# CRUSADER RESOURCES LIMITED

A B N:  94 106 641 963

# Annual Financial Report

# Year ended 31 December 2015

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## Corporate Information

This annual report covers both Crusader Resources Limited and its subsidiaries. The Group's functional and presentation currency is Australian dollars ($).

A description of the Group's operations and of its principal activities is included in the Review of Operations and Activities in the Directors' Report on pages 4 to 23. The Directors' Report is not part of the financial report.

**Directors**
Stephen Copulos (Chairman)
Robert Smakman (Managing Director)
Paul Stephen (Executive Director)
John Evans
Mauricio Ferreira
Jim Rogers – appointed 2 March 2016
David Netherway – resigned 14 May 2015

**Company Secretary**
Andrew Beigel

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Bank of Western Australia Limited
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**ASX Code:**
Ordinary shares - CAS

## Chairman's Letter to Shareholders

Dear Shareholder,

2015 has been a very eventful year for Crusader Resources Ltd, amongst a backdrop of a difficult period for the mining and exploration sector we have continued to further develop our diversified suite of Brazilian assets.

Making progress in the gold division we have made major advances on the high-grade Juruena Gold Project during 2015. We completed a 10,000m diamond and RC drilling campaign.

A maiden JORC compliant resource estimate of 1.3Mt @ 5.6 g/t gold for 233,900 ounces was calculated over three prospects: Querosene, Dona Maria and Crentes.

In addition, Denver-based international engineering firm Global Resource Engineering (GRE) commenced work on the Juruena scoping study which will consider an underground development at the Querosene and Dona Maria prospects with processing to take place through a central facility.

The weak Brazilian currency and firmer overall gold price continues to assist with the economic evaluation of the Borborema Gold Project located in the northeast of Brazil. During 2015, work continued on evaluating development options for Borborema, targeting the shallower deposit, reducing the size of the plant required and significantly lowering capital costs.

Despite an environment of reduced global and domestic demand and weaker iron ore prices throughout 2015, the Posse iron ore mine continues to maintain profitability.

We were very pleased to announce the signing of a key access agreement with the neighbouring tenement holder to Posse in the first half of 2015. This agreement allowed us to extend mining into the neighbouring area where we know high-quality ore is located. We expect the Posse mine to continue to operate profitably during 2016 and continue to deliver shareholder value.

During the period, Crusader underwent a substantial reorganisation program focused on reducing production, administration and management costs across the company. In addition, the Company signed service agreements with four other ASX-listed companies to co-share office and administration costs, significantly reducing Crusader's Perth office costs going forward.

Following this program, we are now very well placed to deliver significant value to our shareholders on the back of our high-grade gold projects and profitable iron ore project.

Juruena, in particular, is entering a very exciting phase and I look forward to providing shareholders with an update on the highly anticipated scoping study which is expected to be available in the first half of 2016.

The board is very encouraged by the demand of the recent capital raise of $6.25m in March 2016 which will see the company funded throughout the year and the new and exciting developments in the Lithium space.

I would like to thank our Managing Director, Rob Smakman, Executive Director, Paul Stephen and all the Crusader team for working diligently, putting the blocks in place that will ultimately flow through to shareholders as the Group continues to grow. There remains a very strong focus on cost-effective exploration and project development, designed to provide Crusader with a suite of projects that will deliver growth options well into the future. I am very confident we have the team and the skills to deliver on Crusader's potential.

I would also like to thank all our shareholders for their continued support. Looking ahead, we remain extremely optimistic for 2016 and beyond with both our iron ore and gold divisions expected to deliver significant growth. I hope that you will continue with us on what has been an exciting journey to date.

Yours faithfully

Stephen Copulos
Chairman

## Directors' Report

The Directors of Crusader Resources Limited ("the Parent Entity" or "Crusader" or "the Company") and its controlled entities ("the consolidated entity" or "the Group") submit herewith the annual financial report of the Group for the year ended 31 December 2015 ("the period").

In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

**Information about the Directors**

The names and particulars of the Board of Directors ("the Board") of the Company during or since the end of the financial year are:

**Mr. Stephen Copulos (Non-Executive Chairman)**
Mr. Copulos has over 30 years of experience in a variety of businesses and investments in a wide range of industries, including manufacturing, mining, fast food, property development and hospitality. He has been the Managing Director of the Copulos Group of companies, a private investment group, since 1997. Mr. Copulos is an active global investor who brings significant business acumen and greater diversity to the Board of Crusader. He has been a major shareholder of Crusader for many years, and is aligned to improving shareholder returns.

Mr. Copulos has over 15 years' experience as a company director of both listed and unlisted public companies. He is currently the non-executive Chairman of Black Rock Mining Limited and Consolidated Zinc Limited and was a non-executive director of Collins Foods until October 2014.

Mr. Copulos is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

**Mr. Robert Smakman (Managing Director) B.Sc (Hons), F.Aus.IMM., FFIN**
Mr. Smakman is an Honours graduate of Monash University and has had a successful international career as a geologist and manager over the past 20 years. He has been associated with a variety of different commodities including gold, iron, uranium, copper, silver and rare earths. He has held management roles in various countries and has served in senior public company management for several years.

Mr. Smakman has been a resident of Brazil since 2006, and has negotiated the purchase of all of Crusader's projects as well as managed their exploration, development and operations.

**Mr. Paul Stephen (Executive Director) B.Comm**
Mr. Stephen holds a Bachelor of Commerce from the University of Western Australia. He has more than 20 years of experience in the financial services industry, starting as a portfolio manager at Perpetual Trustees in 1992 and working subsequently as a Private Client Advisor with Porter Western and Macquarie Bank. Mr. Stephen was a significant shareholder and Senior Client Advisor at Montagu Stockbrokers prior to their merger with Patersons Securities Ltd.

**Mr. John Evans (Non-Executive Director) B.Comm (Hons), FCA, CPA, MAICD**
Mr. Evans holds a Commerce (Hons) degree from the University of Queensland, is a Fellow of Chartered Accountants Australia & New Zealand, and is a member of both CPA Australia and the Australian Institute of Company Directors.

Mr. Evans is currently the Principal of a Business Broking and Advisory practice, and advises a broad range of businesses, in both the SME sector and larger corporate clients, on matters such as strategic planning, marketing, governance, and financial analysis. Prior to this, Mr. Evans held a series of executive positions in Finance and General Management in Australian public company groups over a 15 year period, in industries including telecommunications, banking and insurance, superannuation and funds management, media, hospitality and property development.

## Directors' Report (continued)

He has held several other non-executive directorships in Australian public companies, including Intermoco Limited, MediVac Limited and HealthLinx Limited. He is also a director of several private companies, one not-for-profit organisation, and provides board consulting services to three other company groups.

Mr. Evans is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

**Mr. Mauricio Ferreira (Non-Executive Director) B.Sc**
Mr. Ferreira is a senior executive with more than 35 years of experience in the natural resources and energy sectors.

From 1986 to 2012, Mr. Ferreira held several positions within the Vale Group. He has managed distinct functions from exploration to sales and marketing in different businesses including iron ore, gold, fertilizers, kaolin and energy. In the early 1990´s Mr. Ferreira was actively involved in the exploration and development of three gold mines in Brazil. More recently he was Director of Special Projects in Sustainability and Energy, CEO of Vale Energia Limpa (Clean Energy), Director of Business Development at Vale Oil & Gas and Chief Executive Officer of PPSA Kaolim Mine and CADAM S.A.

Mr. Ferreira earned a Bachelor of Science in Geology at Universidade Federal do Rio de Janeiro and attended the Ph.D. program at the University of Western Ontario. He has supplemented his experience with extensive executive education at Ibmec, University of Sao Paulo, Harvard University, Massachusetts Institute of Technology, INSEAD and the International Institute for Management Development.

Mr. Ferreira is a member of the Audit and Risk Committee.

**Mr. Jim Rogers (Non-Executive Director)**
Mr Rogers is an author, financial commentator, globally respected investment expert and adventurer. After attending Yale (Bachelor Degree in History) and Oxford University (BA degree in Philosophy, Politics and Economics), Rogers co-founded the Quantum Fund, a global-investment partnership. During the next 10 years, the portfolio gained 4200%, while the S&P rose less than 50%. Rogers then decided to retire – at age 37. Continuing to manage his own portfolio, Rogers kept busy serving as a full professor of finance at the Columbia University Graduate School of Business, and, in 1989 and 1990, as the moderator of WCBS's 'The Dreyfus Roundtable' and FNN's 'The Profit Motive with Jim Rogers'.

In 1990-1992, Rogers fulfilled his lifelong dream: motorcycling 100,000 miles across six continents, a feat that landed him in the Guinness Book of World Records. As a private investor, he constantly analysed the countries through which he travelled for investment ideas. He chronicled his one-of-a-kind journey *in Investment Biker: On the Road with Jim Rogers.* Other books Jim has written include *Adventure Capitalist: The Ultimate Road Trip; Hot Commodities: How Anyone Can Invest Profitably In The World's Best Market; A Bull in China; A Gift to My Children* and his latest memoir, *Street Smarts: Adventures on the Road and in the Markets.*

**Mr. David Netherway (Non-Executive Director) B.Eng (Mining), C.Dip.AF, F.Aus.IMM, CP**
Mr. Netherway is a mining engineer with over 35 years of experience in the mining industry.

He was the Chief Executive Officer of Shield Mining Limited, an Australian listed company exploring for gold and base metals in Mauritania, until the 2010 takeover by Gryphon Minerals Limited. Prior to this, he served as the Chief Executive Officer of Toronto-listed Afcan Mining Corporation, a China-focused gold mining company which was taken over by Eldorado Gold Corporation. He has also held senior management positions in a number of mining companies, including Golden Shamrock Mines Ltd, Ashanti Goldfields Corporation and Semafo Inc, and is a former director of Gryphon Minerals Ltd, Equigold NL, GMA Resources Ltd, and Orezone Resources Inc. Mr. Netherway was also the chairman of Afferro Mining Inc until December 2013.

Mr. Netherway is the chairman of Kilo Goldmines Ltd, Aureus Mining Inc, and a non-executive director of Altus Global Gold Ltd, Altus Resource Capital Limited and Canyon Resources Ltd.

Mr. Netherway was a member of the Remuneration Committee.

## Directors' Report (continued)

**Company Secretary**
**Andrew Beigel, B.Comm, CPA**
Mr. Beigel has more than 20 years of corporate experience across a range of industries, and has held executive positions with other ASX listed companies in the resources sector. He has previously been involved in development and funding of projects and bankable feasibility studies. Mr. Beigel is a member of CPA Australia.

**Shares and options issued during the financial period**
The Company issued 29,337,973 shares during the year at an average price of $0.159 per share. 3,150,499 options were issued exercisable at $0.15 with an expiry date of 31 December 2017.

Details of unissued shares under option at the date of this report are:

| No. shares under option | Class of shares under option | Exercise price of option ($) | Expiry date of options |
|---|---|---|---|
| 7,322,000 | ordinary | 0.3414 | 10-May-17 |
| 206,205 | ordinary | 0.43 | 13-May-17 |
| 2,535,000 | ordinary | 0.43 | 7-Aug-17 |
| 5,650,000 | ordinary | 0.41 | 30-Jun-18 |
| 500,000 | ordinary | 0.50 | 13-Aug-16 |
| 1,000,000 | ordinary | 0.60 | 13-Aug-16 |
| 1,000,000 | ordinary | 0.80 | 13-Aug-16 |
| 2,885,000 | ordinary | 0.52 | 14-Aug-18 |
| 1,246,550 | ordinary | 0.41 | 20-Aug-18 |
| 8,741,258 | ordinary | 0.2860 | 31-Dec-18 |
| 3,150,499 | ordinary | 0.15 | 31-Dec-17 |
| 1,500,000[1] | ordinary | - | 21-Jul-19 |

(1) Performance shares.

The issuing entity for all ordinary shares under option is Crusader Resources Limited.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the Company.

**Interests in the shares and options of the Company and related bodies corporate**
As at the date of this report, the interests of the Directors in the shares and options of Crusader Resources Limited are as follows:

| Director | Number of ordinary shares | Number of unlisted options |
|---|---|---|
| S. Copulos | 36,016,976 | 1,000,000 |
| R. Smakman | 2,835,073 | 1,916,667 |
| P. Stephen | 3,443,780 | 958,333 |
| J. Evans | - | 660,000 |
| M. Ferreira | - | 660,000 |
| J Rogers | - | - |

**Dividends**
The Directors do not recommend that a dividend be paid. No dividend has been paid by the Company (2014: Nil).

**Principal activities**
The principal activity of the Group during the financial period was mining, mineral exploration and evaluation in Brazil.

**Functional currency**
For the purposes of the financial statements, the results and financial position of the Group are expressed in Australian Dollars ("$"), which is the functional currency of the Group and the presentation currency of the financial statements.

## Directors' Report (continued)

**Operating and Financial Review**

2015 was an eventful year for Crusader in what could be considered a tumultuous market for most minerals. Significant progress was made on the exciting and high-grade Juruena Gold Project, with 10,000m of drilling completed which led to three maiden resource estimates. The Posse Iron Ore Mine continued to operate, despite difficult and significant headwinds and maintained profitability. Highlights for the 2015 year include:

Juruena Gold

- Maiden JORC compliant mineral resource estimates calculated for three prospects at the Juruena Gold Project. Total inventory **exceeds 230,000 ounces of gold at 5.6 g/t Au**, comprised of;
    - **263,500t @ 12.3 g/t for 104,100oz Au at Querosene**
    - **196,300t @ 11.8 g/t for 74,700oz Au at Dona Maria and**
    - **846,450t @ 2.0 g/t for 55,100oz Au at Crentes**
- Metallurgical testwork for both Querosene and Dona Maria returned excellent (>90%) recoveries using conventional processing.
- Juruena Scoping Study initiated, considering underground development at Querosene and Dona Maria prospects and processing through a central facility. Results due in early 2016.

Posse Iron

- Posse maintained profitability with continued cost discipline and superior local product.
- Key access agreement signed at Posse allowing access to all haematite and itabirite within our lease

Borborema Gold

- Continued optimisation of the project scope as well as improving market conditions, will improve the potential fundability of Borborema

Corporate

- $1.3m capital raising completed in December
- Administration and management costs cut across the group.

### Juruena Gold Project, Mato Grosso, Brazil (CAS 100%)

Acquired by Crusader in mid-2014, major advances were made on the Juruena Gold Project during 2015.

After completing a 10,000m diamond and RC drilling program, a maiden JORC compliant resource estimate of **1.3Mt at 5.6 g/t Au for 233,900 oz Au**, was calculated over three prospects, Dona Maria, Querosene and Crentes. (See table below).

## Directors' Report (continued)

### Operating and Financial Review (continued)

| Prospect Name | Resource Category | Lower cut-off | Metric Tonnes | Au (g/t) | Ounces |
|---|---|---|---|---|---|
| **Dona Maria** | Inferred | 2.5 g/t | 196,300 | 11.8 | 74,700 |
| **Querosene** | Inferred | 2.5 g/t | 263,500 | 12.3 | 104,100 |
| **Sub-total high-grade ounces** | | | **459,800** | **12.1** | **178,800** |
| **Crentes** | Inferred | 1.0 g/t | 846,450 | 2.0 | 55,100 |
| **Total Combined Inferred Resources** | | | **1,306,250** | **5.6** | **233,900** |

**JORC (2012) compliant mineral resource estimate for Juruena Project, September 2015**
Note: Appropriate rounding applied. For further information, please see the section below: Summary of Resource Estimate and Reporting Criteria.

**Querosene**

The Querosene prospect is located on the eastern end of the Juruena project area and was the first prospect targeted in the Crusader drilling program due to several exceptional high-grade drilling results from previous explorers. Results from Crusader's 2015 drill campaign confirmed and expanded on these results (including **2m @ 32.97 g/t gold** from 84m in hole QR-20 and **3m @ 26.35 g/t gold** from 73m in hole QR-03) and their continuity has allowed independent consultants to estimate a JORC compliant inferred mineral resource of **263,500t at 12.3 g/t for 104,100oz Au** (using a 2.5g/t lower cut-off and a 60g/t top cut).

Results from preliminary metallurgical testwork on samples from the Querosene prospect were received and indicated recoveries > 90% for both gold and silver using standard leaching. Flotation testwork (with gravity) was also completed and recovered ~88% gold.

Mineralisation at Querosene is hosted within narrow shear zones and quartz veins, with intercepts normally varying between 1-4m in width, with narrow, sub-vertical, non-magnetic dolerite dykes often associated. Mineralisation is open to the south and at depth, with several areas on the Main zone and SE zone presenting obvious drilling targets.

**Dona Maria**

Dona Maria is located adjacent to the Crentes prospect, approximately 1 kilometre along the Juruena fault zone from Querosene. Mineralisation at Dona Maria is oriented NNW and appears to be a 'splay' away from the WNW trending Crentes zone. Dona Maria mineralisation is associated with sulphides within a sheared, quartz-rich zone, associated with steeply dipping dolerite dykes. There is a broad, relatively shallow garimpeiro working over the mineralised trend and historical intercepts indicate both very high-grade narrower intercepts and broad, moderate grade disseminated intervals.

