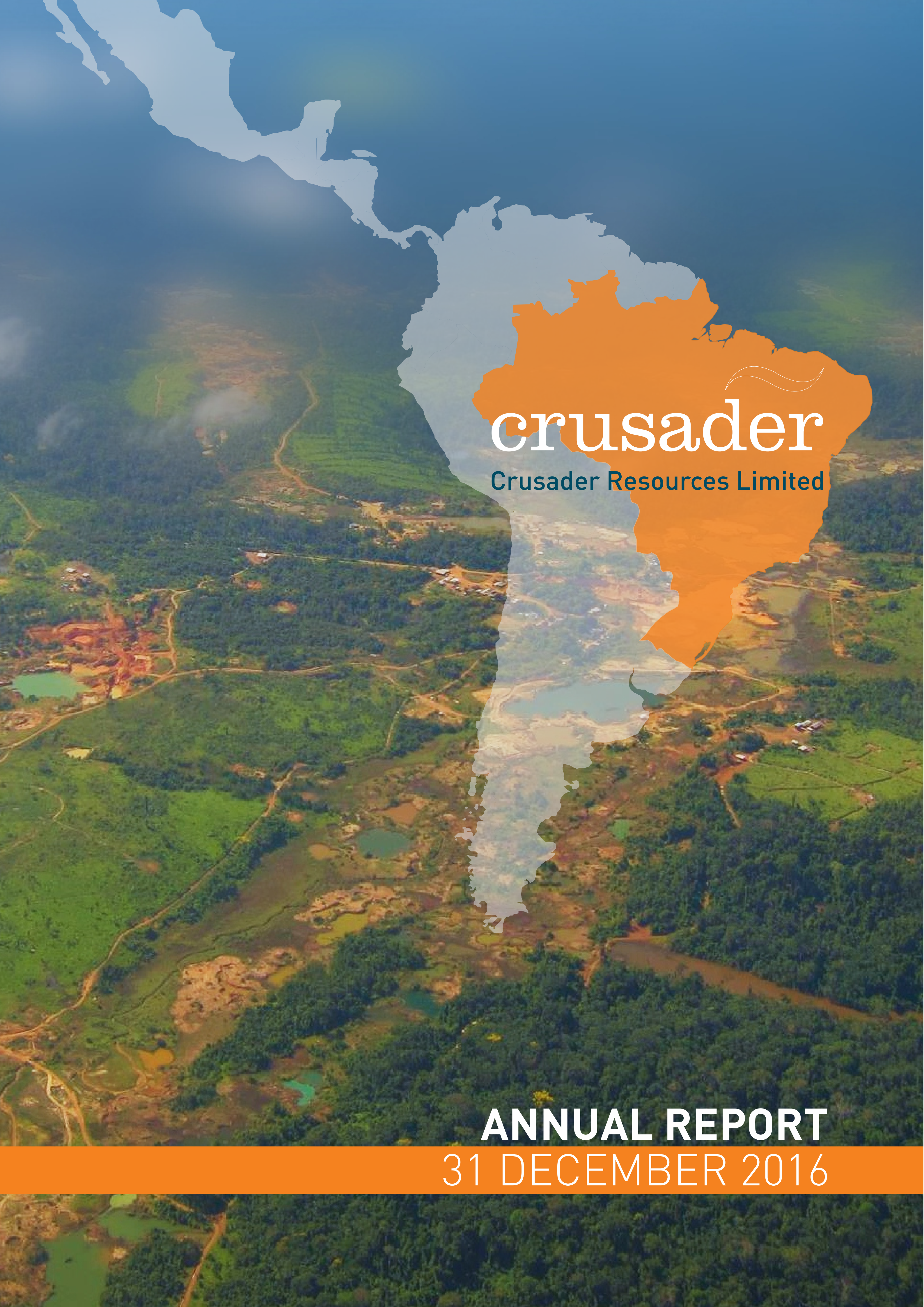

Crusader Resources Limited

ANNUAL REPORT
31 DECEMBER 2016

Contents to Annual Report

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 25. The Directors' Report is not part of the financial report.

