,174</u>	<u>625,265</u>

Details of certain components of the option reserve arising as a consequence of equity based payments are included in Note 19.

#### 13. Financial risk management

The Consolidated entity's financial situation is not complex. It's activities may expose it to a variety of financial risks in the future: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. At that stage the Consolidated entity'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 Consolidated entity.

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 2010

#### 13. Financial risk management (continued)

The Consolidated entity hold the following financial instruments:

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	<b>595,674</b>	809,433
Trade and other receivables	<b>70,861</b>	15,648
	<b>666,535</b>	825,081
<b>Financial liabilities</b>		
Trade and other payables	<b>130,106</b>	101,287

#### (a) Market risk

##### *Cash flow and fair value interest rate risk*

The Consolidated entity'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 Consolidated entity to cash flow interest rate risk. Deposits at fixed rates expose the Consolidated entity to fair value interest rate risk. During 2010 and 2009, the Consolidated entity's deposits at variable rates were denominated in Australian Dollars.

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

	<b>2010</b>		<b>2009</b>	
	<b>Weighted average interest rate</b>	<b>Balance</b>	<b>Weighted average interest rate</b>	<b>Balance</b>
	%	\$	%	\$
Deposit		<b>537,828</b>		763,168
Other cash available		<b>57,846</b>		46,265
Net exposure to cash flow interest rate risk	3.0%	<b>595,674</b>	4.9%	809,433

The Consolidated entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into the renewal of existing positions.

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Notes to the Financial Statements 30 June 2010

**13. Financial risk management (continued)**

*Sensitivity – Consolidated and Parent entity*

During 2010, 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 profit for the year. Equity would not have been impacted.

**(b) Credit risk**

The Consolidated entity 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 Consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Consolidated entity 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.

*Financing arrangements*

The Consolidated and parent entity has no borrowing facilities.

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 13. Financial risk management (continued)

30 June 2010	Weighted Average Effective Rate	Fixed Interest Rate Maturing				Non-interest bearing	Total
		Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years		
		\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash & cash equivalents	3.0%	575,674	20,000	-	-	-	595,674
Trade and other receivables		-	-			70,861	70,861
<b>Total Financial Assets</b>		<b>575,674</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>70,861</b>	<b>666,535</b>
Financial Liabilities:							
Trade and other payables		-	-	-	-	130,106	130,106
Short-term borrowings		-	-	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,106</b>	<b>130,106</b>

30 June 2009	Weighted Average Effective Interest Rate	Fixed Interest Rate Maturing				Non-interest bearing	Total
		Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years		
		\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash & cash equivalents	4.9%	789,433	20,000	-	-	-	809,433
Trade and other receivables		-	-			15,648	15,648
<b>Total Financial Assets</b>		<b>789,433</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>15,648</b>	<b>825,081</b>
Financial Liabilities:							
Trade and other payables		-	-	-	-	101,287	101,287
Short-term borrowings		-	-	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,287</b>	<b>101,287</b>

#### *Maturities of financial assets and liabilities*

The note above analyses the Consolidated and parent entity's financial liabilities. These liabilities comprise trade and other payables, are non interest bearing and will mature within 12 months. The amounts disclosed are the contractual undiscounted cash flows. There are no derivatives.

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 13. Financial risk management (continued)

Maturity analysis of financial assets and liability based on management's expectation

Year ended 30 June 2010	6-12				Total
	<6 months	months	1-5 years	>5 years	
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash & cash equivalents	595,674	-	-	-	595,674
Trade & other receivables	70,861	-	-	-	70,861
	<u>666,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>666,535</u>
<b>Financial liabilities</b>					
Trade & other payables	130,106	-	-	-	130,106
	<u>536,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,429</u>

#### (d) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques or cost (impaired if appropriate). The Consolidated entity 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.