Results from Crusader's 2015 drill campaign have confirmed very high grade zones within the Dona Maria prospect with results including;

- **8m @ 62.40 g/t Au** from 101m in MR-10,
  - including **3m @ 161 g/t Au**
- **3.38m @ 47.97 g/t Au from 183.62m** in MD-01,
  - including **1.87m @ 84.50 g/t Au** from 183.62m

## Directors' Report (continued)

### Operating and Financial Review (continued)

Following the exceptional results from Dona Maria, their interpretation and geological modelling, independent consultants estimated a JORC compliant inferred mineral resource of **196,300t @ 11.8 g/t for 74,700oz Au** (using a 2.5g/t lower cut and a 60 g/t top cut).

Metallurgical testwork at the Dona Maria prospect recovered +90% gold in standard leaching tests. Gravity plus flotation tests also returned recoveries in excess of 80% and this could provide a potential optional flowsheet.

**Crentes**

Mineralisation at Crentes appears to be associated with sheeted quartz and sulphide veins (pyrite, +/- chalcopyrite) which are exposed in a shallow garimpo working. The garimpo pit is approximately 400m long (oriented WNW) and up to 40m wide, directly associated with the Juruena fault zone, a regionally extensive feature.

Crentes is a lower grade prospect than Querosene or Dona Maria, however it has the advantage of being broad and near-surface and is therefore considered an excellent potential open-pit target.

**Licensing**

During the December quarter, applications for trial mining licences ('Guia de Utilização') (GU) were lodged with Brazilian Authorities.

In addition to the GU applications, Crusader's licensing team has commenced the process for a full 'Concessão de Lavra' (Mining Concession / Mining Licence). In order to complete the application for a full mining licence, Crusader has engaged several internationally recognised consulting groups to conduct both environmental and social impact assessments for the planned operations, which will comply with the Brazilian mining code and International Finance Corporation (IFC) performance standards.

**Scoping Study**

A Scoping Study to investigate the viability of mining at Dona Maria and Querosene with a central processing facility was initiated in the last quarter of 2015. Denver based international engineering firm Global Resource Engineering (GRE) was chosen due to their familiarity with Brazilian projects. Costings are based on an appropriately sized plant and equipment to mine and process within the tonnage restrictions of a trial mining licence, and will leverage Crusader's existing in-country experience, to source locally manufactured equipment and contractors in the mining focused city of Belo Horizonte.

Crusader plans to recommence drilling early in 2016 in order to increase the resource confidence level of the mineral resource estimates at Dona Maria and Querosene as well as evaluate a number of close, high-value extensions identified by the 3D resource models that have been built around the current inferred resources.

The project development strategy for Juruena is similar to the direction undertaken by Crusader in commissioning the Posse Iron Ore Mine and has been the path to production for a number of other successful mining companies in Brazil.

The weakening Brazilian currency and recent strength in the gold price continues to have a positive effect on the economics for gold production in Brazil, in a similar dynamic to that being experienced by Australian gold producers. Crusader intends to fast-track the development of Juruena to take advantage of this favourable commodity environment.

### Posse Iron Ore Mine, Minas Gerais, Brazil (CAS 100%)

No lost time incidents (LTI) at Borborema, Seridó, Juruena or Posse during the period. We maintained our LTI-free record at Posse since opening for a total of 973 days (at end December 2015).

The Posse iron ore mine maintained profitability over the year ending 31 December 2015, despite reduced global and domestic demand and weaker prices throughout 2015, achieving a gross profit of $52,520 (2014: $6,262,700). Sales revenue for the year was $7,316,149 (2014: $16,942, 842). Since operations commenced in 2013 sales of iron ore products have exceeded $33 million and gross profit more than $10 million.

## Directors' Report (continued)

### Operating and Financial Review (continued)

In the first half of 2015, a key access agreement was signed with the neighbouring tenement holder. The agreement allows Crusader to mine into the neighbouring area, a pre-requisite to access all of the haematite and itabirite ore within Crusader´s Posse lease.

Crusader's sales team has worked hard to develop new customers and continues to develop opportunities to deliver high quality products into the Brazilian domestic market. Crusader's ability to produce a variety of different ore grades and specifications continues to generate new customer enquiries.

Crusader remains positive for 2016 and anticipates the mine will operate profitably with conditions expected to improve as the year progresses.

### Borborema Gold Project, Rio Grande do Norte, Brazil (CAS 100%)

The currency effect on the BRL denominated gold price has continued to assist with the economic evaluation of Crusader's 100% owned Borborema Gold Project, located in the northeast of Brazil. Borborema has a JORC compliant Proven and Probable Reserve of 42.4mt @ 1.18 g/t Au for 1.61Moz comprised of two ore lenses, with the shallow lens containing the bulk of the reserve (26mt @ 1.14 g/t Au for 970koz). Crusader is evaluating the opportunity to commence mining on a smaller scale focused on the shallow portion of the ore body.

Re-scoping of the project has led to some important changes which are being interrogated in the new study.

Principal amongst the changes to the project scope is reducing the throughput to 2Mtpa. The smaller operation will have positive implications in terms of capital costs and the reduced footprint which may allow several key project changes. Important changes being considered include:

- Mining of the shallow lens only, could reduce the strip ratio from ~6.6:1 to ~3.3:1, a very significant reduction in overall waste movement
- The deviation of the highway may no longer by required- reducing the capital costs and removing an impediment to licensing
- The open-pit may be restricted to the Crusader owned farm land, reducing capital costs (extra land purchases)
- The power lines to the north of the project may not need to be diverted, reducing the capital costs and removing an impediment to licensing

Crusader has also been testing alternative tailings disposal methods, including dry stacking. Testwork using various commercially available filtration systems has encouraged further investigation as there are multiple benefits to considering this approach. These include:

- Improved project water recycling, combined with the reduced scale (2Mtpa) results in a secure the water balance
- Remove the requirement for a tailings dam - the tailings will have most of the water recovered (sample achieved a final moisture content of ~ 15-20%, a consistency similar to a compressed cake) and be 'stackable' in a waste pile
- Potentially reduced capital and operational costs – tailings dam and associated infrastructure
- In line with local government and IFC requirements regarding environmental responsibility, licensing is improved

Crusader is planning on releasing the results of the ongoing scoping work in the first half of 2016.

### Seridó Gold Project, Rio Grande do Norte, Brazil (CAS 100%)

Crusader completed no significant exploration work on the Seridó project during the year and reduced the overall project size to strategic areas surrounding Borborema.

## Directors' Report (continued)

**Operating and Financial Review (continued)**

**Competent Person Statement**

*The information in this report that relates to Juruena Gold Project exploration results, Posse Iron Ore Project exploration results and Borborema Gold Project exploration results released after 1 December 2013, is based on information compiled or reviewed by Mr. Robert Smakman who is a full time employee of the company and is a Fellow of the Australasian Institute of Mining and Metallurgy. The information in this report that relates to Mineral Resources at the Juruena Gold Project is based on information compiled or reviewed by Mr. Lauritz Barnes and Mr. Aidan Platel who are independent consultants to the company and Members of the Australasian Institute of Mining and Metallurgy. Each of Mr. Smakman, Mr. Barnes and Mr. Platel have sufficient experience that is relevant to the type of mineralisation and type of deposits under consideration to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Smakman, Mr. Barnes and Mr. Platel consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to:*

a) *Borborema Gold Project and Posse Iron Ore Project Exploration Results released prior to 1 December 2013 is based on information compiled or reviewed by Mr. Robert Smakman who is a full time employee of the company;*

b) *Borborema Gold Mineral Resources is based on information compiled by Mr. Lauritz Barnes and Mr. Brett Gossage, independent consultants to the company;*

c) *Borborema Gold Ore Reserves is based on information compiled by Mr. Linton Kirk, independent consultant to the company;*

d) *Posse Fe Mineral Resources is based on and accurately reflects, information compiled by Mr. Bernardo Viana who was a full time employee of Coffey Mining Pty Ltd,*

*and who are all Members of the Australasian Institute of Mining and Metallurgy (Rob Smakman and Linton Kirk being Fellows), and who all have sufficient experience that is relevant to the type of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Each of Mr. Smakman, Mr. Barnes, Mr. Kirk, Mr. Viana, and Mr. Brett Gossage consent to the inclusion in the report of the matters based on their information in the form and context in which it appears. The information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

**Corporate**

During the year the Group raised $4,672,406 (before costs) through the issue of 29,337,973 ordinary shares plus 3,150,499 options to institutions and sophisticated investors, and to existing shareholders with a share purchase plan. The terms of the options issued are:

| Number of options | Class of shares under option | Exercise price of option | Expiry date |
|---|---|---|---|
| 3,150,499 | ordinary | $ 0.15 | 31-Dec-17 |

**Operating results for the period**

The Group's operating loss after income tax for the period was $10,153,236 (December 2014: loss of $4,144,139). The Group's basic loss per share for the year was 6.51 cents (December 2014: loss per share of 3.11 cents).

**Liquidity and Capital Resources**

The Consolidated Statement of Cash Flows illustrates that there was a decrease in cash and cash equivalents in the year ended 31 December 2015 of $1,994,507 (December 2014: increase of $1,278,348). The cash decrease was largely a result of payments for exploration and mine operations exceeding funds received from capital raisings and iron ore sales receipts.

## Directors' Report (continued)

**Operating and Financial Review (continued)**

**Corporate (continued)**

**Risk management**
The Group takes a proactive approach to risk management. The Audit and Risk Committee is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

**Significant changes in the state of affairs**
The state of affairs of the Group was not affected by any significant changes during the financial period not otherwise stated in the report.

**Environmental regulation and performance**
The Group's activities are subject to environmental regulations under Brazil federal and state legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

**Significant events after the balance date**
Subsequent to the year end, in March 2015, the Company announced it was completing a $6,250,000 capital raising by issuing 62,500,000 shares at $0.10 each. Tranche 1 of the placement raising $1,362,500 before costs, was settled on 18 March 2016. The balance of the capital raising, $4,887,500, is subject to shareholder approval and is anticipated to settle soon after a General Meeting of shareholders to be held on 22 April 2016.

**Future developments**
The Group will continue to focus on mining, mineral exploration and development opportunities.

**Indemnification and insurance of officers and auditors**
During the financial year, the Group indemnified each of the Directors against all liabilities incurred by them as Directors of the Company (and subsidiary companies) and all legal expenses incurred by them as Directors of the Company (and subsidiary companies).

The indemnification is subject to various specific exclusions and limitations.

The Company provided Directors and Officers' liability insurance during the year.

The Company did not provide any insurance or indemnification for the auditors of the Group.

## Directors' Report (continued)

## Remuneration Report (audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Company.

**Directors and Key Management Personnel**
The following persons acted as Directors and/or Key Management Personnel of the Group during or since the end of the financial year.

| | |
|---|---|
| Mr. S. Copulos | Chairman (Non-Executive) |
| Mr. R. Smakman | Managing Director |
| Mr. P. Stephen | Director (Executive) |
| Mr. J. Evans | Director (Non-Executive) |
| Mr. M. Ferreira | Director (Non-Executive) |
| Mr. D Netherway | Director (Non-Executive) – resigned 14 May 2015 |
| Mr. J Rogers | Director (Non-Executive) – appointed 2 March 2016 |
| Mr. A. Beigel | Chief Financial Officer and Company Secretary |
| Mr. M. Schmulian | Chief Operating Officer – retired 6 August 2015 |
| Mr. W. Foote | Project Manager – contract completed 31 July 2015 |
| Mr. J. Nery | Manager Iron Ore and Compliance |

**Remuneration policy**

The remuneration policy of the Group is to ensure that remuneration packages of Directors and other Key Management Personnel properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating Directors and other Key Management Personnel of the Group. As part of the remuneration policy the Group issues incentive options to Directors and other Key Management Personnel. Apart from Non-Executive Directors, these options may require achieving specific performance targets as a condition of vesting.

The aggregate sum available for remuneration of Non-Executive Directors is currently $460,000 per annum as approved at a General Meeting of shareholders on 23 November 2011.

## Directors' Report (continued)

**Remuneration Report – audited (continued)**

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five most recent financial periods ending 31 December 2015:

| | 31 Dec 2015 $ | 31 Dec 2014 $ | 31 Dec 2013 (6 months) $ | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|---|---|---|
| Revenue | 7,316,149 | 16,942,835 | 7,502,482 | 2,011,024 | 1,176,891 |
| Net loss before tax | 9,856,225 | 3,446,093 | 1,583,973 | 7,618,570 | 11,305,829 |
| Net loss after tax | 10,153,236 | 4,144,139 | 1,871,692 | 7,677,691 | 11,305,829 |

| | 31 Dec 2015 cents | 31 Dec 2014 cents | 31 Dec 2013 cents | 30 June 2013 cents | 30 June 2012 cents |
|---|---|---|---|---|---|
| Share price at start of period | 22.0 | 30.0 | 23.0 | 62.0 | 118.0 |
| Share price at end of period | 12.5 | 22.0 | 30.0 | 23.0 | 62.0 |
| Interim dividend | - | - | - | - | - |
| Final dividend | - | - | - | - | - |
| Basic loss per share | 6.51 | 3.11 | 1.48 | 6.19 | 10.44 |
| Diluted loss per share | 6.51 | 3.11 | 1.48 | 6.19 | 10.44 |

**Bonuses and share-based payments granted as compensation for the current financial year**

The Company received approval for the introduction of an employee share option scheme (the Plan) in 2008. The plan was last re-approved at a meeting of shareholders on 15 May 2014, the details of which are set out below. In the event of any inconsistency between the terms of the Plan and the summary set out below, the terms of the Plan will prevail.

1. The Options can only be issued to Employees or Officers of the Company and its subsidiaries.
2. Each Option entitles the holder, on exercise, to one fully paid ordinary Share in the Company.
3. Shares issued on exercise of Options will rank equally with other fully paid ordinary Shares of the Company.
4. The exercise price and expiry date for the Options will be as determined by the Board (in its discretion) on or before the date of issue.
5. The maximum number of Options that can be issued under the Plan is not to be in excess of 5% of the total number of Shares on issue.
6. An Option may only be exercised after that Option has vested, after any conditions associated with the exercise of the Option are satisfied and before its expiry date. The Board may determine the vesting period (if any). On the grant of an Option the Board may, in its absolute discretion, impose other conditions on the exercise of an Option.
7. An Option will lapse upon the first to occur of its expiry date, the holder acting fraudulently or dishonestly in relation to the Company or related entities, or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.
8. Upon an Optionholder ceasing to be a Director, employee or officer of the Company and its subsidiaries, whether by termination or otherwise, the Optionholder has 45 days from the day of termination, or otherwise, to exercise their Options before their Options lapse.
9. If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's Shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur), then the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they lapse.

## Directors' Report (continued)

**Remuneration Report – audited (continued)**

10. Options may not be transferred other than in cases where the Options have vested, are within six months of the expiry date of the Options, and the Options are transferred to an Associate of the Optionholder. Quotation of Options on the ASX will not be sought. However, the Company will apply to the ASX for official quotation of Shares issued on the exercise of Options.
11. There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least six ASX Business Days after the issue is announced.
12. If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each Optionholder holding any Options which have not expired at the time of the Record Date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the Optionholder may subscribe pursuant to the exercise of those Options immediately before the Record Date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
13. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Option holder is entitled, or the exercise price of his or her Options, or both, or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.

As at end of the financial year, the following share-based payments were in existence and had been issued as compensation:

| Options series | Grant date | Exercise Price $ | Expiry date | Grant date fair value $ | Vesting date |
|---|---|---|---|---|---|
| 21. Issued 14 May 2013 | 14 May 2013 | 0.43 | 13 May 2017 | 0.1493 | 14 May 2014 |
| 22. Issued 14 May 2013 | 14 May 2013 | 0.43 | 13 May 2017 | 0.1645 | 14 May 2015 |
| 23. Issued 14 May 2013 | 14 May 2013 | 0.43 | 13 May 2017 | 0.1776 | 14 May 2016 |
| 24. Issued 8 Aug 2013 | 30 Jul 2013 | 0.43 | 7 Aug 2017 | 0.0464 | 8 Aug 2014 |
| 24. Issued 8 Aug 2013[1] | 30 Jul 2013 | 0.43 | 7 Aug 2017 | 0.0100 | 8 Aug 2014 |
| 25. Issued 8 Aug 2013 | 30 Jul 2013 | 0.43 | 7 Aug 2017 | 0.0585 | 8 Aug 2015 |
| 26. Issued 8 Aug 2013 | 30 Jul 2013 | 0.43 | 7 Aug 2017 | 0.0720 | 8 Aug 2016 |
| 29. Issued 14 Aug 2014 | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.1144 | 14-Aug-2014 |
| 29. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.1140 | 14-Aug-2015 |
| 29. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.0600 | 14-Aug-2015 |
| 29. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.1300 | 14-Aug-2016 |
| 29. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.1440 | 14-Aug-2017 |
| 32. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.0762 | 14-Aug-2015 |
| 32. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.0891 | 14-Aug-2016 |
| 32. Issued 14 Aug 2014[2] | 14-Aug-2014 | 0.52 | 14-Aug-2018 | 0.1010 | 14-Aug-2017 |

(1) These options were issued on the same basis as those of the same tranche, aside from a specified market based condition to achieve a 75c ten day VWAP by 30 June 2014, resulting in a lower valuation per option. These options also have associated non-market based vesting conditions which have been agreed with each individual and are directly related to their roles.