Directors
Stephen Copulos (Chairman)
Robert Smakman (Managing Director)
Paul Stephen (Executive Director)
John Evans (Non-executive Director)
Mauricio Ferreira (Non-executive Director)
Jim Rogers (Non-executive Director) - appointed 2 March 2016

Company Secretary
Andrew Beigel

Registered office and principal place of business
Suite 1, Level 1,
35 Havelock Street
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Telephone: +61 8 9320 7500
Facsimile: +61 8 9320 7501

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Pilotis, Floresta, 30.110-012
Belo Horizonte - MG
Brazil
Telephone: +55 31 2515 0740

Auditors
Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9365 7000
Facsimile: +61 8 9365 7001

Bankers
Bank of Western Australia Limited
Perth Business Banking Centre
Level 30, Bank West Tower
108 St Georges Terrace
Perth WA 6000

Share Register
Security Transfers Registrars Pty Ltd
770 Canning Highway
Applecross WA 6959
Telephone: +61 8 9315 0933
Facsimile: +61 8 9315 2233

Solicitors
GTP Legal
Level 1, 28 Ord Street
West Perth WA 6005
Telephone: +61 8 6555 1867

ASX Code:
Ordinary shares - CAS

Chairman's Letter to Shareholders

Dear Shareholder,

I am pleased to advise that 2016 has been another significant year for Crusader Resources Ltd where we moved closer to bringing our suite of Brazilian gold projects into near-term production.

Among the milestones over the past 12 months was the announcement of an updated JORC-compliant mineral resource estimate for our wholly-owned Juruena Gold Project which delivered a significant increase in grade at the Querosene and Dona Maria prospects.

Total combined JORC compliant indicated and inferred resources for Querosene, Dona Maria and Crentes are now estimated at 1.28 million tonnes at 6.3 grams per tonne gold for 260,900 ounces. In particular, the updated mineral resource estimates for Querosene and Dona Maria include 100,000t @ 18.3 g/t for 58,300oz in the Indicated category.

The granting of a Trial Mining Licence for the Querosene prospect along with additional high-grade gold results from the resource-infill and expansion drilling program at Dona Maria were also highlights for 2016.

In a further sign of the company's intentions to become a near-term gold producer, Crusader signed a non-binding option to purchase and install a refurbished crushing and screening plant from Brazilian equipment supplier GNA (Minerales equipamentos e Acos Especiais Ltda.), for Juruena.

Crusader also significantly bolstered its Brazilian gold team with the appointment of highly experienced mineral process engineer Carlos Fonseca as an engineering consultant and senior geologist Luis Navarro to the position of exploration manager at Crusader.

During the period, Crusader also fully repaid its debt facility with Macquarie Bank Limited, repaying the final $5 million outstanding on its general purpose debt facility, originally put in place on 26 March 2013.

Looking ahead, our primary focus for 2017 is on construction and development of Juruena and completing a revised Bankable Feasibility Study for Borborema.

I look forward to providing shareholders with updates on both these projects during the course of what promises to be a significant year for Crusader.

In closing, I would like to thank the Board and the Crusader team led by our Managing Director, Rob Smakman in Brazil and Executive Director, Paul Stephen in Australia over the past 12 months.

We are putting the building blocks in place to become a gold miner that will ultimately flow through to shareholders as the company 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. We remain extremely optimistic for 2017 and beyond with our gold division 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 2016 ("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 17 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, Consolidated Zinc Limited and Restaurant Brands Ltd in New Zealand 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.

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.

Directors' Report (continued)

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.*

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 128,823,495 shares during the year at an average price of $0.115 per share.

The Company issued 20,332,332 options during the year as follows:

- 2,332,332 options exercisable at $0.15 with an expiry date of 31 December 2017,
- 1,000,000 options exercisable at $0.15 with an expiry date of 19 May 2023,
- 1,000,000 options exercisable at $0.20 with an expiry date of 19 May 2023,
- 1,000,000 options exercisable at $0.30 with an expiry date of 19 May 2023,
- 5,000,000 options exercisable at $0.15 with an expiry date of 31 December 2017,
- 5,000,000 options exercisable at $0.195 with an expiry date of 23 December 2019,
- 5,000,000 options exercisable at $0.26 with an expiry date of 23 December 2019.

Directors' Report (continued)

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
206,250	ordinary	0.43	13-May-17
2,535,000	ordinary	0.43	7-Aug-17
5,650,000	ordinary	0.41	30-Jun-18
2,660,000	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
2,332,332	ordinary	0.15	31-Dec-17
1,000,000	ordinary	0.15	19-May-23
1,000,000	ordinary	0.20	19-May-23
1,000,000	ordinary	0.30	19-May-23
5,000,000	ordinary	0.15	31-Dec-17
5,000,000	ordinary	0.195	23-Dec-19
5,000,000	ordinary	0.26	23-Dec-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	62,348,312	3,083,333
R. Smakman	3,619,688	2,116,667
P. Stephen	3,543,780	1,008,333
J. Evans	-	660,000
M. Ferreira	-	660,000
J Rogers	206,000	3,000,000

Dividends
The Directors do not recommend that a dividend be paid. No dividend has been paid by the Company (2015: 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

2016 was another busy year for Crusader with many milestones reached amidst a slowly improving macro-market for most minerals.