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**Empire Resources Limited**

**Notes to the Financial Statements 30 June 2010**

**14. Capital and Leasing Commitments**

**Consolidated Group**

	<b>2010</b>	<b>2009</b>
	\$	\$

**(i) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial Payable - minimum lease payments

- not later than 12 months
- between 12 months and 5 years
- greater than 5 years

	<b>48,493</b>	34,272
	<b>102,136</b>	36,137
	-	-
	<b>150,629</b>	<b>70,409</b>

The company entered into an operating lease on 1 August 2007 for office space it occupies in Victoria Park. The term of the lease is 3 years and expired on 1 August 2010. The lease was renewed for a further 3 years to 31 July 2013

**(ii) Expenditure commitments contracted for:**

**Consolidated Group**

	<b>2010</b>	<b>2009</b>
	\$	\$

**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
- between 12 months and 5 years
- greater than 5 years

	<b>752,054</b>	685,458
	<b>3,008,216</b>	2,741,832
	-	-
	<b>3,760,270</b>	<b>3,427,290</b>

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**15. Directors and other key management personnel**

**(i) Details of Key Management Personnel**

**Chairman – non-executive**

Mr T Revy (from 8 January 2010)

**Managing Director**

Mr D Sargeant (from 13 April 2000)

**Executive director**

Mr A Jessup (from 15 August 2003)

**Company Secretary**

Mr S Storm (from 30 April 2007)

**(ii) Compensation of Key Management Personnel**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Short-term employee benefits	<b>336,800</b>	325,200
Post-employment benefits	-	-
Share-based payments	<b>97,614</b>	97,478
	<b>434,414</b>	422,678

The company has taken advantage of the relief provided by AASB 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities, and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the Remuneration Report on pages 3 to 7.

**(iii) 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.

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 15. Directors and other key management personnel (continued)

#### 2010 Shareholdings of Key Management Personnel

Directors	Balance at the start of the period	Issued under share plan	On exercise of options	Net change other	Balance at the end of the period
Mr A Griffin <sup>1</sup>	500,000	-	-	-	500,000
Mr T Revy <sup>2</sup>	-	-	-	350,000	350,000
Mr D Sargeant	6,100,000	-	-	-	6,100,000
Mr A Jessup	2,067,555	-	-	-	2,067,555
	<u>8,667,555</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>9,017,555</u>
<b>Specified Executives</b>					
Mr S Storm	350,000	-	-	-	350,000
	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>

<sup>1</sup> Resigned 8 January 2010

<sup>2</sup> Appointed 8 January 2010

#### 2009 Shareholdings of Key Management Personnel

Directors	Balance at the start of the period	Issued under share plan	On exercise of options	Net change other	Balance at the end of the period
Mr A Griffin	500,000	-	-	-	500,000
Mr D Sargeant	5,850,000	-	-	250,000	6,100,000
Mr A Jessup	1,967,555	-	-	100,000	2,067,555
	<u>8,317,555</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>8,667,555</u>
<b>Specified Executives</b>					
Mr S Storm	350,000	-	-	-	350,000
	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>

**Empire Resources Limited**

**Notes to the Financial Statements 30 June 2010**

**15. Directors and other key management personnel (continued)**

All equity transactions with key management personnel, which relate to the Company's listed ordinary shares, have been entered into on an arms length basis.

**Option holdings**

Details of shares issued as remuneration can be found in the remuneration report.

The number of options over ordinary shares in the Company held during the reporting period by each director and key management personnel, including their personally related entities, are set out below.

**2010 Option holdings of Key Management Personnel**

<b>Directors</b>	<b>Balance at the start of the period</b>	<b>Issued</b>	<b>Expired</b>	<b>Net change other</b>	<b>Balance at the end of the period</b>	<b>Vested and exercisable at 30 June 2010</b>
Mr A Griffin <sup>1</sup>	-	-	-	-	-	-
Mr T Revy <sup>2</sup>	-	500,000	-	-	500,000	-
Mr D Sargeant	-	500,000	-	-	500,000	-
Mr A Jessup	-	500,000	-	-	500,000	-
	-	1,500,000	-	-	1,500,000	-
<b>Executives</b>						
Mr S Storm	-	500,000	-	-	500,000	-
	-	500,000	-	-	500,000	-

<sup>1</sup> Resigned 8 January 2010

<sup>2</sup> Appointed 8 January 2010

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 15. Directors and other key management personnel (continued)

#### 2009 Option holdings of Key Management Personnel

Directors	Balance at the start of the period	Issued	Expired	Net change other	Balance at the end of the period	Vested and exercisable at 30 June 2009
Mr A Griffin	300,000	-	(300,000)	-	-	-
Mr D Sargeant	2,849,999	-	(2,849,999)	-	-	-
Mr A Jessup	1,183,777	-	(1,183,777)	-	-	-
	<u>4,333,776</u>	-	<u>(4,333,776)</u>	-	-	-
<b>Executives</b>						
Mr S Storm	200,000	-	(200,000)	-	-	-
	<u>200,000</u>	-	<u>(200,000)</u>	-	-	-

### 16. Related Parties

#### Directors and specified executives

Disclosures relating to the remuneration and shareholdings of directors and specified executives are set out in the Directors' Report and Note 15 respectively.