(2) These options have associated non-market based vesting conditions which have been agreed with each individual and are directly related to their roles.

Where the recipient employee ceases service with the Group prior to vesting date, under item 8 of the Plan, they have 45 days from the date of cessation of services to exercise their options before their options are deemed to have lapsed.

## Directors' Report (continued)

**Remuneration Report – audited (continued)**

**Key terms of employment contracts**

Robert Smakman is contracted as the Chief Executive Officer and Managing Director of the Group. Remuneration is as follows:

- gross base salary of $375,000 per annum
- 20 days' annual leave per annum and statutory long service leave entitlements
- ex-patriate allowances of $100,000 per annum
- use of a motor vehicle in Brazil
- 3 months' notice period

Paul Stephen is engaged as an Executive Director.
Remuneration is as follows:

- gross base salary of $350,000 per annum plus statutory superannuation
- 20 days' annual leave per annum and statutory long service leave entitlements
- 3 months' notice period

Andrew Beigel is employed as the Chief Financial Officer and Company Secretary.
Remuneration is as follows:

- gross base salary of $170,000 per annum plus statutory superannuation
- 20 days' annual leave per annum and statutory long service leave entitlements
- 3 months' notice period

Julio Nery is engaged as Manager Iron Ore and Compliance.
Remuneration is as follows:

- Gross salary BRL591,444 per annum
- 20 days' annum leave per annum
- 3 months' notice period

Remuneration of Directors and Key Management Personnel for the year ended 31 December 2015 and comparatives are shown over the next two pages:

## Directors' Report (continued)

### Remuneration Report – audited (continued)

Remuneration of Directors and Key Management Personnel for the year ended 31 December 2015:

| | Short-term employee benefits | | | Post emp. benefits | Share-based payments | | Value of options as proportion of remuneration | Proportion of remuneration performance related |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees | Other benefits | Cash bonus | Super-annuation | Options | Total | | |
| | $ | $ | $ | $ | $ | **$** | % | % |
| **Directors** | | | | | | | | |
| **S. Copulos[1]** | | | | | | | | |
| 12 months to 31 Dec 2015 | 120,000 | - | - | - | 35,466 | **155,466** | 23% | 23% |
| | | | | | | | | |
| **R. Smakman** | | | | | | | | |
| 12 months to 31 Dec 2015 | 404,058 | 83,604 | - | - | 64,401 | **552,063** | 12% | 12% |
| | | | | | | | | |
| **P. Stephen** | | | | | | | | |
| 12 months to 31 Dec 2015 | 375,000 | - | - | 18,783 | 33,748 | **427,531** | 8% | 8% |
| | | | | | | | | |
| **J. Evans[1]** | | | | | | | | |
| 12 months to 31 Dec 2015 | 60,000 | - | - | 2,812 | 23,408 | **86,220** | 27% | 27% |
| | | | | | | | | |
| **M. Ferreira[1]** | | | | | | | | |
| 12 months to 31 Dec 2015 | 60,000 | - | - | - | 23,408 | **75,870** | 28% | 28% |
| | | | | | | | | |
| **D. Netherway[1, 4]** | | | | | | | | |
| 12 months to 31 Dec 2015 | 25,000 | - | - | - | 10,637 | **35,637** | 30% | 30% |
| | | | | | | | | |
| **Total Directors** | | | | | | | | |
| **12 months to 31 Dec 2015** | **1,044,058** | 83,604 | **-** | **21,595** | **191,068** | **1,340,325** | **14%** | **14%** |
| | | | | | | | | |
| **Key Management Personnel** | | | | | | | | |
| **A. Beigel** | | | | | | | | |
| 12 months to 31 Dec 2015 | 200,000 | - | - | 18,783 | 14,560 | **233,343** | 6% | 6% |
| | | | | | | | | |
| **M. Schmulian[2]** | | | | | | | | |
| 12 months to 31 Dec 2015 | 213,205 | - | - | - | (5,210) | **207,995** | (3%) | (3%) |
| | | | | | | | | |
| **W. Foote[3]** | | | | | | | | |
| 12 months to 31 Dec 2015 | 250,370 | 42,522 | - | - | (22,359) | **270,533** | (8%) | (8%) |
| | | | | | | | | |
| **J. Nery** | | | | | | | | |
| 12 months to 31 Dec 2015 | 224,697 | - | - | - | - | **224,697** | 0% | 0% |
| | | | | | | | | |
| **Total Key Management Personnel** | | | | | | | | |
| **12 months to 31 Dec 2015** | **888,272** | **42,522** | **-** | **18,783** | **(13,009)** | **936,568** | **(1%)** | **(1%)** |
| | | | | | | | | |
| **Total Directors and Key Management Personnel** | | | | | | | | |
| **12 months to 31 Dec 2015** | **1,932,330** | **126,126** | **-** | **40,378** | **178,059** | **2,276,893** | **8%** | **8%** |

(1) Options issued to Non-Executive Directors have service conditions only.

(2) Mr. M Schmulian retired 6 August 2015.

(3) Mr. W Foote's contract ended on 31 July 2015.

(4) Mr. D Netherway resigned 14 May 2015.

## Directors' Report (continued)

### Remuneration Report – audited (continued)

Remuneration of Directors and Key Management Personnel for the year ended 31 December 2014:

| | Short-term employee benefits | | | Post emp. benefits | Share-based payments | | Value of options as proportion of remuneration | Proportion of remuneration performance related |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees | Other benefits | Cash bonus | Super-annuation | Options | Total | | |
| | $ | $ | $ | $ | $ | **$** | % | % |
| **Directors** | | | | | | | | |
| **S. Copulos[5]** | | | | | | | | |
| 12 months to 31 Dec 2014 | 120,000 | - | - | - | 41,928 | **161,928** | 26% | 26% |
| | | | | | | | | |
| **R. Smakman** | | | | | | | | |
| 12 months to 31 Dec 2014 | 338,705 | 111,375 | - | - | 35,405 | **485,485** | 7% | 7% |
| | | | | | | | | |
| **P. Stephen** | | | | | | | | |
| 12 months to 31 Dec 2014 | 337,500 | - | - | 18,279 | 17,452 | **373,231** | 5% | 5% |
| | | | | | | | | |
| **J. Evan[5]** | | | | | | | | |
| 12 months to 31 Dec 2014 | 60,000 | - | - | 2,812 | 27,673 | **90,485** | 31% | 31% |
| | | | | | | | | |
| **M. Ferreira[5]** | | | | | | | | |
| 12 months to 31 Dec 2014 | 59,912 | - | - | - | 27,673 | **87,585** | 32% | 32% |
| | | | | | | | | |
| **D. Netherway[5]** | | | | | | | | |
| 12 months to 31 Dec 2014 | 60,000 | - | - | - | 27,673 | **87,673** | 32% | 32% |
| | | | | | | | | |
| **Total Directors** | | | | | | | | |
| **12 months to 31 Dec 2014** | **976,117** | **111,375** | **-** | **21,091** | **177,804** | **1,286,387** | **14%** | **14%** |
| | | | | | | | | |
| **Key Management Personnel** | | | | | | | | |
| **A. Beigel** | | | | | | | | |
| 12 months to 31 Dec 2014 | 181,692 | - | - | 16,948 | 16,919 | **215,559** | 8% | 8% |
| | | | | | | | | |
| **M. Schmulian** | | | | | | | | |
| 12 months to 31 Dec 2014 | 293,505 | - | - | - | 16,919 | **310,424** | 5% | 5% |
| | | | | | | | | |
| **A. Platel[7]** | | | | | | | | |
| 12 months to Dec 2014 | 81,026 | - | - | - | (7,086) | **73,940** | (10%) | (10%) |
| | | | | | | | | |
| **W. Foote** | | | | | | | | |
| 12 months to 31 Dec 2014 | 390,013 | 81,043 | - | 12,018 | 67,606 | **550,680** | 12% | 12% |
| | | | | | | | | |
| **J. Nery[6]** | | | | | | | | |
| 12 months to 31 Dec 2014 | 69,973 | - | - | - | - | **69,973** | 0% | 0% |
| | | | | | | | | |
| **Total Key Management Personnel** | | | | | | | | |
| **12 months to 31 Dec 2014** | **1,016,209** | **81,043** | **-** | **28,966** | **94,358** | **1,220,576** | **8%** | **8%** |
| | | | | | | | | |
| **Total Directors and Key Management Personnel** | | | | | | | | |
| **12 months to 31 Dec 2014** | **1,992,326** | **192,418** | **-** | **50,057** | **272,162** | **2,506,963** | **11%** | **11%** |

(5) Options issued to Non-Executive Directors have service conditions only.

(6) Mr. J. Nery was appointed 22 September 2014.

(7) Mr. A. Platel resigned 4 March 2014.

## Directors' Report (continued)

**Remuneration Report – audited (continued)**

**Compensation options granted and vested during the period (consolidated)**
Compensation options issued to Directors and Key Management Personnel "KMP" that vested during the year ended 31 December 2015 are shown below:

| Directors and Key Management Personnel | Granted Options | Vested Number During Period | Grant Date | Value per Option at Grant Date | Exercise Price | First Exercise Date | Last Exercise Date |
|---|---|---|---|---|---|---|---|
| S. Copulos | - | 166,667 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 15 | 7 Aug 17 |
| R. Smakman | - | 333,333 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 15 | 7 Aug 17 |
| R. Smakman | - | 333,333 | 14 Aug 14 | $0.1144 | $0.52 | 14 Aug 15 | 14 Aug 18 |
| P. Stephen | - | 166,667 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 15 | 7 Aug 17 |
| P. Stephen | - | 166,667 | 14 Aug 14 | $0.1144 | $0.52 | 14 Aug 15 | 14 Aug 18 |
| J. Evans | - | 110,000 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 15 | 7 Aug 17 |
| M. Ferreira | - | 110,000 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 15 | 7 Aug 17 |
| A. Beigel | - | 75,000 | 14 May 13 | $0.1493 | $0.43 | 14 May 15 | 13 May 17 |
| A. Beigel | - | 75,000 | 14 Aug 14 | $0.0762 | $0.52 | 14 Aug 15 | 14 Aug 18 |
| **Total** | **-** | **1,536,667** | | | | | |

Compensation options issued to Directors and Key Management Personnel "KMP" that vested during the year ended 31 December 2014 are shown below:

| Directors and Key Management Personnel | Granted Options | Vested Number During Period | Grant Date | Value per Option at Grant Date | Exercise Price | First Exercise Date | Last Exercise Date |
|---|---|---|---|---|---|---|---|
| S. Copulos | - | 166,667 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| S. Copulos | 500,000 | 500,000 | 14 Aug 14 | $0.1144 | $0.52 | 14 Aug 14 | 14 Aug 18 |
| R. Smakman | - | 166,667 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| R. Smakman | - | 83,333 | 30 Jul 13 | $0.0100 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| P. Stephen | - | 69,445 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| P. Stephen | - | 55,555 | 30 Jul 13 | $0.0100 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| J. Evans | - | 110,000 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| J. Evans | 330,000 | 330,000 | 14 Aug 14 | $0.1144 | $0.52 | 14 Aug 14 | 14 Aug 18 |
| D. Netherway | - | 110,000 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| D. Netherway | 330,000 | 330,000 | 14 Aug 14 | $0.1144 | $0.52 | 14 Aug 14 | 14 Aug 18 |
| M. Ferreira | - | 110,000 | 30 Jul 13 | $0.0464 | $0.43 | 8 Aug 14 | 7 Aug 17 |
| M. Ferreira | 330,000 | 330,000 | 14 Aug 14 | $0.1144 | $0.52 | 14 Aug 14 | 14 Aug 18 |
| A. Beigel | - | 56,250 | 14 May 13 | $0.1493 | $0.43 | 14 May 14 | 13 May 17 |
| M. Schmulian | - | 56,250 | 14 May 13 | $0.1493 | $0.43 | 14 May 14 | 13 May 17 |
| W. Foote | - | 333,333 | 14 May 13 | $0.1493 | $0.43 | 14 May 14 | 13 May 17 |
| **Total** | **1,490,000** | **2,807,500** | | | | | |

## Directors' Report (continued)

**Remuneration Report – audited (continued)**

**Shares issued on Exercise of Compensation Options**
During the year, no Directors or Key Management Personnel exercised options that were granted to them as part of their compensation (2014: nil).

**Value of options issued to Key Management Personnel**
There were no options granted to Directors and Key Management Personnel related to share-based payments compensation during the current financial period.

The following table summarises the number of options that lapsed during the financial year in relation to options granted to Directors and Key Management Personnel as part of their remuneration;

| Director and Key Management Personnel | Financial Year in which the options were granted | No. of options lapsed during the current year |
|---|---|---|
| W.Foote | 31 Dec 13 | 1,000,000 |
| W.Foote | 31 Dec 14 | 225,000 |
| M.Schmulian | 30 Jun 10 | 250,000 |
| M.Schmulian | 30 Jun 13 | 225,000 |
| M.Schmulian | 31 Dec 14 | 225,000 |
| D.Netherway | 30 Jun 12 | 90,000 |
| D.Netherway | 31 Dec 13 | 330,000 |
| D.Netherway | 31 Dec 14 | 330,000 |

## Directors' Report (continued)

### Remuneration Report – audited (continued)

### Options holdings of Directors and Key Management Personnel ("KMP")

| | Balance at 1 Jan 15 | Granted as remuneration | Options lapsed | Options forfeited | Options exercised | Balance at 31 Dec 15 | Not vested and not exercisable at 31 Dec 15 | Vested and exercisable at 31 Dec 15 | Options vested during the period |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| S. Copulos | 1,000,000 | - | - | | - | 1,000,000 | 166,667 | 833,334 | 166,667 |
| R. Smakman | 1,916,667 | - | - | - | - | 1,916,667 | 1,000,001 | 916,666 | 666,666 |
| P. Stephen | 1,958,333 | - | (1,000,000) | - | - | 958,333 | 499,999 | 458,334 | 333,334 |
| J. Evans | 660,000 | - | - | | - | 660,000 | 110,000 | 550,000 | 110,000 |
| D. Netherway | 750,000 | - | - | (750,000) | - | -- | - | - | - |
| M. Ferreira | 660,000 | - | - | | - | 660,000 | 110,000 | 550,000 | 110,000 |
| **KMP** | | | | | | | | | |
| A. Beigel | 681,250 | - | (250,000) | - | - | 431,250 | 225,000 | 206,250 | 150,000 |
| M. Schmulian | 681,250 | - | - | (681,250) | - | - | - | - | - |
| W. Foote[2] | 1,225,000 | - | - | (1,225,000) | - | - | - | - | - |
| J. Nery[3] | - | - | - | - | - | - | - | - | - |
| **Total** | **9,532,500** | **-** | **(1,250,000)** | **(2,656,250)** | **-** | **5,626,250** | **2,111,666** | **3,514,584** | **1,536,667** |

| | Balance at 1 Jan 14 | Granted as remuneration | Options lapsed | Options forfeited | Options exercised | Balance at 31 Dec 14 | Not vested and not exercisable at 31 Dec 14 | Vested and exercisable at 31 Dec 14 | Options vested during the period |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| S. Copulos | 500,000 | 500,000 | - | | - | 1,000,000 | 333,333 | 666,667 | 666,667 |
| R. Smakman | 1,000,000 | 1,000,000 | - | (83,333) | - | 1,916,667 | 1,666,667 | 250,000 | 250,000 |
| P. Stephen | 1,500,000 | 500,000 | | ( 41,667) | - | 1,958,333 | 833,333 | 1,125,000 | 125,000 |
| J. Evans | 330,000 | 330,000 | - | | - | 660,000 | 220,000 | 440,000 | 440,000 |
| D. Netherway | 540,000 | 330,000 | (120,000) | | - | 750,000 | 220,000 | 530,000 | 440,000 |
| M. Ferreira | 330,000 | 330,000 | - | | - | 660,000 | 220,000 | 440,000 | 440,000 |
| **KMP** | | | | | | | | | |
| A. Beigel | 475,000 | 225,000 | - | (18,750) | - | 681,250 | 375,000 | 306,250 | 56,250 |
| M. Schmulian | 475,000 | 225,000 | - | (18,750) | - | 681,250 | 375,000 | 306,250 | 56,250 |
| A. Platel[1] | 475,000 | - | - | (475,000) | - | - | - | - | - |
| W. Foote[2] | 1,000,000 | 225,000 | - | - | - | 1,225,000 | 891,667 | 333,333 | 333,333 |
| J. Nery[3] | - | - | - | - | - | - | - | - | - |
| **Total** | **6,625,000** | **3,665,000** | **(120,000)** | **(637,500)** | **-** | **9,532,500** | **5,135,000** | **4,397,500** | **2,807,500** |

(1) Mr. A. Platel resigned 4 March 2014.