At Juruena, we significantly increased our confidence in the Querosene and Dona Maria deposits by drilling, metallurgical sampling and continuing a PEA level study into the economic viability of the project. We have also potentially made a new discovery at the Tatu prospect, with excellent results returned from first pass drilling.

Borborema was also a year of progress, with the modified project development plan receiving strong support from the government authorities. Metallurgical sampling and test work were also instigated, to increase confidence and optimise the project flowsheet. The most important license required for the development of Borborema (the LP or 'Licensa Previa') is now anticipated in early 2017, which will be a significant step forward for the project.

Challenging domestic market conditions (Brazil entered recession couple with a strengthening Brazilian Real), translated into another tough year for the Posse Iron Ore mine despite an unexpected increase in China based Iron Ore prices in late 2016 improving global sentiment. Despite this, Posse provided positive cash flow at the mine gate (before inventory write downs) and continued to contribute to the company's overheads in both Brazil and Australia. A recent evaluation of Posse's mine life indicated all identifiable lump product will be mined by May 2017, consequently a full impairment charge was recognised at balance date (refer Note 13). Crusader is looking to focus on its gold assets in 2017 and will seek for a beneficial way to realise value for Posse.

Highlights

Juruena Gold

- Following a diamond drilling program of ~8,000m completed during 2016, an updated JORC compliant mineral resource estimate was calculated for the Querosene and Dona Maria prospects, totalling **206,000 ounces of gold at 14.6 g/t Au**, including **100kt @18.3 g/t Au for 58.300oz of gold in the indicated category.** Individually the deposits were estimated at;
    - **219,900t @ 16.7 g/t Au for 117,800oz Au at Querosene (Indicated and Inferred)**
    - **216,300t @ 12.7 g/t Au for 88,000oz Au at Dona Maria (Indicated and Inferred)**
- Preliminary Economic Assessment (PEA) study work underway will optimise the updated resources and consider starter open pit and underground development options. This PEA is due to be delivered in the Q1 2017.
- A new mineralised zone was drilled at Tatu NE, where a broad new zone of shallow mineralisation was intercepted– 37m[1] @3.71 g/t Au from 132m in hole TD-06, (including 2m @ 47.67 g/t Au from 138m). TD06 also intercepted 2m @15.44 g/t Au from 166m downhole
- At Tatu, several high-grade zones were intercepted, with better results including 1.16m @ 14.99g/t Au from 94m in hole TD-02 and 0.5m @ 31.12 g/t Au from 117m in hole TD-04
- Tatu and Tatu NE are favourably located between the existing JORC resources at Dona Maria and Querosene and provide potential additional high-grade feed to a Juruena mining scenario
- An option over a primary crushing plant with maximum capacity of 100 t/h acquired from Brazilian equipment supplier and foundry, GNA for ~$800,000 **in deferred payments**

[1]Not true width. Tatu NE mineralisation is interpreted to be dipping sub-parallel to the drill hole TD-06. True width is estimated at ~15m

Directors' Report (continued)

Operating and Financial Review (continued)

Borborema Gold

- Critical mining license for Borborema anticipated early 2017 (called a LP or preliminary license)
- Metallurgical tests on 6 tonnes of samples from Borborema are underway after shipping to independent laboratory in Australia. Preliminary results indicate the ore is suited to SAG milling and requires lower than average energy demands potentially reducing capital cost as well as providing a simplified comminution circuit. Further tests will consider additional optimisations of the processing circuit

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

The Juruena Gold Project was acquired by Crusader in mid-2014 during a weak gold price environment, with the aim of exploring and developing a high-grade gold project. Following a successful drilling campaign in 2015, Crusader delineated two outstanding discoveries at Querosene and Dona Maria.

In 2016, major advances were made by additional drilling, an updated resource estimate, which was a requirement for a Preliminary Economic Assessment (PEA) study into the economics of the project, currently nearing completion.

In December 2016, Crusader announced an updated JORC compliant mineral resource estimate for Juruena which delivered a significant increase in grade at the Querosene and Dona Maria prospects. Significantly, Crusader's second drilling program at Juruena successfully increased resource confidence, the contained gold grades and the overall ounces at both the Querosene and Dona Maria prospects. A full table of the updated resources is provided below.

