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EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

ABN 32 092 471 513

Interim Financial Report

for the half-year ended 31 December 2013

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CORPORATE DIRECTORY

DIRECTORS

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

MANAGEMENT

David Ross BSc(Hons) MSc – Exploration Manager

COMPANY SECRETARY

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

REGISTERED and PRINCIPAL OFFICE

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Western Australia

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

SHARE REGISTRY

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

AUDITOR

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

SECURITIES EXCHANGE LISTING

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

EMPIRE RESOURCES LIMITED

DIRECTORS' REPORT 31 December 2013

Directors' Report

Your directors submit their report on Empire Resources Limited (the "Company") and its controlled entity ("the Group") for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Tom Revy
David Sargeant
Adrian Jessup

Review of Operations and Exploration Activities

The Group's loss for the half-year ended 31 December 2013 was \$759,294 (2012: \$1,249,584).

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

Dividends

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

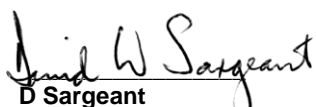
Events subsequent to reporting date

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

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This written Auditor's Independence Declaration is set out on page 13 and forms part of this directors' report for the half-year ended 31 December 2013.

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


D Sargeant
Managing Director

Perth, Western Australia
10th March 2014

EMPIRE RESOURCES LIMITED

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	31/12/2013 \$	31/12/2012 \$
Revenue from continuing operations	1,044	6,165
Depreciation expense	(2,286)	(1,909)
Exploration expense	(207,763)	(695,977)
Employee benefits expense	(13,903)	(19,180)
Management fee expense	(217,800)	(217,800)
Directors' fees	(21,000)	(15,000)
Accounting expense	(30,080)	(29,905)
Share-based payment	(54,762)	(6,805)
ASX expense	(16,438)	(23,223)
Corporate relations expense	(49,472)	(64,302)
Insurance expense	(14,908)	(13,396)
Other expenses	(40,077)	(70,839)
Share of loss of equity accounted investments	(91,849)	(97,413)
Loss before income tax	(759,294)	(1,249,584)
Income tax expense	-	-
Net loss for the year	(759,294)	(1,249,584)
Other comprehensive income	-	-
Total comprehensive loss for the year	(759,294)	(1,249,584)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company		
Basic and diluted loss per share (cents per share)	(0.43)	(0.79)

The accompanying notes form part of these financial statements.

EMPIRE RESOURCES LIMITED

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	Consolidated	
		31/12/2013	30/06/2013
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		49,272	197,857
Trade and other receivables		37,555	79,092
Other financial assets		20,000	20,000
Total Current Assets		106,827	296,949
NON-CURRENT ASSETS			
Investments accounted for using the equity method		367,590	459,439
Plant and equipment		4,074	6,360
Total Non-Current Assets		371,664	465,799
TOTAL ASSETS		478,491	762,748
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		374,384	154,109
Total Current Liabilities		374,384	154,109
TOTAL LIABILITIES		374,384	154,109
NET ASSETS		104,107	608,639
EQUITY			
Issued capital	7	17,170,103	16,970,103
Reserves		959,021	904,259
Accumulated losses		(18,025,017)	(17,265,723)
TOTAL EQUITY		104,107	608,639

The accompanying notes form part of these financial statements.

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EMPIRE RESOURCES LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated Group			
	Issued Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2012	16,086,707	(15,710,768)	931,481	1,307,420
Shares issued during the half year	950,000	-	-	950,000
Equity issue expenses	(66,604)	-	-	(66,604)
Share-based payments	-	-	6,805	6,805
Loss attributable to members of the parent entity	-	(1,249,584)	-	(1,249,584)
Balance at 31 December 2012	16,970,103	(16,960,352)	938,286	948,037
Balance at 1 July 2013	16,970,103	(17,265,723)	904,259	608,639
Shares issued during the half year	216,000	-	-	216,000
Equity issue expenses	(16,000)	-	-	(16,000)
Share-based payments	-	-	54,762	54,762
Loss attributable to members of the parent entity	-	(759,294)	-	(759,294)
Balance at 31 December 2013	17,170,103	(18,025,017)	959,021	104,107

The accompanying notes form part of these financial statements.

EMPIRE RESOURCES LIMITED AND CONTROLLED ENTITY

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Cashflows from Operating Activities		
Payments to suppliers and employees	(234,546)	(460,847)
Interest received	1,044	7,305
Other - R&D tax offset	-	131,344
Net cash outflow from operating activities	(233,502)	(322,198)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(1,818)	(1,972)
Exploration and evaluation expenditure	(97,265)	(659,093)
Net cash outflow from investing activities	(99,083)	(661,065)
Cash Flows from Financing Activities		
Proceeds from issue of equity securities	200,000	900,000
Equity securities issue costs	(16,000)	(66,604)
Net cash inflow from financing activities	184,000	833,396
Net decrease in cash held	(148,585)	(149,867)
Cash at the beginning of the period	197,857	620,807
Cash at the end of the financial period	49,272	470,940

The accompanying notes form part of these financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. Statement of Significant Accounting Policies

Statement of Compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 (which is available upon request from the Company's registered office at 53 Canning Highway, Western Australia 6100 or at www.resourceempire.com.au) and any public announcements made by Empire Resources Ltd and its controlled entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

Basis of preparation

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

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

Significant accounting judgements and key estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for annual reporting periods beginning on or after 1 July 2013.