(2) Mr. W. Foote's contract ended on 31 July 2015.

(3) Mr. M Schmulian retired on 6 August 2015.

| | Balance at 1 Jan 15 | Shares issued on exercise of options | Shares Purchased | Net Other Changes | Shares Sold | Balance at 31 Dec 15 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| S. Copulos | 28,165,961 | - | 7,401,015 | - | - | 35,566,976 |
| R. Smakman | 2,717,426 | - | 150,147 | (32,500) | - | 2,835,073 |
| P. Stephen | 3,443,780 | - | - | - | - | 3,443,780 |
| J. Evans | - | - | - | - | - | - |
| D.Netherway | 35,000 | - | - | (35,000) | - | - |
| M. Ferreira | - | - | - | - | - | - |
| **KMP** | | | | | | |
| A. Beigel | 308,458 | - | - | - | - | 308,458 |
| M. Schmulian | - | - | - | - | - | - |
| W. Foote | - | - | - | - | - | - |
| J. Nery | - | - | - | - | - | - |
| **Total** | **34,670,625** | **-** | **8,001,162** | **(67,500)** | **-** | **42,604,287** |

## Directors' Report (continued)

**Remuneration Report – audited (continued)**

**Share holdings of Directors and Key Management Personnel ("KMP")**

| | Balance at 1 Jan 14 | Shares issued on exercise of options | Shares Purchased | Net Other Changes | Shares Sold | Balance at 31 Dec 14 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| S. Copulos | 12,480,276 | - | 15,685,685 | - | - | 28,165,961 |
| R. Smakman | 2,717,426 | - | - | - | - | 2,717,426 |
| P. Stephen | 3,443,780 | - | - | - | - | 3,443,780 |
| J. Evans | - | - | - | - | - | - |
| D. Netherway | 35,000 | - | - | - | - | 35,000 |
| M. Ferreira | - | - | - | - | - | - |
| **KMP** | | | | | | |
| A. Beigel | 308,458 | - | - | - | - | 308,458 |
| M. Schmulian | - | - | - | - | - | - |
| W. Foote | - | - | - | - | - | - |
| J. Nery | - | - | - | - | - | - |
| **Total** | **18,984,940** | **-** | **15,685,685** | **-** | **-** | **34,670,625** |

**Convertible note holdings of Directors and Key Management Personnel**
The Company executed an interest free $500,000 convertible debt facility agreement on 24 December 2015 with the Copulos Group, a related party to Chairman, Mr Stephen Copulos.

The earliest date that the loan can be converted into ordinary shares at the option of the Loan holder, is within 4 business days after shareholder approval has been obtained at a General Meeting to be convened on 22 April 2016. Thereafter, conversion may occur at any time until 14 December 2016. If the notes have not been converted, they will be redeemed for cash on 24 December 2016 at $500,000. Conversion will be on the same terms as the Company's December 2015 capital raising, i.e. fully paid ordinary shares issued at $0.12 each with one free attaching option for every 2 ordinary shares acquired, exercisable at $0.15 expiring 31 December 2017.

**Loans to Directors and Key Management Personnel**
There were no loans to any Directors or Key Management Personnel during the year (2014: nil)

**Specific transactions with Directors and Key Management Personnel**
There were no transactions with any Directors or Key Management Personnel that were more favourable than those available, or which might reasonably be expected to be available, to non-related parties on an arm's length basis.

This ends the audited Remuneration Report.

**Directors' benefits**
No Director of the Company has received, or become entitled to receive, any benefit because of a contract that the Director, or a firm of which the Director is a member, or an entity in which the Director has substantial financial interest, made with the Company, or with an entity that the Company controlled, or with a body corporate that was related to the Company, other than the benefits included in the aggregate amount of emoluments received, or due and receivable, by the Directors and disclosed in Note 8 to the Financial Statements.

## Directors' Report (continued)

**Corporate governance**
In recognising the need for high standards of corporate behaviour and accountability, the Directors support and have substantially adhered to the best practice recommendations set by the ASX Corporate Governance Council.

The Company's corporate governance policies are all available on the Company's website at www.crusaderresources.com

**Committee memberships**
The Company maintains an Audit and Risk Committee and a Remuneration Committee which consist of the following Directors:

| Audit and Risk Committee | Remuneration Committee |
|---|---|
| J. Evans (Chairman) | S. Copulos (Chairman) |
| S. Copulos | J. Evans |
| M. Ferreira | M. Ferreira |

**Meetings of Directors**
The number of Directors' meetings held during the financial year and the numbers of meetings attended by each Director were:

| | Directors' meetings | | Remuneration Committee meetings[1] | | Audit and Risk Committee meetings | |
|---|---|---|---|---|---|---|
| **Directors** | **Eligible** | **Attended** | **Eligible** | **Attended** | **Eligible** | **Attended** |
| S. Copulos | 6 | 6 | - | - | 2 | 2 |
| R. Smakman | 6 | 6 | - | - | - | - |
| P. Stephen | 6 | 6 | - | - | - | - |
| J. Evans | 6 | 6 | - | - | 2 | 2 |
| M. Ferreira | 6 | 6 | - | - | 2 | 2 |
| D. Netherway | 3 | 3 | - | - | - | - |

(1) During the period the full Board attended to remuneration issues

**Auditor independence**
The auditor's independence declaration for the financial year ended 31 December 2015 has been received and is to be found on page 72

**Non-audit services**
No non-audit services were provided by the entity's auditor, Deloitte Touche Tohmatsu and no fees were paid or are payable to Deloitte Touche Tohmatsu for non-audit services for the financial year ended 31 December 2015.

This report is signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors

R. Smakman
Managing Director
Perth
31 March 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | Note | Consolidated Dec 2015 $ | Consolidated Dec 2014 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Mineral Revenue | 3 | 7,316,149 | 16,942,835 |
| Cost of Sales | | (7,263,629) | (10,680,135) |
| **Gross Profit** | | **52,520** | **6,262,700** |
| Other income | 3 | 243,248 | 322,422 |
| Administration | | (898,707) | (601,144) |
| Corporate expenses | | (1,402,515) | (1,140,232) |
| Finance costs | 3 | (1,181,015) | (1,532,415) |
| Depreciation and amortisation | 3 | (1,755,048) | (1,295,335) |
| Exploration and evaluation | | (3,711,963) | (3,431,116) |
| Unrealised foreign exchange loss | | (356,800) | (809,689) |
| Other expenses from ordinary activities | | (845,943) | (1,221,284) |
| **Loss before income tax expense** | | **(9,856,225)** | **(3,446,093)** |
| Income tax expense | 5 | (297,011) | (698,046) |
| **Loss for the period attributable to owners of the parent** | | **(10,153,236)** | **(4,144,139)** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange differences arising on translation of foreign operations | | (5,134,095) | (644,921) |
| Net fair value gain/(loss) on available-for-sale assets taken to equity | | - | (13,000) |
| Less reclassified to profit or loss on impairment of available-for-sale financial asset | | 23,000 | 130,000 |
| Income tax relating to components of other comprehensive income | | - | - |
| **Other comprehensive income for the period, net of income tax** | | **(5,111,095)** | **(527,921)** |
| **Total comprehensive income/(expense) for the period attributable to owners of the parent** | | **(15,264,331)** | **(4,672,060)** |
| **Loss per share** | | | |
| Basic (cents per share) | 22 | (6.51) | (3.11) |
| Diluted (cents per share) | 22 | (6.51) | (3.11) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2015**

| | Note | Consolidated Dec 2015 $ | Consolidated Dec 2014 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 28(a) | 1,393,646 | 3,388,153 |
| Trade and other receivables | 10 | 607,698 | 1,069,895 |
| Inventories | 11 | 752,764 | 851,997 |
| Other current assets | 12 | 234,275 | 211,946 |
| **Total Current Assets** | | **2,988,383** | **5,521,992** |
| **Non-Current Assets** | | | |
| Other financial assets | 13 | 148,661 | 148,661 |
| Mineral resources | 14 | 16,541,722 | 21,016,279 |
| Mine development properties | 15 | 1,743,571 | 3,560,042 |
| Property, plant and equipment | 16 | 1,134,951 | 1,672,960 |
| Other assets | 12 | - | 67,204 |
| **Total Non-Current Assets** | | **19,568,905** | **26,465,146** |
| **Total Assets** | | **22,557,288** | **31,987,137** |
| **Current Liabilities** | | | |
| Trade and other payables | 17 | 1,879,331 | 1,568,240 |
| Provisions | 18 | 818,449 | 1,337,479 |
| Borrowings | 4 | 5,075,016 | 39,574 |
| **Total Current Liabilities** | | **7,772,796** | **2,945,293** |
| **Non-Current Liabilities** | | | |
| Provisions | 18 | 828,276 | 738,190 |
| Borrowings | 4 | - | 4,046,160 |
| **Total Non-Current Liabilities** | | **828,276** | **4,784,351** |
| **Total Liabilities** | | **8,601,072** | **7,729,643** |
| **Net Assets** | | **13,956,216** | **24,257,494** |
| **Equity** | | | |
| **Total equity attributable to equity holders of the Company** | | | |
| Issued capital | 19 | 62,336,947 | 57,996,007 |
| Reserves | 20 | 6,563,872 | 11,052,854 |
| Retained earnings | 21 | (54,944,603) | (44,791,367) |
| **Total Equity** | | **13,956,216** | **24,257,494** |

The above Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR 31 DECEMBER 2015**

| Consolidated | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | |
| | Issued Capital | Retained Earnings | Foreign Currency Translation Reserve | Share Based Payments Reserve | Investment Revaluation Reserve | Other Reserve | Total Equity |
| | $ | $ | $ | $ | $ | $ | $ |
| **At 1 January 2015** | **57,996,007** | **(44,791,367)** | **2,483,236** | **8,582,618** | **(13,000)** | - | **24,257,494** |
| Other comprehensive income for period | - | - | (5,134,095) | - | 23,000 | - | **(5,111,095)** |
| Loss for the period | - | (10,153,236) | - | - | - | - | **(10,153,236)** |
| **Total comprehensive income for period** | **-** | **(10,153,236)** | **(5,134,095)** | **-** | **23,000** | **-** | **(15,264,331)** |
| Shares issued for cash | 4,672,406 | - | - | - | - | - | **4,672,406** |
| Share issued upon exercise of options | - | - | - | - | - | - | **-** |
| Share issue costs (1) | (331,466) | - | - | 191,550 | - | - | **(139,916)** |
| Equity instruments issued in relation to debt raising | - | - | - | - | - | | **-** |
| Issuance Of Convertible Note | - | - | - | - | - | 92,223 | **92,223** |
| Share Based Payments | - | - | - | 338,338 | - | - | **338,338** |
| **At 31 December 2015** | **62,336,947** | **(54,944,603)** | **(2,650,857)** | **9,112,506** | **10,000** | **92,223** | **13,956,216** |

(1) Refer to Note 7 for further information.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR 31 DECEMBER 2015 (continued)**

| Consolidated | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | |
| | Issued Capital | Retained Earnings | Foreign Currency Translation Reserve | Share Based Payments Reserve | Investment Revaluation Reserve | Other Reserve | Total Equity |
| | $ | $ | $ | $ | $ | $ | $ |
| **At 1 January 2014** | **55,268,797** | **(40,647,22)** | **3,128,157** | **5,644,816** | **(130,000)** | | **23,264,543** |
| Other comprehensive income for period | - | - | (644,921) | - | 117,000 | - | **(527,921)** |
| Loss for the period | - | (4,144,139) | - | - | - | - | **(4,144,139)** |
| **Total comprehensive income for period** | **-** | **(4,144,139)** | **(644,921)** | **-** | **117,000** | | **(4,672,060)** |
| Shares issued for cash | 3,999,999 | - | - | - | - | - | **3,999,999** |
| Shares issued upon exercise of options | - | - | - | - | - | - | **-** |
| Share issue costs | (1,482,789) | - | - | 1,450,759 | - | - | **(32,030)** |
| Equity instruments issued in relation to asset acquisition (1) | 210,000 | - | - | 149,625 | - | - | **359,625** |
| Equity instruments issued in relation to debt raising (2) | - | - | - | 956,294 | - | - | **956,294** |
| Share based payments | | - | - | 381,124 | - | - | **381,124** |
| **At 31 December 2014** | **57,996,007** | **(44,791,36)** | **2,483,236** | **8,582,618** | **(13,000)** | | **24,257,494** |

(1) Refer to note 14 for details.
(2) Refer to note 4 for details.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | Note | Consolidated | |
|---|---|---|---|
| | | Dec 2015 $ | Dec 2014 $ |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 7,558,258 | 16,721,901 |
| Payments to suppliers and employees | | (9,948,028) | (12,926,899) |
| Payment for exploration and evaluation | | (3,586,976) | (4,248,771) |
| Finance Costs | | (431,238) | (567,201) |
| Income taxes paid | | (269,229) | (697,400) |
| **Net cash provided by/ (used in) operating activities** | 28(b) | **(6,677,213)** | **(1,718,370)** |
| **Cash flows from investing activities** | | | |
| Interest received | | 124,599 | 292,186 |
| Receipts for disposal of property, plant and equipment | | 29,894 | - |
| Payments for financial assets | | - | - |
| Acquisition of exploration asset | 14 | - | (700,934) |
| Proceeds from sale of tenements | | 41,162 | - |
| Payments for property, plant and equipment | 16 | (242,187) | (245,429) |
| **Net cash used in investing activities** | | **(46,532)** | **(654,177)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of equity securities | | 4,672,406 | 3,999,999 |
| Costs of issuing securities | 19 | (139,910) | (32,031) |
| Proceeds from borrowings | | 500,000 | - |
| Repayment of borrowings | | (41,429) | (74,352) |
| **Net cash (used in)/ provided by financing activities** | | **4,991,067** | **3,893,616** |
| Net increase/(decrease) in cash and cash equivalents | | (1,732,678) | 1,521,069 |
| Cash and cash equivalents at the beginning of the financial period | | 3,388,153 | 2,109,806 |
| Effect of exchange rate fluctuations on cash held in foreign currencies | | (261,829) | (242,721) |
| **Cash and cash equivalents at the end of the financial period** | 28(a) | **1,393,646** | **3,388,153** |

The above Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

# Notes to the Annual Financial Statements

## 1. GENERAL INFORMATION

Crusader Resources Limited ("the Parent Entity" or "Crusader" or "the Company") is a listed public company incorporated in Australia and operating in Australia and Brazil. The address of the Company's registered office and principal place of business is Suite 1, Level 1, 35 Havelock Street, West Perth, Western Australia. The Consolidated Financial Statements of the Company as at, and for, the financial year ended 31 December 2015 comprise those of the Company and its subsidiaries (together referred to as the "the Consolidated Entity" or "the Group"). The Group is involved primarily in the mineral exploration industry.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

For the purpose of preparing the Consolidated Financial Statements, the Company is a "for profit" entity. The Financial Report is a General Purpose Financial Report which has been prepared in accordance with Accounting Standards (including Interpretations) and the Corporations Act 2001 (Cth). Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures the Consolidated Financial Report of the Group complies with International Financial Reporting Standards ("IFRSs").

### (b) Basis of preparation

The Financial Report has also been prepared on an accrual basis and historical cost basis, except for available-for-sale investments which have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The Financial Statements were approved by the Board of Directors on 30 March 2016.

**Going concern**

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a loss of $10,153,236 (2014: loss $4,144,139) and experienced net cash outflows from operating and investing activities of $6,723,745 for the year ended 31 December 2015 (2014: outflow $2,372,548). Cash and cash equivalents totalled $1,393,646 as at 31 December 2015 (31 December 2014: $3,388,153).

The directors have prepared a cash flow forecast for the period ending 31 March 2017, which indicates the Group will have sufficient cash flow to fund its operations during the twelve month period from the date of signing this report, which has been based on the following assumptions:

a) Cash receipts of $4.6 million, as a result of Tranche 2 of the share placement that was announced to the market 2 March 2016. The placement is subject to shareholder approval which is expected to be obtained at a General Meeting to be held on 22 April 2016 (Refer to note 31 for further information).
b) Raising additional capital via debt or equity to allow repayment of the amounts due under the Macquarie Bank Facility, prior to 30 December 2016 (refer note 4 for further information).
c) The conversion to share capital of the convertible debt facility issued on 24 December 2015, prior to its maturity date on 24 December 2016. Conversion is subject to shareholder approval, which is expected to be obtained at a General Meeting to be held on 22 April 2016 (refer to note 4 for further information); and
d) Achieving forecast sales at the Group's Posse Iron Ore operations.

# Notes to the Annual Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of preparation (continued)

The Company has a history of successful capital raisings to meet the Group's funding requirements. Should the Directors not be successful in achieving the matters set out above, there is a material uncertainty whether the Group and company will be able to continue as going concerns and therefore whether they will be able to realise their assets and extinguish their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group and company not continue as going concerns.

*Critical accounting judgments and key sources of estimation uncertainty*
In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of that revision and future periods if the revision affects both current and future periods. Refer to Note 2(q) for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

### (c) Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and the entities controlled by the Company (its subsidiaries). Subsidiaries are entities controlled by the Group. Control exists when the Group has power over the investee, is exposed to, or has right to, variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

In preparing the Consolidated Financial Statements, all inter-company balances and transactions, income and expenses, profit and losses resulting from intra-group transactions have been eliminated in full.