Prospect Name	Resource Category	Lower cut-off applied	Metric Tonnes	Resource Gold Grade (g/t)	Ounces of Gold
Dona Maria	Indicated	2.5 g/t cutoff	67,800	13.7	29,800
	Inferred		148,500	12.2	58,200
	sub-total		**216,300**	**12.7**	**88,000**
Querosene	Indicated	2.5 g/t cutoff	31,200	28.4	28,500
	Inferred		188,700	14.7	89,300
	sub-total		**219,900**	**16.7**	**117,800**
Total Indicated			**99,000**	**18.3**	**58,300**
Total Inferred			**337,200**	**13.6**	**147,500**
Total high-grade ounces			**436,200**	**14.7**	**205,800**
Crentes	Inferred	1.0 g/t cutoff	846,450	2.0	55,100
Total Combined			**1,282,650**	**6.3**	**260,900**

Table 1: JORC (2012) compliant mineral resource estimate for Juruena Project, December 2016.
Note: Appropriate rounding applied. Table includes updated mineral resource estimates for Querosene and Dona Maria. Crentes remains the same as per the 2015 resource estimate. (For further information, please refer to the ASX announcements dated 29 September 2015 and 22 December 2016).

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 consistent high-grade drilling results from previous explorers.

Mineralisation at Querosene is divided into four main zones, with the majority of the higher grades and ounces contained in the Main Zone. The Main Zone also contains all of the indicated resources. Mineralisation at Querosene is open at depth, with down dip areas on the Main Zone presenting obvious drilling targets which could have immediate and significant impact.

Directors' Report (continued)

Operating and Financial Review (continued)

The mineralisation is associated with intense alteration zones along narrow shear zones, with quartz veins and minor sulphides. Mineralisation intercepts (downhole) normally vary between 1-4m in width, with narrow, non-magnetic dolerite dykes often associated. The interpretation of the mineralisation at Querosene changed little from the original modelling completed in 2015.

The PEA is proposing an initial open pit development on the main zone allowing a lower project risk/capital cost approach, with an underground portal within the open pit developed to access the other zone via a longer term, cut and fill underground mine.

Dona Maria

Dona Maria is located adjacent to the Crentes prospect, approximately 1 kilometre along the Juruena fault zone from Querosene.

A significant portion of the Dona Maria resource was able to be converted into indicated resources, estimated at **68kt @ 13.7 g/t Au for 29,800oz of gold**. Inferred resources at Dona Maria totalled **149kt @ 12.2 g/t Au for 58,200oz of gold**. The total (indicated plus inferred) resource at Dona Maria was estimated at **216kt @ 12.7g/t Au for 88,000oz of gold** at a 2.5g/t cut-off.

Mineralisation at Dona Maria appears to 'splay away' from the main Crentes trend (WNW) toward the NNW. There is a broad, relatively shallow garimpo over the mineralised trend and historical intercepts indicate both very high-grade narrower intercepts and broad, moderate grade disseminated intervals.

Drilling in 2016 has allowed a clearer definition of the mineralised zones at Dona Maria, resulting in a significantly different interpretation to the previous estimate completed in 2015. The main difference is the interpretation of multiple sub-parallel zones forming a stacked sequence of ore zones extending along the NNW trend.

The PEA is contemplating an initial open-pit at Dona Maria, followed by an underground development, accessed from within the open pit. Underground mining will be by the cut and fill method and treatment of ore will be a centrally located facility (treating both Querosene and Dona Maria material).

Preliminary Economic Assessment (PEA)

Prior to the end of 2016, Crusader initiated a Preliminary Economic Assessment (PEA) with experienced mining consultancy Global Resource Engineering (GRE) to assist with conceptual mine and project planning. With the new resource estimate completed in December 2016, GRE is working with Crusader to prepare the PEA into the potential project development. Both open-pit and underground development scenarios are being considered as a standalone gravity plus Carbon-in-Leach (CIL) processing plant. GRE have extensive experience in Brazil and bring a low overhead approach to the project team.