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

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Amounts paid to companies associated with certain Directors for management services		
Kirkdale Holdings Pty Ltd - Mr D Sargeant	<b>164,000</b>	132,000
Murilla Exploration Pty Ltd - Mr A Jessup	<b>108,000</b>	132,000
Total	<u><b>272,000</b></u>	<u>264,000</u>
Amounts payable to Directors for Directors Fees		
Mr T Revy	<b>15,000</b>	-
Mr A Griffin	<b>15,000</b>	30,000
	<u><b>30,000</b></u>	<u>30,000</u>

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 16. Related Parties (continued)

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party	Revenue from Related Parties \$	Reimbursement of Expenditure of Related Parties \$	Amounts owed by Related Parties as at 30 June \$	Amounts Owed to Related parties as at 30 June \$
Consolidated Associate:				
FYI Resources Ltd	<b>2010</b> <b>2009</b>	<b>1,509,804</b> -	<b>172,538</b> -	<b>36,090</b> -

Associate

The Group has a 32% interest in FYI Resources

#### 17. Remuneration of auditors

The auditor of Empire Resources Ltd is HLB Mann Judd. Previously the auditor was RSM Bird Cameron.

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of the financial reports of the Company	<b>18,500</b>	-
Other services	-	-
Amounts received or due and receivable by non HLB Mann Judd audit firms:		
Audit or review of the financial reports of the Company	-	25,200
Other services	<b>2,250</b>	5,700
	<b>20,750</b>	<b>30,900</b>

# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 18. Share Based Payments

#### (a) Employee share plan

The Company has established an employee share plan, which is also available to Directors, known as the 2008 Empire Resources Limited Employee Share Plan and was approved by shareholders on 28 November 2007.

The issue price for Shares offered under the Plan is at the discretion of the Board, provided that the issue price is not less than 1% below the weighted average sale price of Shares sold through ASX during the one week period up to and including the offer date.

A Director or Employee who is invited to subscribe for Shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the Shares accepted, on the following terms:

- a) Loans must be made solely to the Participant or their nominee and in the name of either the Participant or their nominee as the case may be.
- b) The principal amount outstanding under a Loan will be interest free.
- c) Any loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Plan.
- d) the term of the loan shall be three (3) years from the date of issue of the Shares
- e) The Company retains a lien over each share acquired pursuant to the loan until such time as the loan is repaid.

Set out below is a summary of shares issued to Directors and employees under the Empire Resources Employee Share Plan:

Consolidated entity – 30 June 2010		Balance at start of period	Issued during year	Loan repaid during year	Expired during year	Balance at end of year	Exercisable at end of year
Issue date	Expiry date	Number	Number	Number	Number	Number	Number
12 May 2008	12 May 2011	2,450,000	-	-	-	2,450,000	-
<b>Weighted average exercise price</b>		<b>\$0.188</b>				<b>\$0.188</b>	

#### (b) Option plan

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.

## Empire Resources Limited

### Notes to the Financial Statements 30 June 2010

#### 18. Share Based Payments (continued)

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	2010 Number	2010 Weighted average exercise price	2009 Number	2009 Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	2,700,000	\$0.14	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>2,700,000</u>	<u>\$0.14</u>	-	-
Exercisable at the end of the year	-		-	

A corporate goal must be met before the options may be exercised: The corporate goal that has been set is the Company's market capitalisation reaching \$10.77 million (which was the market capitalisation of the Company at 1 December 2009 plus 50%) and remaining at that level for 50 ASX Business Days.