### (d) Foreign currency

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Crusader Resources Limited and the presentation currency for the Consolidated Financial Statements. The functional currencies of Crusader do Brasil Mineração Ltda, Cascar Mineração Ltda, Crusader do Nordeste Mineração Ltda, Lago Dourado Mineração Ltda and Juruena Mineração Ltda are Brazilian Real (BRLs).

# Notes to the Annual Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Foreign currency (continued)

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from, or payable to, a foreign operation, for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the Foreign Currency Translation Reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in Other Comprehensive Income and accumulated in equity.

### (e) Financial instruments

*Non-derivative financial instruments*
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments, other than those classified at initial recognition as at fair value through profit or loss, are initially recognised at fair value plus/minus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

*Loans and receivables*
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at Amortised Cost using the Effective Interest Method less impairment.

Interest income is recognised by applying the Effective Interest Rate, except for short-term receivables where the recognition would be immaterial.

*Available-for-sale financial assets*
The Group's investments in equity securities are classified as "available-for-sale" financial assets. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, are recognised directly in Other Comprehensive Income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

# Notes to the Annual Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial instruments (continued)

*Effective interest method*
The Effective Interest Method is a method of calculating the amortised cost of a financial asset, and of allocating interest income over the relevant period. The Effective Interest Rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments.

*Impairment of financial assets*
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original Effective Interest Rate.

The carrying amount of financial assets, including uncollectable trade receivables, is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

*De-recognition of financial assets*
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers the financial asset nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset, and an associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Notes to the Annual Financial Statements

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Financial instruments (continued)**

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in Other Comprehensive Income and accumulated in equity is recognised in profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises, on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised, and the sum of the consideration received for the part no longer recognised, and any cumulative gain or loss allocated to it that had been recognised in Other Comprehensive Income, is recognised in profit or loss. A cumulative gain or loss that had been recognised in Other Comprehensive Income is allocated between the part that continues to be recognised, and the part that is no longer recognised, on the basis of the relative fair values of those parts at each reporting date.

*Other financial liabilities*
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the Effective Interest Method with interest expense recognised on an effective yield basis.

The Effective Interest Method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The Effective Interest Rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*De-recognition of financial liabilities*
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(f) Cash and cash equivalents**

Cash comprises cash balances and at call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value, and have a maturity of three months or less at the date of acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

**(g) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Notes to the Annual Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight line basis so as to write off the net cost, or other revalued amount, of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method, are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The estimated useful lives for plant and equipment range from 1 to 40 years, as below:

| Category | Life (years) | | Depreciation Rate | |
|---|---|---|---|---|
| | Min | Max | Min | Max |
| Buildings | 25 | 40 | 2.5% | 4.0% |
| Computers | 2 | 4 | 25.0% | 50.0% |
| Furniture | 5 | 10 | 10.0% | 20.0% |
| Plant | 5 | 15 | 6.7% | 20.0% |
| Software | 1 | 2 | 50.0% | 100.0% |
| Vehicles | 2 | 5 | 20.0% | 50.0% |

### (i) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the Cash-Generating Unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual Cash-Generating Units. Otherwise they are allocated to the smallest group of Cash-Generating Units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, and intangible assets not yet available for use, are tested for impairment annually and whenever there is an indication that the asset may be impaired.

## Notes to the Annual Financial Statements

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Impairment of other tangible and intangible assets (continued)**

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or Cash-Generating Unit) is estimated to be less than its carrying amount, the carrying amount of the asset (Cash-Generating Unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (Cash-Generating Unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (Cash-Generating Unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss unless the relevant asset is carried at fair value, in which case the reversal of the impairment is treated as a revaluation increase.

**(j) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service, leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

**(k) Share-based payment transactions**

Equity-settled share based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of an appropriate options pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details of how the fair value of equity settled share transactions has been determined can be found in Note 7.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

# Notes to the Annual Financial Statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*Sales revenue*
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

*Rental Income*
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the term of the lease.

*Interest revenue*
Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### (m) Income tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit, or tax loss, for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax is provided on all temporary differences that exist at the reporting 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:

- where 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, at the time of the transaction, affects neither the accounting profit nor taxable loss; and
- in respect of taxable temporary differences, associated with investments in subsidiaries, associates and interests in joint ventures and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## Notes to the Annual Financial Statements

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Income tax (continued)**

Deferred income tax assets are recognised for all deductible temporary differences that exist at each reporting date, the carry forward amount of all unused tax credits 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 amount of any unused tax credits and any unused tax losses, can be utilised except:

- where 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, in which case deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 tax assets to be utilised.

Unrecognised deferred income tax assets are re-assessed at each reporting date and reduced to the extent that it has become probable that future taxable profit will allow all, or part of, the deferred tax credit to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 reporting date.

Current and deferred tax assets and liabilities are recognised as items of income or expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**(n) Goods and services tax**

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset, or as part of the expense item as applicable.

Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the relevant taxation authority.

## Notes to the Annual Financial Statements

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Exploration and evaluation expenditure (mineral resources)**

For each area of interest, where management have deemed that further exploration is warranted, and the potential development of the area is commercially feasible, expenditure incurred in the acquisition of rights to explore is capitalised and recognised as an exploration and evaluation asset.

Exploration and evaluation assets are measured at cost for the acquisition of the rights to explore. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study, whereby the group commences the capitalisation of costs associated with the area of interest.

When an area of interest is abandoned or the Directors decide that it is no longer commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also reviewed at the end of each accounting period, and accumulated costs written off to the extent that they will not be recoverable in the future.

Once a development decision has been made, all exploration and evaluation expenditure in respect of the area of interest is transferred to a mine development property asset and tested for impairment at that stage.

**(p) Mine development properties**

The Group will make a decision to proceed with mine development once the commercial viability has been confirmed. This will usually be supported by the completion of a full feasibility study. Costs are accumulated for each identifiable area of interest under development or in production. The accumulated costs are amortised over the life of the mine on the unit of production basis, once production has commenced.

**(q) Adoption of new and revised Accounting Standards**

The following new and revised Standards and Interpretations have been adopted in these Financial Statements. Their adoption has not had any significant impact on the amounts reported, but may affect the accounting for future transactions or arrangements.

- AASB 2014-1 (Part A) 'Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles'
- AASB 2014-1 (Part C) 'Amendments to Australian Accounting Standards – Materiality'

At the date of authorisation of the Financial Report, the following IASB and AASB Standards and Interpretations were in issue but not yet effective:

## Notes to the Annual Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

| Standard/Interpretation | Effective for annual reporting periods beginning on or after: | Expected to be initially applied in the financial year ending: |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards[1] | 1 January 2018 | 31 December 2018 |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' | 1 January 2016 | 31 December 2016 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2018 | 31 December 2018 |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | 1 January 2016 | 31 December 2016 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 31 December 2016 |
| AASB 16 Leases | 1 January 2019 | 31 December 2016 |

Management are in the process of considering the impact on the Financial Report of the group at the date of authorisation of the Financial Report.

### (r) Critical accounting judgements and key sources of uncertainty

The following are the critical judgements that the Group has made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the Financial Statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of revision, and future periods if the revision effects both current and future periods.

*Useful lives of property, plant and equipment and mine development properties*
The Group reviews the estimated useful lives of property, plant and equipment and mine development at the end of each annual reporting period. There have been no changes during the period in the Group's estimation of useful lives of these categories of assets.

*Capitalised exploration expenditure (Mineral Resources)*
The Group reviews the carrying value of all capitalised exploration expenditure assets for impairment at the end of each annual reporting period, and where the Group believes an asset has been impaired, the adjustment to fair value is recorded through profit or loss. The ultimate recoupment of these costs is dependent on the successful commercialisation of the project, or through sale to a third party, for at least the carrying value of the project.

*Mine development and property, plant and equipment*
Non-financial assets are reviewed at each reporting period end to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of recoverable value is made, refer to Note 15.

*Share-based payment transactions*
The Group measures the cost of equity-settled transactions with Directors, Senior Executives, other staff and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate options pricing model, which takes account of factors including the option exercise price, the current value and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, and the expected life of the option.

## Notes to the Annual Financial Statements

| | Consolidated Dec 2015 $ | Consolidated Dec 2014 $ |
|---|---|---|
| **3. Revenue and Expenses** | | |
| Revenue – mineral products | **7,316,149** | **16,942,835** |
| Revenue – other income | | |
| Rental and administrative services income | 124,564 | 31,373 |
| Interest revenue | 118,684 | 291,050 |
| | **243,248** | **322,423** |
| Expenses | | |
| Finance costs: | | |
| Interest | 552,298 | 578,953 |
| Accretion of debt issuance costs | 628,717 | 953,462 |
| | **1,181,015** | **1,532,415** |
| Depreciation and amortisation | **1,755,048** | **1,295,335** |
| Employee expenses: | | |
| Salaries and wages | 4,074,527 | 4,535,129 |
| Defined contribution plan | 260,753 | 280,594 |
| Other employee benefits | 783,658 | 852,790 |
| Equity-settled share-based payments | 338,338 | 272,164 |
| Annual Leave | 229,279 | 271,804 |
| | **5,686,554** | **6,212,481** |

### 4. Borrowings secured at amortised cost

| | Dec 2015 $ | Dec 2014 $ |
|---|---|---|
| Borrowings – secured at amortised cost | | |
| Current | | |
| Finance Leases | 2,058 | 39,574 |
| Convertible Notes | 407,777 | - |
| Loans | 4,665,180 | - |
| | **5,075,016** | **39,574** |
| Non-Current | | |
| Finance Leases | - | 2,454 |
| Loans | - | 4,043,706 |
| | **-** | **4,046,160** |
| Total Current and Non-current Borrowings | **5,075,016** | **4,085,734** |

# Notes to the Annual Financial Statements

## 4. Borrowings secured at amortised cost (continued)

### Loans

The Company had a $5,000,000 loan facility outstanding at balance date. On 4 January 2016 $500,000 was repaid and the Company has committed to repaying an additional $1,000,000 by 29 April 2016. The remaining $3,500,000 is repayable in full at 30 December 2016. These borrowings are interest bearing at BBSY + 8.5% per annum (year ending 31 Dec 14: 11.36%). This facility is secured by a general security agreement over the assets of the Group, and a specific security agreement over the shares of the Australian subsidiaries.

Share options were issued to Macquarie Bank Limited extending the facility on 31 December 2014 and the fair value of the options issued are recognised in the Share Option Reserve and offset against the loan as a debt issuance expense.

Following year end, the Group breached one of the obligations under its facility agreement with Macquarie Bank Limited. This breach was waived and subsequently remedied. No changes to the terms of the facility were required.

### Convertible Note

The Company executed an interest free $500,000 convertible debt facility agreement on 24 December 2015 with the Copulos Group, a related party to Chairman, Mr Stephen Copulos.

The earliest date that the loan can be converted into ordinary shares at the option of the Loan holder, is within 4 business days after shareholder approval has been obtained at a General Meeting to be convened on 22 April 2016. Thereafter, conversion may occur at any time until 14 December 2016. If the notes have not been converted, they will be redeemed for cash on 24 December 2016 at $500,000. Conversion will be on the same terms as the Company's December 2015 capital raising, i.e. fully paid ordinary shares issued at $0.12 each with one free attaching option for every 2 ordinary shares acquired, exercisable at $0.15 expiring 31 December 2017.

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company.

### Obligations under finance leases

The Group acquired no additional finance leases during this financial period (period ending December 2014: 0). The average lease term of the existing finance leases is 0.2 years (period ending December 2014: 3). The Group has options to purchase the equipment for nominal amounts at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 14.10% p.a. (2014: 14.10% to 15.15% p.a.).

## Notes to the Annual Financial Statements

### 4. Borrowings secured at amortised cost (continued)

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **31/12/15** | **31/12/14** | **31/12/15** | **31/12/14** |
| | **$** | **$** | **$** | **$** |
| Not later than one year | 2,257 | 45,300 | 2,058 | 39,574 |
| Later than one year and not later than five years | - | 2,717 | - | 2,454 |
| Later than five years | - | - | - | - |
| | **2,257** | **48,017** | **2,058** | **42,028** |
| Less future finance charges | (199) | (5,989) | - | - |
| Present value of minimum lease payments | **2,058** | **42,028** | **2,058** | **42,028** |

| | | |
|---|---|---|
| Included in the Consolidated Financial Statements as: | | |
| - current borrowings: | 2,058 | 39,574 |
| - non-current borrowings: | - | 2,454 |
| | **2,058** | **42,028** |

| | Consolidated | |
|---|---|---|
| | **Dec 2015** | **Dec 2014** |
| **5. Income tax** | **$** | **$** |
| **a) Numerical reconciliation of income tax expense to prima facie tax payable:** | | |
| Loss from ordinary activities before income tax expense | (9,856,225) | (3,446,093) |
| Prima facie tax benefit on loss from ordinary activities at 30% (December 2014 30%) | (2,956,868) | (1,033,828) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Entertainment | 1,079 | 1,486 |
| Fines | 374 | - |
| Foreign Losses | 1,852,539 | - |
| | **(1,102,876)** | **(1,032,342)** |
| Movement in unrecognised temporary differences | 141,665 | (3,247,868) |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 1,258,222 | 2,484,985 |
| Income tax expense | **297,011** | **698,046** |

## Notes to the Annual Financial Statements

**5. Income tax (continued)**

**b) Unrecognised temporary differences**

| | | |
|---|---|---|
| **Deferred tax assets (at relevant tax rates)** | | |
| Investments | 81,900 | 103,110 |
| Depreciable assets | - | 10,079 |
| Accrued expenses | 156,338 | 42,814 |
| Capitalised expenses | 462,346 | 218,901 |
| Entity establishment costs | 8,576 | 24,857 |
| Borrowing costs | - | - |
| Provision for expenses | 37,470 | 30,465 |
| Unearned Income | 2,811 | |
| Capital raising costs | 357,822 | 474,169 |
| Carry forward revenue tax losses | 8,630,964 | 7,587,062 |
| Carry forward capital tax losses | 32,924 | 11,714 |
| Carry forward foreign tax losses | 8,582,986 | 5,450,344 |
| | **18,354,137** | **13,953,515** |
| **Deferred tax liabilities (at relevant tax rates)** | | |
| Prepaid expenses | 900 | 2,362 |
| Accrued interest income | 616 | 5 |
| Capitalised tenement acquisition costs | - | - |
| | **1,516** | **2,367** |
| **Net deferred asset not recognised** | **18,352,621** | **13,951,148** |

The current taxation legislation in Brazil enables income tax to be paid under one of the following ways:

1. Income tax is payable at 3% of gross revenue;
2. Income tax is payable at 34% of net profit.

During the year ended 31 December 2015, the group has decided to pay taxes on 3% of gross income, as this is the most tax effective option.

The deferred tax asset and deferred tax liability have not been brought to account as it is unlikely that they will arise unless the company generates sufficient revenue to utilise them.

# Notes to the Annual Financial Statements

## 6. Financial Risk Management

**Overview**

The Group has exposure to the following risks from their use of financial instruments:

- Capital risk
- Credit risk
- Foreign exchange risk
- Interest rate risk
- Equity risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Senior Executives monitor and mitigate the financial risks relating to the operations of the Group through regular reviews of the risks.

Categories of financial instruments

| | Consolidated | |
|---|---|---|
| | Dec 2015 $ | Dec 2014 $ |
| **Financial assets** | | |
| Cash and cash equivalents | 1,393,646 | 3,388,153 |
| Held to maturity investments | 121,661 | 121,661 |
| Loans and receivables | 607,698 | 1,137,099 |
| Available-for-sale financial assets | 27,000 | 27,000 |
| | **2,150,005** | **4,673,913** |
| **Financial liabilities** | | |
| Trade and other payables | 1,879,331 | 1,568,240 |
| Other financial liabilities | 2,058 | 42,028 |
| Loans Payable | 5,075,016 | 4,043,706 |
| | **6,956,405** | **5,653,974** |

**Capital risk management**

The Group manages its capital as a going concern while maximising the return to shareholders through the optimisation of its capital employed.

The capital structure of the Group consists of cash and cash equivalents, debt funding and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated loss as disclosed in Notes 19, 20 and 21 respectively. None of the Groups' entities are subject to externally imposed capital requirements.

## Notes to the Annual Financial Statements

### 6. Financial Risk Management (continued)

**Credit risk management**
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Investments**
The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

**Trade and other receivables**
The Group operates in the mining sector and is exposed to credit risk in relation to trade receivables arising from the sale of mineral products.

Where appropriate, the group has established an allowance for impairment that represents incurred losses in respect of other receivables and payments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The Group does not expect any counterparty to fail to meet its obligations.

Presently, the Group undertakes exploration, evaluation and mining activities in Brazil. At the reporting date other than AVG Siderurgia Ltda, there were no significant concentrations of credit risk.