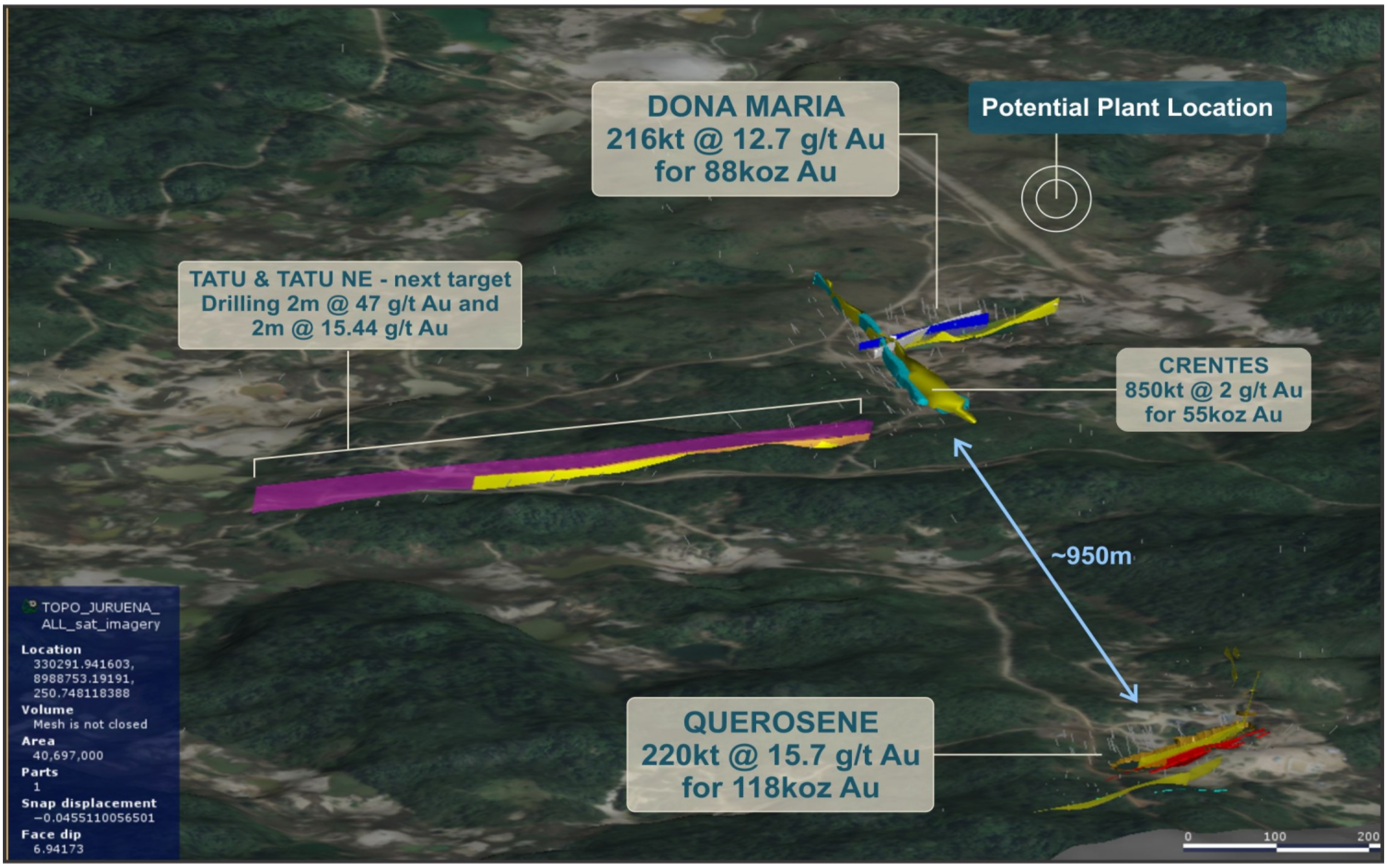
The PEA is due to be presented in Q1 2017. in conjunction with the PEA and possible plant for the development, Crusader signed an option agreement to acquire a refurbished crushing and screening plant from Brazilian equipment supplier and foundry GNA (Minerals equipamentos e Acos Especiais Ltda) for Juruena. Crusader has had a long association with GNA as crushing, screening and wear part supplier for the Posse Iron Ore Mine.