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 the years ended 30 June 2010:

	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
<b>Key Management Personnel options</b>	25-Jun-10	25-Jun-13	\$0.14	25-Jun-13	\$0.02	107%	3 years	0%	4.57%	\$0.04
<b>Employee options</b>	25-Jun-10	25-Jun-13	\$0.14	25-Jun-13	\$0.02	107%	3 years	0%	4.57%	\$0.04
<b>Consultant options</b>	25-Jun-10	25-Jun-13	\$0.14	25-Jun-13	\$0.02	107%	3 years	0%	4.57%	\$0.04

# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 18. Share Based Payments (continued)

#### (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated Group	
	2010	2009
	\$	\$
Shares issued under employee share plan	113,724	113,724
Options issued	185	-
	<u>113,909</u>	<u>113,724</u>

### 19. Segment Information

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now 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.

### 20. Events after the Balance Date

On 15 September 2010, Empire Resources Ltd entered into a staged sale agreement for its Penny’s Find gold project with unlisted company Brimstone Resources Ltd. At the election of Brimstone Resources Ltd, the sale consideration comprises either:

- Staged cash payments totalling \$2 million for a 100% interest of the Penny’s Find project, or
- Stage cash payment totalling \$0.5 million together with exploration and development expenditure of up to \$3 million for an 80% interest in the Penny’s Find project.

On 1 September 2010 the Company announced it had entered into an option agreement to purchase an interest in three granted exploration licences and two granted prospecting licences held by La Mancha Resources Australia surrounding the Company’s advanced Yuinmery copper – gold resource project in Western Australia.. The five tenements are the subject of a joint venture between La Mancha Resources Australia and Giralia Resources Limited in which La Mancha currently holds an interest of approximately 75.82%. Under the terms of the option agreement, Empire must spend a minimum of A\$150,000 per annum for up to three years while retaining an option to purchase La Mancha’s interest for a cash consideration of A\$750,000. A 2% net smelter royalty capped at A\$5,000,000 will be payable by Empire on any minerals produced from the La Mancha tenements.

Other than this, since 30 June 2010 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 Company.

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# Empire Resources Limited

## Notes to the Financial Statements 30 June 2010

### 21. Parent Entity Financial Information

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

	<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	595,674	809,433
Trade and other receivables	70,861	15,648
<b>Total Current Assets</b>	<b>666,535</b>	<b>825,081</b>
<b>NON-CURRENT ASSETS</b>		
Financial assets	1,256,645	-
Plant & equipment	34,427	58,004
<b>Total Non-Current Assets</b>	<b>1,291,072</b>	<b>58,004</b>
<b>TOTAL ASSETS</b>	<b>1,957,607</b>	<b>883,085</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	130,106	101,287
<b>Total Current Liabilities</b>	<b>130,106</b>	<b>101,287</b>
<b>TOTAL LIABILITIES</b>	<b>130,106</b>	<b>101,287</b>
<b>NET ASSETS</b>	<b>1,827,501</b>	<b>781,798</b>
<b>EQUITY</b>		
Issued capital	11,723,878	10,269,731
Reserves	739,174	625,265
Accumulated losses	(10,635,551)	(10,113,198)
<b>TOTAL EQUITY</b>	<b>1,827,501</b>	<b>781,798</b>
Loss before income tax expense	(522,353)	(1,168,149)
Income tax expense	-	-
Loss after tax and total comprehensive income	<b>(522,353)</b>	<b>(1,168,149)</b>

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## DIRECTORS' DECLARATION

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1. In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 46 are in accordance with the Corporations Act 2001 including:
  - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the Company's and Consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
- (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; and
- (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 2010.

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



**David Sargeant**  
**Managing Director**

Perth, Western Australia  
24 September 2010

## INDEPENDENT AUDITOR'S REPORT

To the members of  
**EMPIRE RESOURCES LIMITED**

### Report on the Financial Report

We have audited the accompanying financial report of Empire Resources Limited ("the company"), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the consolidated entity as set out on pages 11 to 47. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements of the Empire Resources Limited group and the separate financial statements Empire Resources Limited comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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*Independence*

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

*Auditor's Opinion*

In our opinion:

- (a) the financial report of Empire Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 3 to 7 of the directors' report for the year ended 30 June 2010. 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.

*Auditor's Opinion*

In our opinion the Remuneration Report of Empire Resources Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**Perth, Western Australia**  
**24 September 2010**

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

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Empire Resources Limited for the year ended 30 June 2010, 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.

This declaration is in respect of Empire Resources Limited



**Perth, Western Australia  
24 September 2010**

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

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