The below table shows the distribution of receivables from the Group's major customers as at the end of the period.

| Customer | Dec 2015 $ | % | Dec 2014 $ | % |
|---|---|---|---|---|
| Siderurgica Noroeste Ltda | 108,312 | 19.1 | - | - |
| Empresa de Mineração Esperança S.A. | - | - | 332,220 | 35.7 |
| Pedreira Um Valemix | 21,682 | 3.8 | 47,067 | 5.1 |
| AVG Siderurgia Ltda | 401,660 | 70.9 | 512,469 | 55.0 |
| Industria De Ferro Gusa Ltda | 28,015 | 4.9 | - | - |
| Other | 7,119 | 1.3 | 39,279 | 4.2 |
| | **566,788** | **100** | **931,035** | **100** |

**Exposure to credit risk**
The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | Carrying Amount Dec 2015 $ | Carrying Amount Dec 2014 $ |
|---|---|---|
| Cash and cash equivalents | 1,393,646 | 3,388,153 |
| Held to maturity financial assets | 121,661 | 121,661 |
| Loans and receivables | 607,698 | 1,069,895 |
| Available-for-sale financial assets | 27,000 | 27,000 |

# Notes to the Annual Financial Statements

## 6. Financial Risk Management (continued)

**Liquidity risk management**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash by continuously monitoring forecast and actual cash flows.

Typically, the Group ensures it has sufficient cash on demand to meet expected operational expenses for a period of ninety days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Market risk management**

The Group's activities expose it primarily to financial risks such as foreign exchange rates, interest rates and equity prices which will affect the Group's income and the value of its holdings of financial instruments. The objective of market risk management is to mitigate and control market risk exposures within acceptable parameters, while optimizing shareholder return.

**Equity risk management**

The Group is exposed to very minor equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

*Equity price sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period:

If equity prices had been 10% higher/lower:

- Investment revaluation reserves would increase/decrease by $2,700 (December 2015: increase/ decrease by $2,700) as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

## Notes to the Annual Financial Statements

### 6. Financial Risk Management (continued)

**Foreign currency risk management**

The Group is exposed to foreign currency risk from investments and borrowings held in a currency other than the Group's functional currency. The Group's exposure to foreign currency risk relates to financial instruments held in Brazilian Reals. At the reporting date the holdings were as follows:

| | Consolidated | |
|---|---|---|
| | **Dec 2015 $** | **Dec 2014 $** |
| Financial assets | | |
| Cash and cash equivalents | 126,164 | 1,892,047 |
| Loans and receivables | 566,874 | 1,131,353 |
| | **693,038** | **3,023,400** |
| Financial liabilities | | |
| Trade and other payables | 1,200,650 | 1,362,611 |
| Provisions | 1,500,562 | 1,931,895 |
| Borrowings | 2,058 | 42,028 |
| | **2,703,270** | **3,336,534** |

*Foreign currency sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to foreign exchange risks at the end of the reporting period:

If the AUD/BRL exchange rate had been 10% higher/lower net profit for the year ended 31 December 2015 would have increased/decreased by $543,398 (year ended 31 December 2014: increased/decreased by $47,836).

**Interest rate risk management**

The Group is exposed to interest rate risk in relation to its leasing liabilities and cash and cash equivalents.

*Interest rate sensitivity analysis for variable rate instruments*

The sensitivity analysis below has been determined based on the exposure to interest rate risks at the end of the reporting period:

If interest rates had been 100 basis points higher/(lower) net loss for the year ended 31 December 2015 would have (increased)/decreased by $31,858 (year ended 31 December 2014: net profit would have (increased)/decreased by $7,469). A change in interest rates would have no effect on equity.

## Notes to the Annual Financial Statements

### 6. Financial Risk Management (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial instruments:

| **Dec 2015 Consolidated** | **Weighted Average Interest Rate** | **Variable Interest Rate** | **Fixed Interest Rate** *Maturity less than 1 year* | **Fixed Interest Rate** *Maturity 1-5 years* | **Non-interest Bearing** | **Total** |
|---|---|---|---|---|---|---|
| | **%** | **$** | **$** | **$** | **$** | **$** |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 6.46% | 1,393,646 | - | - | - | **1,393,646** |
| Trade and other receivables | - | - | - | - | 607,698 | **607,698** |
| Deposits | 2.00% | - | - | 121,661 | - | **121,661** |
| Listed investments at market value | - | - | - | - | 27,000 | **27,000** |
| | | **1,393,646** | **-** | **121,661** | **634,698** | **2,150,005** |
| Financial Liabilities | | | | | | |
| Finance lease liabilities | 14.63% | - | (2,058) | - | - | **(2,058)** |
| Loan payable | 10.87% | - | (5,000,000) | | - | **(5,000,000)** |
| Convertible debt | | | | | (500,000) | **(500,000)** |
| Trade and other payables | - | - | - | - | (1,879,331) | **(1,879,331)** |
| | | **-** | **(5,002,058)** | **-** | **(2,379,331)** | **(7,381,389)** |
| Net financial assets/(liabilities) | | **1,393,646** | **(5,002,058)** | **121,661** | **(1,744,633)** | **(5,231,384)** |

## Notes to the Annual Financial Statements

### 6. Financial Risk Management (continued)

| Dec 2014 Consolidated | Weighted Average Interest Rate | Variable Interest Rate | Fixed Interest Rate *Maturity less than 1 year* | Fixed Interest Rate *Maturity 1-5 years* | Non-interest Bearing | Total |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 6.68% | 3,388,153 | - | - | - | **3,388,153** |
| Trade and other receivables | - | - | - | - | 1,069,895 | **1,069,895** |
| Deposits | 3.75% | - | - | 121,661 | - | **121,661** |
| Listed investments at market value | - | - | - | - | 27,000 | **27,000** |
| | | **3,388,153** | **-** | **121,661** | **1,096,895** | **4,606,709** |
| Financial Liabilities | | | | | | |
| Finance lease liabilities | 14.63% | - | (39,574) | (2,454) | - | **(42,028)** |
| Loan payable | 11.36% | - | - | (5,000,000) | - | **(5,000,000)** |
| Trade and other payables | - | - | - | - | (1,568,240) | **(1,568,240)** |
| | | **-** | **(39,574)** | **(5,002,454)** | **(1,568,240)** | **(6,610,268)** |
| Net financial assets/(liabilities) | | **3,388,153** | **(39,574)** | **(4,880,793)** | **(471,345)** | **(2,003,559)** |

**Fair values at amortised costs**
The carrying value of the Group's financial assets and liabilities are equal to their respective net fair values.

**Fair values of financial instruments – valuation techniques and assumptions**
The fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of other financial assets and liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

# Notes to the Annual Financial Statements

## 6. Financial Risk Management (continued)

**Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Dec 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| **Available for sale** | | | | |
| Listed Investments | 27,000 | - | - | **27,000** |
| | **27,000** | **-** | **-** | **27,000** |

| | Dec 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| **Available for sale** | | | | |
| Listed Investments | 27,000 | - | - | **27,000** |
| | **27,000** | **-** | **-** | **27,000** |

## 7. Share-based payments

The expense recognised in profit or loss in relation to share-based payments is disclosed in Note 3.

The following table illustrates the number and Weighted Average Exercise Prices (WAEPs) of, and movements in, share options issued during the period:

| | **Dec 2015 No.** | **Dec 2015 WAEP** | **Dec 2014 No.** | **Dec 2014 WAEP** |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 37,492,308 | 0.41 | 14,947,000 | 0.43 |
| Granted during the period | 3,150,499 | 0.15 | 23,302,808 | 0.41 |
| Forfeited during the period | (2,656,250) | 0.52 | (637,500) | 0.43 |
| Lapsed during the period | (2,250,000) | 0.59 | (120,000) | 1.35 |
| Reversal of lapsed options | - | - | - | - |
| Exercised during the period | - | - | - | - |
| Outstanding at the end of the period | **35,736,557** | **0.30** | **37,492,308** | **0.41** |
| | | | | |
| Exercisable at the end of the period | 28,830,642 | 0.40 | 32,357,308 | 0.40 |

## Notes to the Annual Financial Statements

### 7. Share-based payments (continued)

The following share options were in existence during or at the end of the current financial period:

| Options series | Grant date | Vesting date | Expiry date | Exercise price $ | Grant date fair value $ |
|---|---|---|---|---|---|
| **Live at end of period** | | | | | |
| Issued 30 Nov 2011 | 23-Nov-11 | 30-Jun-12 | 30-Jun-16 | 1.3500 | 0.6870 |
| Issued 10 May 2013 | 10-May-13 | 10-May-13 | 10-May-17 | 0.3414 | 0.1997 |
| Issued 14 May 2013 | 14-May-13 | 14-May-14 | 13-May-17 | 0.4300 | 0.1493 |
| Issued 14 May 2013 | 14-May-13 | 14-May-15 | 1-May-17 | 0.4300 | 0.1645 |
| Issued 8 Aug 2013 (1) | 30-Jul-13 | 8-Aug-14 | 7-Aug-17 | 0.4300 | 0.0100 |
| Issued 8 Aug 2013 | 30-Jul-13 | 8-Aug-14 | 7-Aug-17 | 0.4300 | 0.0464 |
| Issued 8 Aug 2013 | 30-Jul-13 | 8-Aug-15 | 7-Aug-17 | 0.4300 | 0.0585 |
| Issued 8 Aug 2013 | 30-Jul-13 | 8-Aug-16 | 7-Aug-17 | 0.4300 | 0.0720 |
| Issued 30 Jun 2014 | 30-Jun-14 | 30-Jun-14 | 30-Jun-18 | 0.4300 | 0.2036 |
| Issued 13 Aug 2014 | 13-Aug-14 | 13-Aug-14 | 13-Aug-16 | 0.5000 | 0.1367 |
| Issued 13 Aug 2014 | 13-Aug-14 | 13-Aug-14 | 13-Aug-16 | 0.6000 | 0.1177 |
| Issued 13 Aug 2014 | 13-Aug-14 | 13-Aug-14 | 13-Aug-16 | 0.8000 | 0.0899 |
| Issued 14 Aug 2014 (2) | 14-Aug-14 | 14-Aug-15 | 14-Aug-18 | 0.5200 | 0.1140 |
| Issued 14 Aug 2014 (3) | 14-Aug-14 | 14-Aug-15 | 14-Aug-18 | 0.5200 | 0.0600 |
| Issued 14 Aug 2014 | 14-Aug-14 | 14-Aug-16 | 14-Aug-18 | 0.5200 | 0.1300 |
| Issued 14 Aug 2014 | 14-Aug-14 | 14-Aug-17 | 14-Aug-18 | 0.5200 | 0.1440 |
| Issued 14 Aug 2014 | 14-Aug-14 | 14-Aug-15 | 14-Aug-18 | 0.5200 | 0.0762 |
| Issued 14 Aug 2014 | 14-Aug-14 | 14-Aug-16 | 14-Aug-18 | 0.5200 | 0.0891 |
| Issued 14 Aug 2014 | 14-Aug-14 | 14-Aug-17 | 14-Aug-18 | 0.5200 | 0.1010 |
| Issued 14 Aug 2014 | 14-Aug-14 | 14-Aug-14 | 14-Aug-18 | 0.5200 | 0.1144 |
| Issued 20 Aug 2014 | 20-Aug-14 | 20-Aug-14 | 20-Aug-18 | 0.4100 | 0.2410 |
| Issued 31 Dec 2014 | 31-Dec-14 | 31-Dec-14 | 31-Dec-18 | 0.2860 | 0.1094 |
| Issued 22 July 2014 (4) | 22-Jul-14 | 22-Jul-14 | 21-Jul-19 | - | - |
| Issued 31 Dec 2015 (5) | 31-Dec-15 | 31-Dec-17 | 31-Dec-17 | 0.1500 | 0.0608 |

(1) These options were issued on the same basis as those of the same tranche, aside from a specified market based condition to achieve a 75c ten day VWAP by 30 June 2014, resulting in a lower valuation per option. These options also have associated non-market based vesting conditions which have been agreed with each individual and are directly related to their roles.

(2) These options were issued on the same basis as those of the same tranche, aside from specific performance and vesting conditions which have been agreed with each individual and are directly related to their roles

(3) These options were issued on the same basis as those of the same tranche, aside from specific performance and vesting conditions which have been agreed with each individual and are directly related to their roles.

(4) These options vest based on specific performance conditions attached to the acquisition of the Juruena area of interest.

(5) The options were issued in relation to the capital raising taking place at 31 December 2015, and have been treated as share issuance costs.

# Notes to the Annual Financial Statements

## 7. Share-based payments (continued)

The weighted average remaining contractual life for the share options outstanding at 31 December 2015 is 2.18 years (December 2014: 3.03 years)

The range of exercise prices for options outstanding at the end of the period was $0.15 - $1.35 (December 2014: $0.2860 - $1.35)

The weighted average fair value of options granted during the period was $0.0608 (December 2014: $0.1424).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using an appropriate options pricing model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in relation to the options that were issued during the financial year ended 31 December 2015.

| | | Granted during the year ended 31 December 2015 |
|---|---|---|
| | | **$0.15 Options** |
| Dividend yield | % | - |
| Expected volatility | % | 100% |
| Risk-free interest rate | % | 2.05% |
| Expected life | Years | 2.00 |
| Exercise price | $ | 0.15 |
| Share price at grant date | $ | 0.13 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that will occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurements of fair value.

No share options were exercised during the year (2014: nil).

## Notes to the Annual Financial Statements

### 7. Share-based payments (continued)

**Employee share option plan**

The Company received approval for the introduction of an employee share option scheme (the Plan) in 2008. The plan was last re-approved at a meeting of shareholders on 15 May 2014, the details of which are set out below. In the event of any inconsistency between the terms of the Plan and the summary set out below, the terms of the Plan will prevail.

1. The options can only be issued to Employees or Officers of the Company and its subsidiaries.
2. Each Option entitles the holder, on exercise, to one fully paid ordinary share in the Company.
3. Shares issued on exercise of Options will rank equally with other fully paid ordinary shares of the Company.
4. The exercise price and expiry date for the options will be as determined by the Board (in its discretion) on or before the date of issue.
5. The maximum number of options that can be issued under the Plan is not to be in excess of 5% of the total number of Shares on issue.
6. An option may only be exercised after that option has vested, after any conditions associated with the exercise of the option are satisfied and before its expiry date. The Board may determine the vesting period (if any). On the grant of an option the Board may, in its absolute discretion, impose other conditions on the exercise of an option.
7. An Option will lapse upon the first to occur of its expiry date; the holder acting fraudulently or dishonestly in relation to the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.
8. Upon an Optionholder ceasing to be a Director, employee or officer of the Company, whether by termination or otherwise, the Optionholder has 45 days from the day of termination, or otherwise, to exercise their Options before their Options lapse.
9. If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's Shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur), then the Board may declare an option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they lapse.
10. Options may not be transferred other than in cases where the Options have vested, are within six (6) months of the expiry date of the Options, and the Options are transferred to an Associate of the Optionholder. Quotation of options on the ASX will not be sought. However, the Company will apply to the ASX for official quotation of Shares issued on the exercise of options.
11. There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 ASX Business Days after the issue is announced.

## Notes to the Annual Financial Statements

**7. Share-based payments (continued)**

**Employee share option plan (continued)**

12. If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each Optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the Optionholder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the shares which he or she is otherwise entitled to have issued to him or her upon such exercise).

13. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each option holder is entitled, or the exercise price of his or her options, or both, or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.

**8. Key management personnel**

Details of Key Management Personnel:

| | |
|---|---|
| Mr. S. Copulos | Chairman (Non-Executive) |
| Mr. R. Smakman | Managing Director |
| Mr. P. Stephen | Executive Director |
| Mr. J. Evans | Director (Non-Executive) |
| Mr. M. Ferreira | Director (Non-Executive) |
| Mr. J. Rogers | Director (Non-Executive) – appointed 2 March 2016 |
| Mr. D. Netherway | Director (Non-Executive) – resigned 5 May 2015 |
| Mr. A. Beigel | Chief Financial Officer / Company Secretary |
| Mr. M. Schmulian | Chief Operating Officer – retired 7 September 2015 |
| Mr. W. Foote | Project Manager – contact ended 31 July 2015 |
| Mr. J. Nery | Manager – Iron Ore, Licensing and Compliance – appointed 22 Sept 2014 |

The aggregate compensation provided to Directors and Key Management Personnel of the company and the group is set out below:

| | Consolidated | |
|---|---|---|
| | **Dec 2015 $** | **Dec 2014 $** |
| Short-term employee benefits | 2,058,456 | 2,184,744 |
| Post-employment benefits | 40,378 | 50,057 |
| Share-based payments | 178,059 | 272,162 |
| | **2,276,893** | **2,506,963** |

Further details relating to the compensation of Directors and Key Management Personnel are included within the Directors' Report.

## Notes to the Annual Financial Statements

| 9. Auditors' Remuneration | Consolidated Dec 2015 $ | Dec 2014 $ |
|---|---|---|
| *Audit of the Parent Entity* | | |
| Audit or review of financial report | 77,500 | 76,420 |
| *Auditors of overseas entities* | | |
| Audit or review of financial report | 37,775 | 30,634 |
| | **115,275** | **107,054** |

The auditor of the Group is Deloitte Touche Tohmatsu.