Tatu and Tatu NE Prospect

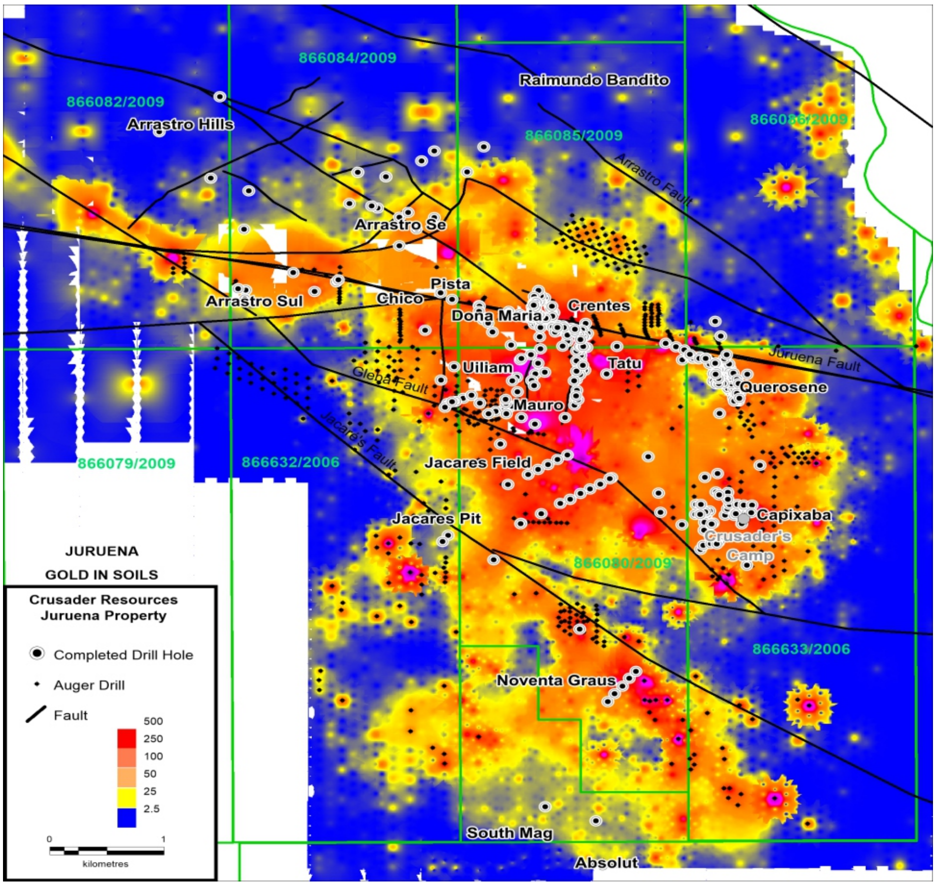
The Tatu and adjacent Tatu NE prospects are located approximately 300m to the southeast of Dona Maria and 700m west of Querosene. Drilling in 2016 intersected multiple zones of mineralisation at Tatu and Tatu NE prospects (formerly jointly known as the Tomate prospect). Seven holes (for 947m) were completed into the targets which had previously been mined by local garimpeiro's as a small open pit.

Drilling at Tatu returned high-grade results including **0.5m @ 14g/t Au** from 92m in TD-01, **1.16m @ 14.99g/t Au** from 94m in TD-02 and **0.5m @ 31.12g/t Au** from 117m in TD-04.