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

The Directors have reviewed all new Standards and Interpretation that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. Statement of Significant Accounting Policies (continued)

Going Concern

As disclosed in the Statement of Comprehensive Income, the Group recorded operating losses of \$759,294 (2012:\$ 1,249,584) for the half-year and as disclosed in the Statement of Cash Flows, the Group recorded cash outflows from operating activities of \$233,502 (2012:\$322,198) and cash outflows from investing activities of \$99,083 (2012:\$661,065) and a cash inflow from financing activities of \$184,000 (2012:\$833,396). After consideration of these financial conditions, the Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the Group:

- The Group has successfully completed a capital raising during the half-year as disclosed in Note 7 and has the ability to continue doing so on a timely basis, pursuant to the Corporations Act 2001, as is budgeted to occur in the twelve month period from the date of this financial report;
- The Group has working capital deficit of \$267,557 (30/6/13: working capital surplus \$142,840) at balance date and retains the ability to scale down their operations to conserve cash, in the event that the capital raisings are delayed or reduced;
- The Group has the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in investments, mineral exploration and development assets; and

The directors also anticipate that a further equity raising will be required and will be completed in 2014. Should this equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

2. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2013 annual financial report.

3. Segment Reporting

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

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

4. Dividends

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

5. Contingent Liabilities

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

6. Events Subsequent to Reporting Date

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

EMPIRE RESOURCES LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

7. Issued capital

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated Group	
	31/12/2013	30/06/2013
	\$	\$
182,645,921 (30 June 2013: 171,645,921) fully paid ordinary shares	17,170,103	16,970,103

	Consolidated Group	
	31/12/2013	30/06/2013
	Number	Number
(i) Ordinary shares - number		
At beginning of period	171,645,921	150,645,921
Share placement - 20,000,000 on 2 November 2012 at \$0.045	-	20,000,000
Shares issued pursuant to a Farm-in and JV Agreement - 400,000 on 8 November 2012 at \$0.05	-	400,000
Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 8 November 2012 at \$0.05	-	600,000
Share placement - 10,000,000 on 20 September 2013 at \$0.02	10,000,000	-
Shares issued pursuant to a Farm-in and JV Agreement - 1,000,000 on 17 December 2013 at \$0.016	1,000,000	-
Balance at end of period	182,645,921	171,645,921

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EMPIRE RESOURCES LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

7. Issued capital (continued)

	Consolidated Group	
	31/12/2013 \$	30/06/2013 \$
(ii) Ordinary shares – value		
At beginning of period	16,970,103	16,086,707
Share placement - 20,000,000 on 2 November 2012 at \$0.045	-	900,000
Shares issued pursuant to a Farm-in and JV Agreement - 400,000 on 8 November 2012 at \$0.05	-	20,000
Shares issued pursuant to a Farm-in and JV Agreement - 600,000 on 8 November 2012 at \$0.05	-	30,000
Share placement - 10,000,000 on 20 September 2013 at \$0.02	200,000	-
Shares issued pursuant to a Farm-in and JV Agreement - 1,000,000 on 17 December 2013 at \$0.016	16,000	-
Less share issue costs	(16,000)	(66,604)
Balance at end of period	17,170,103	16,970,103

(b) Options

As at 31 December 2013 (30 June 2013: 33,000,000) the Company had the following options on issue over ordinary shares:-

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
9-Aug-11	9-Aug-14	0.09	1,500,000
28-Nov-11	28-Nov-14	0.10	1,500,000
27-Jun-13	31-Aug-16	0.04	10,000,000
28-Jun-13	31-Aug-16	0.05	10,000,000
29-Jun-13	31-Aug-16	0.06	10,000,000
			<u>33,000,000</u>

8. Commitments

In May 2013, the Company entered into an agreement with William Buck Financial Services (WA) Pty Ltd to provide corporate advisory services. Pursuant to this agreement, the company will pay: a monthly retainer, success fees of up to 5% based upon increases in market capitalisation and for transactions introduced and implemented, capital raising fees of up to 6% at normal commercial rates and an options package of 30 million unlisted options linked to improvements in the Company's share price.

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EMPIRE RESOURCES LIMITED

DIRECTORS' DECLARATION

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

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

- a) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year then ended.

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

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


David Sargeant
Managing Director

Perth, Western Australia
10th March 2014

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Empire Resources Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
10 March 2014**

**N G Neill
Partner**

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Empire Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Empire Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the half-year financial report which indicates that the directors anticipate that a further equity raising will be required and will be completed in the year to meet ongoing working capital requirements of the Group. Should the equity raising not be completed, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to realise its assets and extinguish its liabilities in the normal course of business.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
10 March 2014

Norman Neill

N G Neill
Partner

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