### 10. Trade and other receivables

| | | |
|---|---|---|
| Current | | |
| Trade receivables | 566,788 | 931,035 |
| Other receivables | 40,910 | 138,860 |
| | **607,698** | **1,069,895** |

Other receivables are non-interest bearing and consist of rent receivable due within 30 days, GST credits receivable from the Australian Taxation Office, and accrued interest receivable. There are no provisions included within Trade and other receivables.

All receivables are collected within commercial terms. Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts on the basis the amounts are still considered recoverable. The balance of receivables past due but not impaired is $115,806 (2014: Nil).

An analysis of trade receivables by customer is disclosed in Note 6.

### 11. Inventories

| | | |
|---|---|---|
| Work In Progress | 54,030 | 121,912 |
| Finished Goods | 698,734 | 730,085 |
| | **752,764** | **851,997** |

The cost of inventories recognised as an expense during the year in respect of continuing operations was $7,263,629 (2014: $10,680,135).

## Notes to the Annual Financial Statements

### 12. Other assets

| | | |
|---|---|---|
| Current | | |
| Pre-payments and supplier deposits | 163,862 | 175,833 |
| Bank guarantees | 30,000 | 30,000 |
| Current tax receivable | - | - |
| Other | 40,413 | 6,113 |
| | **234,275** | **211,946** |
| Non-Current | | |
| Tenement sale proceeds | - | 67,204 |
| | **-** | **67,204** |

| | **Consolidated** | |
|---|---|---|
| | **Dec 2015** | **Dec 2014** |
| **13. Other financial assets** | $ | $ |
| Non-current | | |
| Deposits | 121,661 | 121,661 |
| Available-for-sale assets at fair value[1] | 27,000 | 27,000 |
| | **148,661** | **148,661** |

(1) Fair value is based on the closing price on the Australian Securities Exchange at the reporting date.

### 14. Mineral resources

| | | |
|---|---|---|
| Costs brought forward | 21,016,279 | 20,436,529 |
| Expenditure incurred during the period | 3,872,858 | 3,821,982 |
| Acquisition of asset | - | 1,060,559 |
| Amounts expensed | (3,711,963) | (3,431,116) |
| Effect of exchange rates | (4,635,452) | (871,675) |
| Costs carried forward | **16,541,722** | **21,016,279** |

The Group has exploration and evaluation assets relating to the Borborema project which includes three mining leases covering a total area of 29km$^2$ including freehold title over the main prospect area, held in the Seridó area of the Borborema province in north-eastern Brazil, and the Juruena project an area of 400km$^2$ of exploration licences and applications in the Mato Grosso state, Brazil. Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

During the period the Group has expensed costs of $2,001,370 (December 2014: $799,817) relating to the tenements held in the Juruena region. In accordance with the Group’s accounting policy, exploration costs of activities within the tenements that are in the pre-feasibility stage are expensed as incurred. The group has also expensed as incurred, indirect exploration related costs of $1,710,593 incurred within Brazil during the period (December 2014: $2,631,299), on the basis that they are not directly attributable to the Borborema area of interest.

## Notes to the Annual Financial Statements

| 15. Mine development properties | Consolidated Dec 2015 $ | Dec 2014 $ |
|---|---|---|
| Cost brought forward | 3,560,042 | 4,333,540 |
| Additions | 267,880 | 259,788 |
| Depreciation and amortisation | (1,380,436) | (885,103) |
| Effect of foreign exchange | (703,915) | (148,183) |
| Carrying amount at the end of the period | **1,743,571** | **3,560,042** |

**Impairment of Non-Current Assets: Mine development and property, plant and equipment**
Non-financial assets are reviewed at each reporting period to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of recoverable amount is made.

The Group has one cash generating unit assessed for impairment under AASB 136 Impairment of Assets, the Posse Iron Ore Project. The changes in global economic conditions and impact on the Iron Ore sector has been identified as an impairment trigger and consequently the Posse Project has been tested for impairment in accordance with AASB 136.

**Methodology**

The Group has adopted a value in use model to calculate the recoverable value of its Posse operations based on the underlying mine plan.

Recoverable value is estimated based on discounted cash flows using market based commodity price assumptions, estimated quantities of recoverable minerals, demand levels, operating costs and future sustaining capital expenditure.

Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the assets.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process documents, including life-of-mine plans and operational budgets.

Significant judgements and assumptions are required in making estimates of recoverable value. CGU valuations are subject to variability in key assumptions including, but not limited to, commodity prices, discount rates, demand assumptions and operating costs. A change in one or more of the assumptions used to estimate recoverable value could reduce or increase the CGU's recoverable value.

We summarise below the key assumptions used in the December 2015 impairment assessment for the Posse Project:

- Production tonnages based on the current mine plan, which represents the Directors' best estimates of the underlying geological factors.

- Selling price and demand assumptions based on the Directors' best estimates of the market conditions going forward, which includes a return to historical demand for the Group's high value lump product 'NPO', and unit pricing consistent with historical levels.

- Discount rate post-tax 13% (2014: 13%).

## Notes to the Annual Financial Statements

**15. Mine development properties (continued)**

The impairment assessment for the Posse project concluded that the recoverable value was in excess of its carrying value, and hence no impairment was required.

The carrying value of the Group's Posse operations as at 31 December 2015 is approximately $3,000,000 with the recoverable value calculated using the value in use impairment model noted above being approximately $4,250,000.

The recoverable amount would be lower than the carrying value if;

- The overall forecast demand decreases by 10% compared with current forecast levels; or
- The demand for the group's high value lump product 'NPO' is nil, whilst maintaining overall forecast demand; or
- Sales prices decrease by 7% compared with current forecast levels.

| | Consolidated | |
|---|---|---|
| **16. Property, plant and equipment** | **Dec 2015 $** | **Dec 2014 $** |
| Balance at the beginning of the period | | |
| Cost | 2,752,329 | 2,577,914 |
| Accumulated depreciation | (1,079,368) | (669,136) |
| Carrying amount at beginning of period | **1,672,961** | **1,908,778** |
| Additions | 324,039 | 254,106 |
| Disposals | (133,467) | (18,747) |
| Depreciation | (374,612) | (410,232) |
| Effect of foreign exchange | (353,970) | (60,944) |
| Carrying amount at the end of the period | **1,134,951** | **1,672,960** |

| | Consolidated | |
|---|---|---|
| | **Dec 2015 $** | **Dec 2014 $** |
| **17. Trade and other payables** | | |
| Current | | |
| Trade payables and accruals | **1,879,332** | **1,568,240** |

Trade payables are non-interest bearing and are normally settled on 30 day terms.

## Notes to the Annual Financial Statements

### 18. Provisions

| | | |
|---|---|---|
| Current | | |
| Annual leave and other benefits | 315,892 | 343,952 |
| Payroll and associated taxes | 435,984 | 880,395 |
| Other | 66,573 | 113,132 |
| | **818,449** | **1,337,479** |
| Non-current | | |
| Rehabilitation | 172,723 | 68,176 |
| Other | 655,553 | 670,014 |
| | **828,276** | **738,190** |
| Total Current and Non-Current Provisions | **1,646,725** | **2,075,669** |

### 19. Issued capital

| | **No.** | **$** |
|---|---|---|
| Ordinary shares issued and fully paid | | |
| At 31 December 2014 | 140,939,141 | 57,996,007 |
| At 31 December 2015 | 170,277,114 | 62,336,947 |

Fully paid ordinary shares carry one vote per share and the right to receive dividends.

| **Fully paid ordinary share capital** | **Dec 2015** | | **Dec 2014** | |
|---|---|---|---|---|
| | **No.** | **$** | **No.** | **$** |
| Balance at the start of the financial period | 140,939,141 | 57,996,007 | 126,646,041 | 55,268,797 |
| Shares issued for cash | 29,337,973 | 4,672,406 | 13,793,100 | 3,999,999 |
| Share based payments | - | - | 500,000 | 210,000 |
| Capital raising costs | - | (331,466) | - | (1,482,789) |
| Balance at the end of the financial period | **170,277,114** | **62,336,947** | **140,939,141** | **57,996,007** |

### 20. Reserves

**Nature and purpose of reserves**

The Share Based Payment Reserve is used to recognise the fair value of options and performance shares issued.

The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The Investment Revaluation Reserve is used to record movements in the fair value of available-for-sale financial assets.

The convertible note reserve represents the equity component (conversion rights) on the issue of unsecured convertible notes. Refer note 4 for further information.

## Notes to the Annual Financial Statements

**20. Reserves (continued)**

| | Consolidated | |
|---|---|---|
| | **Dec 2015 $** | **Dec 2014 $** |
| **Reserves** | | |
| Share based payment reserve | 9,112,506 | 8,582,618 |
| Foreign currency translation reserve | (2,650,857) | 2,483,236 |
| Investment revaluation reserve | 10,000 | (13,000) |
| Other reserve | 92,223 | |
| | **6,563,872** | **11,052,854** |
| *Foreign currency translation reserve* | | |
| Balance at the beginning of the financial period | 2,483,236 | 3,128,157 |
| Currency translation differences arising during the period | (5,134,093) | (644,921) |
| Balance at the end of the financial period | **(2,650,857)** | **2,483,236** |
| *Share based payments reserve* | | |
| Balance at the beginning of the financial period | 8,582,618 | 5,644,817 |
| Option and performance shares expense | 529,888 | 2,937,801 |
| Balance at the end of the financial period | **9,112,506** | **8,582,618** |
| *Investments revaluation reserve* | | |
| Balance at the beginning of the financial period | (13,000) | (130,000) |
| Unrealised gain/(loss) on available for sale investment | - | (13,000) |
| Cumulative gain/(loss) reclassified to profit or loss on impairment of available-for-sale financial assets | 23,000 | 130,000 |
| Balance at the end of the financial period | **10,000** | **(13,000)** |
| *Convertible Note Reserve* | | |
| Balance at the beginning of the financial period | - | - |
| Convertible note | 92,223 | - |
| Balance at the end of the financial period | **92,223** | **-** |

## Notes to the Annual Financial Statements

| | Consolidated Dec 2015 $ | Dec 2014 $ |
|---|---|---|
| **21. Retained earnings** | | |
| Movements in accumulated losses were as follows: | | |
| Balance at the beginning of the financial period | (44,791,367) | (40,647,228) |
| Net loss for the period | (10,153,236) | (4,144,139) |
| Balance at the end of the financial period | **(54,944,603)** | **(44,791,367)** |

### 22. Loss per share

Basic and diluted loss per share amounts are calculated by dividing net loss for the period attributable to equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic and diluted loss per share computations:

| | $ | $ |
|---|---|---|
| Net loss attributable to ordinary equity holders of the parent | (10,153,236) | (4,144,139) |
| | **No.** | **No.** |
| The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic and diluted loss per share | 155,945,088 | 133,450,527 |

There are no shares to be issued under the exercise of 34,236,557 options currently outstanding which are considered to be dilutive. The diluted earnings per share is therefore the same as basic earnings per share.

### 23. Commitments

In order to maintain current rights of tenure to the exploration tenements, the Group is required to meet the minimum expenditure commitments as specified by the relevant Government authorities. These obligations are subject to renegotiations when application for a mining lease is made and at other times. The obligations will be met from normal working capital of the Group. The minimum exploration tenement commitments will be reduced should the Group enter into a joint venture on the tenements or extinguished should the tenement be abandoned should the Group decide that the project is not commercial.

The Group has certain minimum obligations in pursuance of the terms and conditions of mineral tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to all mining tenements, and assuming all applications are granted, the Group will be required to outlay in 2015 approximately $136,672 (2014: $200,369). These costs are expected to be fulfilled in the normal course of operations.

# Notes to the Annual Financial Statements

## 24. Operating lease arrangements

*The Group as a lessee*
The Group has two lease agreements for office rental, one for the corporate head office in Australia, and one for the administrative office in Brazil.

In addition, there are two (December 2014: four) lease agreements for accommodation for employees in Brazil.

The Group has no other operating lease commitments.

| | Consolidated | |
|---|---|---|
| | **Dec 2015 $** | **Dec 2014 $** |
| Operating lease commitments: | | |
| Not later than 1 year | 270,489 | 412,470 |
| Later than 1 year but not later than 5 years | 203,956 | 479,111 |
| Later than 5 years | - | - |
| | **474,445** | **891,581** |

*The Group as a Lessor*
Part of the Group's Perth office has been sublet to other Companies on a month to month basis.

The Group has no other operating lease receivables.

| Operating lease receivables: | **$** | **$** |
|---|---|---|
| Not later than 1 year | 43,948 | 4,200 |
| Later than 1 year but not later than 5 years | - | - |
| Later than 5 years | - | - |
| | **43,948** | **4,200** |

## 25. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in each of the subsidiaries are disclosed in Note 26.

(b) Transactions with Directors and Key Management Personnel

Details of Director and Key Management Personnel compensation are disclosed in Note 8.

# Notes to the Annual Financial Statements

## 26. Controlled entities

| | Country of Incorporation | Principal Activity | Ownership Interest Dec 2015 | Ownership Interest Dec 2014 |
|---|---|---|---|---|
| **Parent entity** | | | | |
| Crusader Resources Ltd | Australia | Mining Investment | | |
| **Controlled entities** | | | | |
| Brazil Minerals Pty Ltd | Australia | Mining Investment | 100% | 100% |
| Atomico Pty Ltd | Australia | Mining Investment | 100% | 100% |
| Batman Minerals Pty Ltd | Australia | Mining Investment | 100% | 100% |
| Molten Pty Ltd | Australia | Mining Investment | 100% | 100% |
| Cascar Resources Pty Ltd | Australia | Mining Investment | 100% | 100% |
| Crusader do Brasil Mineração Ltda | Brazil | Mining and Mineral exploration | 100% | 100% |
| Cascar do Brasil Mineração Ltda | Brazil | Mineral exploration | 100% | 100% |
| Crusader do Nordeste Mineração Ltda | Brazil | Mineral exploration | 100% | 100% |
| Lago Dourado Mineração Ltda | Brazil | Mineral exploration | 100% | 100% |
| Juruena Mineração Ltda | Brazil | Mineral exploration | 100% | 100% |
| Crusader Amazon Mineração Ltda | Brazil | Mineral exploration | 100% | 100% |
| Sunny Skies | BVI | Mineral Investment | 100% | 100% |

## 27. Segment reporting

The Group's reportable segments under AASB 8 are as follows:

- Mining and Mineral Exploration – Iron ore
- Mineral Exploration – Gold
- Mineral Exploration – Other

Mineral Exploration – Other is the aggregation of the Group's other operating segments that are not separately reportable. Included within this, are operating segments for the Group's activities in the exploration for other mineral resources, and expenditure which cannot be allocated to any one mineral resource.

The following table presents the revenue and results analysed by mineral resource for the twelve months ended 31 December 2015 and 31 December 2014. This is the Group's primary basis of segmentation.

## Notes to the Annual Financial Statements

**27. Segment reporting (continued)**

| **Dec-2015** | **Iron Ore $** | **Gold $** | **Unallocated $** | **Total $** |
|---|---|---|---|---|
| Revenue | 7,316,149 | - | - | **7,316,149** |
| Cost of sales | (7,263,629) | - | - | **(7,263,629)** |
| Gross Profit | **52,520** | **-** | **-** | **52,520** |
| Other revenue | - | - | 243,248 | **243,248** |
| Exploration and evaluation | - | (3,710,230) | (1,733) | **(3,711,963)** |
| Depreciation and amortisation | (1,531,903) | (85,920) | (137,225) | **(1,755,048)** |
| Finance costs | (2,451) | (6,252) | (1,172,313) | **(1,181,016)** |
| Unrealised foreign exchange loss | - | - | (356,800) | **(356,800)** |
| Central administration costs | - | - | (2,301,222) | **(2,301,222)** |
| Other expenses from ordinary activities | | | (845,943) | **(845,943)** |
| Segment Result | **(1,481,834)** | **(3,802,402)** | **(4,571,988)** | **(9,856,223)** |

| **Dec-2014** | **Iron Ore $** | **Gold $** | **Unallocated $** | **Total $** |
|---|---|---|---|---|
| Revenue | 16,942,835 | - | - | **16,942,835** |
| Cost of sales | (10,680,135) | - | - | **(10,680,135)** |
| Gross Profit | **6,262,700** | **-** | **-** | **6,262,700** |
| Other revenue | - | - | 322,422 | **322,422** |
| Exploration and evaluation | - | (3,422,927) | (8,189) | **(3,431,116)** |
| Depreciation and amortisation | (1,039,673) | (101,142) | (154,519) | **(1,295,335)** |
| Finance costs | (5,201) | (11,965) | (1,515,250) | **(1,532,415)** |
| Unrealised foreign exchange loss | - | - | (809,689) | **(809,689)** |
| Central administration costs | - | - | (1,741,376) | **(1,741,376)** |
| Other expenses from ordinary activities | | | (1,221,284) | **(1,221,284)** |
| Segment Result | **5,217,826** | **(3,536,034)** | **(5,127,885)** | **(3,446,093)** |

Segment loss represents the mining, mineral exploration and evaluation activities undertaken by each segment without allocation of central administration costs, interest income, rental income and unrealised foreign exchange gains and losses.

| **Dec-2015** | **Iron Ore $** | **Gold $** | **Unallocated $** | **Total $** |
|---|---|---|---|---|
| Current assets | 1,406,539 | 66,123 | 1,515,722 | **2,988,384** |
| Non-current assets | 2,332,772 | 16,930,489 | 305,643 | **19,568,904** |
| Total Assets | **3,739,311** | **16,996,612** | **1,821,365** | **22,557,288** |
| Current liabilities | 1,634,849 | 252,345 | 5,885,604 | **7,772,798** |
| Non-current liabilities | 816,077 | - | 12,199 | **828,276** |
| Total Liabilities | **2,450,926** | **252,345** | **5,897,803** | **8,601,074** |
| Net Assets / (Net Liabilities) | **1,288,385** | **16,744,267** | **(4,076,438)** | **13,956,214** |

# Notes to the Annual Financial Statements

## 27. Segment reporting (continued)

| Dec-2014 | Iron Ore<br>$ | Gold<br>$ | Unallocated<br>$ | Total<br>$ |
|---|---|---|---|---|
| Current assets | 1,931,209 | 122,548 | 3,468,235 | **5,521,992** |
| Non-current assets | 4,544,798 | 21,399,638 | 520,710 | **26,465,146** |
| Total Assets | **6,476,007** | **21,522,186** | **3,988,944** | **31,987,137** |
| Current liabilities | 1,447,474 | 767,538 | 730,281 | **2,945,293** |
| Non-current liabilities | 70,630 | - | 4,713,721 | **4,784,351** |
| Total Liabilities | **1,518,104** | **767,538** | **5,444,001** | **7,729,643** |
| Net Assets / (Net Liabilities) | **4,957,903** | **20,754,648** | **(1,455,057)** | **24,257,494** |

*Geographical Information*

The Group operates in two geographical areas being Australia (country of domicile) and Brazil.