JURUENA GOLD PROJECT WITH UPDATED JORC COMPLIANT RESOURCES AND TATU PROSPECT

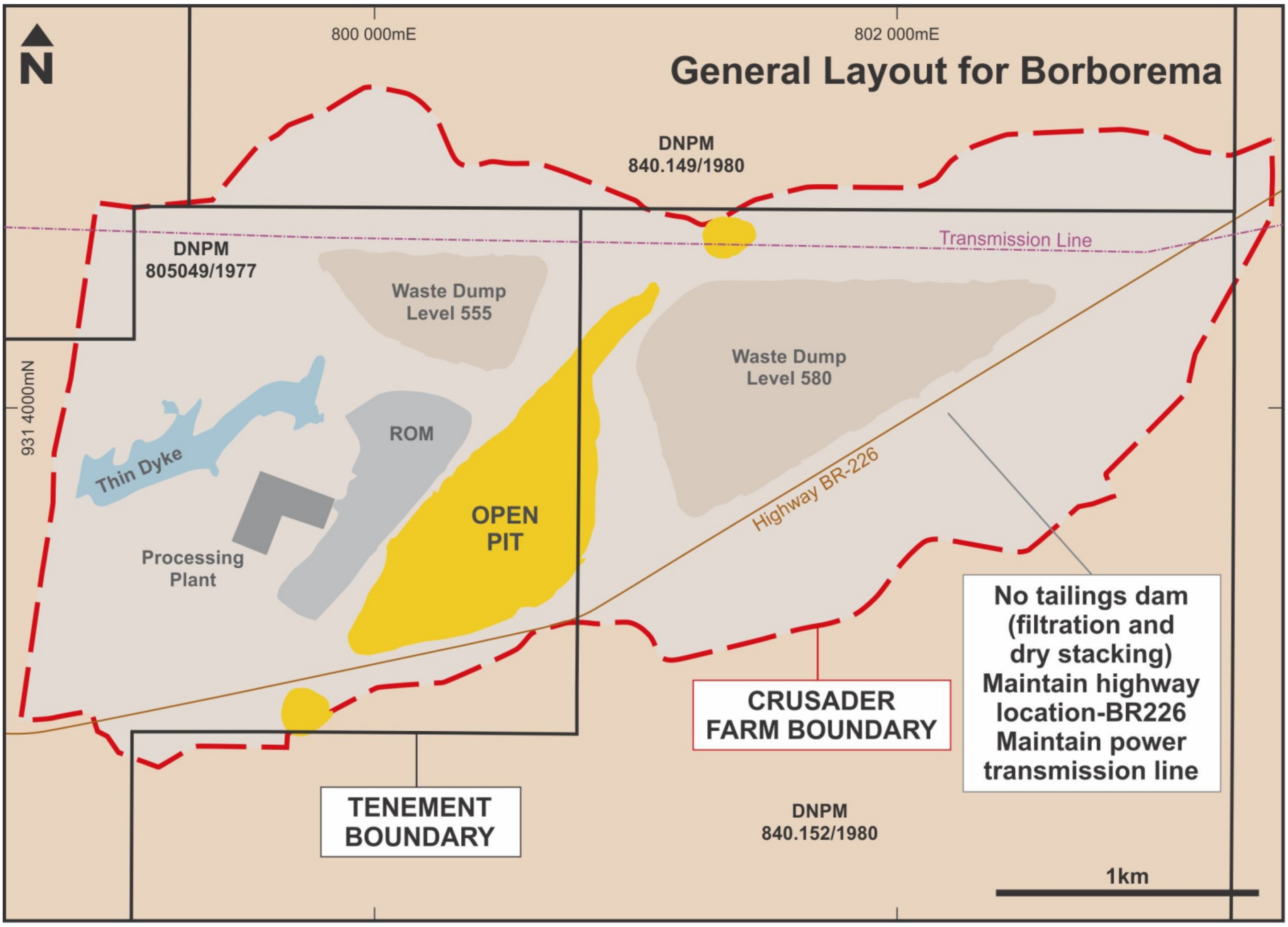


JURUENA PROJECT'S MASSIVE GOLD IN SOIL ANOMALY WITH DRILLING AND PROSPECT LOCATIONS



BORBOREMA GOLD PROJECT UPDATED GENERAL LAYOUT PLAN

NOTE THAT ALL INFRASTRUCTURE IS WITHIN CRUSADER'S FARM BOUNDARY, THE HIGHWAY AND TRANSMISSION LINES ARE RESPECTED AND THERE IS NO TAILINGS DAM (DRY STACKING OF FILTERED TAILINGS).



THE HISTORIC OPEN PIT AT THE BORBOREMA GOLD PROJECT OPERATED IN THE EARLY 1990s AS ONE OF BRAZIL'S FIRST HEAP LEACH OPERATIONS PRODUCING ~150,000OZ OF GOLD

Directors' Report (continued)

Operating and Financial Review (continued)

At Tatu NE, a broad zone of mineralisation was intercepted in hole TD-06 with results including **37m @ 3.71g/t Au**[2] from 132m (including **2m @ 47.67g/t Au** from 94m) and **2m @ 15.44g/t** from 166m downhole. This hole was drilled ~100m below hole JRNRC032 (drilled in 2013) which intercepted **36m @ 3.24g/t Au**[3] from 23m (including **7m @ 12.69g/t Au** from 41m)

The Tatu and Tatu NE results were not included in the updated JORC-compliant mineral resource estimate, but these targets provide potential additional feed to the Juruena mining scenario. Crusader will plan additional drilling at these targets in order to define their potential.

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

Borborema was mined as a heap leach operation in the early 1990's (as one of the first heap leach operation in Brazil), producing 150,000oz of gold. The project has strong local community support and Crusader has been working closely with local, state and federal governments to ensure licensing is progressed in a timely manner.

In 2016, an updated project development plan was presented to expedite licensing and project development. This environmental license application (Licensa Previa or 'LP') is the most important license in the licensing process and expectations are that this will be granted in early 2017.

Borborema has Proven and Probable Reserves of 42Mt @ 1.2 g/t Au for 1.6Moz Au, simple metallurgy, straightforward open-pit mining geometries and access to power, water, roads and a local workforce. Along with 95,000m of drilling completed, these features make Borborema one of the more advanced development opportunities for gold in Brazil.

During the second half of 2016, metallurgical sampling was initiated on six tonnes of samples from Borborema which is aimed to confirm the processing route for the Borborema Gold Project. The testing to date has included comminution tests including a complete suite of JK and SMC SAG milling comminution testing combined with typical work index determinations. The results of the JK/SMC work indicate the ore is suited to SAG milling and requires lower than average energy demands compared to the JK ore data base.