All Australian expenditure relates to corporate and administrative activities and is included within the Unallocated segment above. All external sales within iron ore segment relate to the Brazilian geographic segment.

The table below shows the carrying balances of non-current assets per segment as at 31 December 2015.

| Dec-2015 | Iron ore<br>$ | Gold<br>$ | Unallocated<br>$ | Total<br>$ |
|---|---|---|---|---|
| Other financial assets | - | - | 148,661 | **148,661** |
| Mineral resources | - | 16,541,722 | - | **16,541,722** |
| Mine development properties | 1,743,570 | - | - | **1,743,570** |
| Property, plant and equipment | 762,078 | 215,891 | 156,982 | **1,134,951** |
| Total non-current assets | **2,505,648** | **21,399,638** | **305,643** | **19,568,904** |

The table below shows the carrying balances of non-current assets per segment as at 31 December 2014.

| Dec-2014 | Iron ore<br>$ | Gold<br>$ | Unallocated<br>$ | Total<br>$ |
|---|---|---|---|---|
| Other financial assets | - | - | 148,661 | **148,661** |
| Mineral resources | - | 21,016,279 | - | **21,016,279** |
| Mine development properties | 3,560,042 | - | - | **3,560,042** |
| Property, plant and equipment | 984,756 | 383,359 | 304,845 | **1,672,960** |
| Other assets | - | - | 67,204 | **67,204** |
| Total non-current assets | **4,544,798** | **21,399,638** | **520,710** | **26,465,146** |

# Notes to the Annual Financial Statements

## 28. Notes to the statement of cash flows

| | Consolidated | |
|---|---|---|
| | Dec 2015 | Dec 2014 |
| **(a) Reconciliation of cash and cash equivalents** | $ | $ |
| For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following: | | |
| Cash at bank | **1,393,646** | **3,388,153** |

| | | |
|---|---|---|
| **(b) Reconciliation of net loss after tax to net cash flows from operating activities** | | |
| Net loss | **(10,153,236)** | **(4,144,139)** |
| Adjustments for: | | |
| Depreciation and amortisation | 1,755,049 | 1,295,335 |
| Impairment of investment | 23,000 | 130,000 |
| Finance costs | 628,717 | 953,462 |
| Share-based payments | 338,338 | 381,124 |
| Disposal of assets | (7,338) | 18,747 |
| Unrealised exchange (gains)/losses | (356,800) | 809,689 |
| Interest received | (118,648) | (291,050) |
| Changes in net assets and liabilities: | | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | 462,197 | (404,443) |
| Inventory | 99,233 | 26,815 |
| Other current assets | (22,328) | 76,393 |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 311,091 | (812,761) |
| Provisions | (428,944) | 320,282 |
| Other Liabilities | 78,856 | (39,830) |
| Cash generated/(used) in operating activities | **(6,677,213)** | **(1,718,370)** |

## Notes to the Annual Financial Statements

### 29. Parent Entity

The following table presents the information regarding the parent entity for the year ended 31 December 2015 and the year ended 31 December 2014.

| | Dec 2015 $ | Dec 2014 $ |
|---|---|---|
| **Financial position** | | |
| **Assets** | | |
| Current assets | 1,489,201 | 1,575,787 |
| Non-current assets | 18,343,990 | 27,828,022 |
| Total assets | **19,833,191** | **29,403,809** |
| | | |
| **Liabilities** | | |
| Current liabilities | 5,864,776 | 322,172 |
| Non-current liabilities | 12,199 | 4,070,938 |
| Total liabilities | **5,876,975** | **4,393,110** |
| | | |
| **Equity** | | |
| Issued capital | 62,336,947 | 57,996,009 |
| Retained earnings | (57,595,460) | (41,554,929) |
| | | |
| *Reserves* | | |
| Option premium reserve | 9,112,506 | 8,582,619 |
| Investment revaluation reserve | 10,000 | (13,000) |
| Total equity | **13,956,216** | **25,010,699** |

| **Financial performance** | Year ended Dec 2015 $ | Year ended Dec 2014 $ |
|---|---|---|
| Loss for the period | (16,040,531) | (4,241,653) |
| Other comprehensive income | 23,000 | (13,000) |
| Total comprehensive income | **(16,017,531)** | **(4,254,653)** |

*Contingent liabilities of the parent entity*
Other than as disclosed at Note 32, the Parent entity is not aware of any other contingent liabilities at the date of this report (2014: nil).

### 30. Non-cash transactions

During the year, the Group did not enter into any non-cash financing or investing transactions other than as disclosed elsewhere in the financial report.

## Notes to the Annual Financial Statements

### 31. Subsequent events

Subsequent to the year end, in March 2015, the Company announced it was completing a $6,250,000 capital raising by issuing 62,500,000 shares at $0.10 each. Tranche 1 of the placement raising $1,362,500 before costs, was settled on 18 March 2016. The balance of the capital raising, $4,887,500, is subject to shareholder approval and is anticipated to settle soon after a General Meeting of shareholders to be held on 22 April 2016.

### 32. Contingent liabilities

The Group is not aware of any contingent liabilities which existed as at the end of the financial period or that have arisen as at the date of this report.

**DIRECTORS' DECLARATION**

1. The Directors declare that:

   (a) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

   (b) in the Directors' opinion the attached Financial Statements and Notes thereto are in accordance with the Corporations Act 2001 (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated entity;

   (c) in the Directors' opinion, the Financial Statements and Notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 2(a); and

   (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 (Cth).

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001 (Cth).

On behalf of the Directors

R. Smakman
Managing Director

Perth
31 March 2016

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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# Independent Auditor's Report to the members of Crusader Resources Limited

## Report on the Financial Report

We have audited the accompanying financial report of Crusader Resources Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the period's end or from time to time during the financial year as set out on pages 24 to 69.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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. Those 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 of the financial report that gives a true and fair view, 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.

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

Deloitte.

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Crusader Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

(a) the financial report of Crusader 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 31 December 2015 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

*Emphasis of matter*

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the consolidated entity incurred a loss of $10,153,236 (2014: $4,144,139) and experienced net cash outflows from operating and investing activities of $6,723,745 for the year ended 31 December 2015 (2014: $2,372,548). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity and company to continue as going concerns and therefore, the consolidated entity and company may be unable to realise their assets and discharge their liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 22 of the directors' report for the year ended 31 December 2015. 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.

*Opinion*

In our opinion the Remuneration Report of Crusader Resources Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

DNewman

**David Newman**
Partner
Chartered Accountants
Perth, 31 March 2016

Deloitte.

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The Board of Directors
Crusader Resources Limited
Suite 1, Level 1
35 Havelock Street
West Perth WA 6005

31 March 2016

Dear Board Members

**Crusader Resources Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Crusader Resources Limited.

As lead audit partner for the audit of the financial statements of Crusader Resources Limited for the financial year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**David Newman**
Partner
Chartered Accountants

## ADDITIONAL ASX INFORMATION

The additional information dated 30 March 2016 is required by the ASX Limited Listing Rules and is not disclosed elsewhere in this report.

**Distribution of Shareholders**

| | Numbers |
|---|---|
| 1 - 1,000 | 90 |
| 1,001 – 5,000 | 191 |
| 5,001 – 10,000 | 164 |
| 10,001 – 100,000 | 465 |
| 100,001 and over | 193 |
| **TOTAL** | **1,103** |

There were 257 holders of less than marketable parcel of ordinary shares.

**Twenty Largest Shareholders**

| Shareholder | Number of Shares | Percentage |
|---|---|---|
| HSBC CUSTODY NOM AUST LTD | 14,654,109 | 7.97% |
| INTNL FINANCE CORP | 13,793,100 | 7.50% |
| FARJOY PL | 12,428,107 | 6.76% |
| HSBC CUSTODY NOM AUST LTD | 11,426,881 | 6.21% |
| SUPERMAX PL | 9,791,796 | 5.32% |
| NATIONAL NOM LTD | 7,713,933 | 4.19% |
| CITICORP NOM PL | 6,829,098 | 3.71% |
| J P MORGAN NOM AUST LTD | 5,808,300 | 3.16% |
| GWYNVILL TRADING PL | 4,441,668 | 2.42% |
| SPACETIME PL | 3,220,327 | 1.75% |
| STOJANOVSKI J + RETZOS C | 3,100,000 | 1.69% |
| HSBC CUSTODY NOM AUST LTD | 3,066,976 | 1.67% |
| EYEON INV PL | 2,490,984 | 1.35% |
| BLUE BONE ENTPS WA PL | 2,488,571 | 1.35% |
| VITOR PL | 2,186,699 | 1.19% |
| CITYWEST CORP PL | 2,009,713 | 1.09% |
| STEPHEN PAUL R + J A | 1,909,495 | 1.04% |
| WESTPARK OPERATIONS PL | 1,764,706 | 0.96% |
| HOAD BENJAMIN ISAAC | 1,700,000 | 0.92% |
| YEUNG JACKIE AU | 1,500,000 | 0.82% |
| | **112,324,463** | **61.07%** |

**Substantial Shareholders**

| Shareholder | Number of Shares |
|---|---|
| Copulos Group | 36,016,976 |
| International Finance Corporation | 13,793,100 |
| Farjoy PL | 12,428,107 |

**Unquoted Options**

At 30 March 2016, the following unquoted options were on issue:

| Grant Date | Number on Issue | Exercise Price | Expiry Date | No. of Holders |
|---|---|---|---|---|
| 10 May 2013 | 7,322,000 | $0.3414 | 10 May 2017 | 1 |
| 14 May 2013 | 131,250 | $0.43 | 13 May 2017 | 1 |
| 30 July 2013 | 2,535,000 | $0.43 | 7 August 2017 | 5 |
| 14 August 2014 | 2,885,000 | $0.52 | 14 August 2018 | 6 |
| 30 June 2014 | 5,650,000 | $0.41 | 30 June 2018 | 1 |
| 20 August 2014 | 1,246,550 | $0.41 | 20 August 2018 | 1 |
| 13 August 2014 | 500,000 | $0.50 | 13 August 2016 | 1 |
| 13 August 2014 | 1,000,000 | $0.60 | 13 August 2016 | 1 |
| 13 August 2014 | 1,000,000 | $0.80 | 13 August 2016 | 1 |
| 31 December 2014 | 8,741,258 | $0.286 | 31 December 2018 | 1 |
| 31 December 2015 | 3,150,499 | $0.15 | 31 December 2017 | 8 |

**Unquoted Equity Security holdings greater than 20%**

*Macquarie Bank Limited hold the following Options:*

Options expiring 10 May 2017, exercise price $0.3414 7,322,000

Options expiring 31 Dec 2018, exercise price $0.286 8,741,258

**Voting Rights**

The voting rights attaching to each class of securities are set our below:

a) Ordinary Shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each shares shall have one vote.

b) Options: No voting rights

**On-market buy back**

There is currently no on-market buy back program for any of the Company's securities.

**Stock Exchange Listing**

Crusader Resources Limited's ordinary shares are quoted on ASX Limited. The home exchange is Perth.

**Schedule of Mining Tenements**

| Location | Description | Ownership |
|---|---|---|
| Borborema | 805.049/1977 | 100% |
| Borborema | 840.149/1980 | 100% |
| Borborema | 840.152/1980 | 100% |
| Espinharas | 846.128/2005 | 100% |
| Espinharas | 846.134/2005 | 100% |
| Espinharas | 846.136/2005 | 100% |
| Espinharas | 846.140/2005 | 100% |
| Espinharas | 846.208/2012 | 100% |
| Espinharas | 846.209/2012 | 100% |
| Espinharas | 846.210/2012 | 100% |
| Juruena | 866.079/2009 | 100% |
| Juruena | 866.080/2009 | 100% |
| Juruena | 866.081/2009 | 100% |
| Juruena | 866.082/2009 | 100% |
| Juruena | 866.084/2009 | 100% |
| Juruena | 866.085/2009 | 100% |
| Juruena | 866.086/2009 | 100% |
| Juruena | 866.105/2013 | 100% |
| Juruena | 866.247/2011 | 100% |
| Juruena | 866.267/2008 | 100% |
| Juruena | 866.294/2013 | 100% |
| Juruena | 866.480/2010 | 100% |
| Juruena | 866.513/2013 | 100% |
| Juruena | 866.531/2015 | 100% |
| Juruena | 866.532/2015 | 100% |
| Juruena | 866.533/2015 | 100% |
| Juruena | 866.534/2015 | 100% |
| Juruena | 866.535/2015 | 100% |
| Juruena | 866.537/2015 | 100% |
| Juruena | 866.538/2015 | 100% |
| Juruena | 866.578/2006 | 100% |
| Juruena | 866.632/2006 | 100% |
| Juruena | 866.633/2006 | 100% |
| Juruena | 866.778/2006 | 100% |
| Juruena | 866.934/2012 | 100% |
| Juruena | 867.118/2010 | 100% |
| Juruena | 867.245/2005 | 100% |
| Juruena | 867.246/2005 | 100% |
| Mara Rosa | 860.957/2012 | 100% |
| Mara Rosa | 860.958/2012 | 100% |
| Mara Rosa | 860.959/2012 | 100% |
| Posse | 834.705/1993 | 100% |
| Seridó | 846.130/2012 | 100% |
| Seridó | 846.131/2012 | 100% |

| Location | Description | Ownership |
|---|---|---|
| Seridó | 846.158/2011 | 100% |
| Seridó | 846.227/2011 | 100% |
| Seridó | 846.285/2012 | 100% |
| Seridó | 846.313/2012 | 100% |
| Seridó | 846.314/2012 | 100% |
| Seridó | 846.316/2012 | 100% |
| Seridó | 846.317/2012 | 100% |
| Seridó | 846.502/2011 | 100% |
| Seridó | 846.503/2011 | 100% |
| Seridó | 846.504/2011 | 100% |
| Seridó | 846.505/2011 | 100% |
| Seridó | 846.506/2011 | 100% |
| Seridó | 846.604/2011 | 100% |
| Seridó | 846.635/2011 | 100% |
| Seridó | 846.637/2011 | 100% |
| Seridó | 846.638/2011 | 100% |
| Seridó | 846.639/2011 | 100% |
| Seridó | 846.640/2011 | 100% |
| Seridó | 846.643/2011 | 100% |
| Seridó | 846.644/2011 | 100% |
| Seridó | 846.651/2011 | 100% |
| Seridó | 846.654/2011 | 100% |
| Seridó | 848.007/2015 | 100% |
| Seridó | 848.011/2015 | 100% |
| Seridó | 848.055/2015 | 100% |
| Seridó | 848.093/2013 | 100% |
| Seridó | 848.135/2011 | 100% |
| Seridó | 848.140/2012 | 100% |
| Seridó | 848.141/2011 | 100% |
| Seridó | 848.206/2011 | 100% |
| Seridó | 848.207/2011 | 100% |
| Seridó | 848.208/2010 | 100% |
| Seridó | 848.208/2011 | 100% |
| Seridó | 848.209/2010 | 100% |
| Seridó | 848.230/2011 | 100% |
| Seridó | 848.281/2014 | 100% |
| Seridó | 848.284/2010 | 100% |
| Seridó | 848.804/2011 | 100% |
| Seridó | 848.834/2011 | 100% |
| Seridó | 848.898/2011 | 100% |