Additional comminution testing is progressing and the outcomes will allow a final comminution circuit to be chosen. A SAG milling circuit is preferred as this option will reduce capital cost as well as providing a simplified comminution circuit.

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

The Posse iron ore mine recorded another marginal year, with gross profit at the mine gate (before inventory write downs) of $123,518 (2015: $52,520). At year end, we have chosen to write down the value of the project, including the significant fines inventory ($1,377,311) despite what appears to be improving conditions in the domestic market for these fines.

2016 was a difficult year in general for Brazilian companies with the country entering recession (coupled with a strengthening Brazilian Real), following political scandals and severe falls in domestic product. In the Minas Gerais state market (the main market for Posse ore types), car manufacturing fell 15%, metal products production fell 13% and heavy equipment manufacturing fell 24%.

Posse remains an important asset to the Company, bringing significant operating experience to the whole team. Posse also makes a significant contribution to administration costs in both Brazil and Australia and its ongoing operations enables Crusade to maintain a more flexible team, helping to advance our suite of gold and exploration projects. Nevertheless, 2017 is a year where we expect to re-focus Crusader as a gold developer and we are actively seeking ways to realise value for Posse.

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[2]Not true width. Tatu NE mineralisation is interpreted to be dipping sub-parallel to the drill hole TD-06. True width is estimated at ~15m

[3]Not true width, hole ended in mineralisation. Mineralisation is interpreted to be dipping sub-parallel to drill hole JRNRC032. True width is estimated at ~15m

Directors' Report (continued)

Operating and Financial Review (continued)

Competent Person Statement

The information in this report that relates to Juruena Gold Project Exploration Results and Mineral Resources, 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 the 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 Iron 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 the 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 $14,244,138 (before costs) through the issue of 124,031,880 ordinary shares.

Operating results for the period

The Group's operating loss after income tax for the period was $12,249,942 (December 2015: loss of $10,153,236). The Group's basic loss per share for the year was 5.00 cents (December 2015: loss per share of 6.51 cents).

Liquidity and Capital Resources

The Consolidated Statement of Cash Flows illustrates that there was an increase in cash and cash equivalents in the year ended 31 December 2016 of $63,586 before foreign exchanges impacts (December 2015: decrease of $1,732,678). The cash increase was a result of increased funds received from capital raisings, which is largely offset by the repayment of borrowings and an increase in payments for exploration.

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 year end on the 25 January 2017 the Company issued 2,000,000 share to raise $260,000 before costs.

On 30 March 2017, the Company executed a Convertible Loan agreement with the Copulos Group. The limit of the facility was $1,500,000 available immediately in drawdown amounts of $500,000 multiples. The terms are subject to shareholder approval and include an establishment fee of 5% and interest of 12% per annum paid quarterly. Conversion of part or all of funds loaned to shares in Crusader Resources Limited, will be at the lower of $0.13 per share and the terms offered by Crusader at the most recent capital raising prior to the conversion date. On 31 March 2017 the Company received $1,000,000 being a part drawndown of the facility.

Future developments
The Group will continue to focus on 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. J Rogers	Director (Non-Executive) – appointed 2 March 2016
Mr. A. Beigel	Chief Financial Officer and Company Secretary
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 19 May 2016.

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 2016:

	31 Dec 2016 $	31 Dec 2015 $	31 Dec 2014 $	31 Dec 2013 (6 months) $	30 June 2013 $
Revenue	6,179,204	7,316,149	16,942,835	7,502,482	2,011,024
Net loss before tax	12,006,855	9,856,225	3,446,093	1,583,973	7,618,570
Net loss after tax	12,249,942	10,153,236	4,144,139	1,871,692	7,677,691

	31 Dec 2016 cents	31 Dec 2015 cents	31 Dec 2014 cents	31 Dec 2013 cents	30 June 2013 cents
Share price at start of period	12.5	22.0	30.0	23.0	62.0
Share price at end of period	11.5	12.5	22.0	30.0	23.0
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic loss per share	5.00	6.51	3.11	1.48	6.19
Diluted loss per share	5.00	6.51	3.11	1.48	6.19

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
37. Issued 17 June 2016	19 May 2016	0.15	19 May 2023	0.0999	19 May 2016
37. Issued 17 June 2016	19 May 2016	0.20	19 May 2023	0.0953	19 May 2016
37. Issued 17 June 2016	19 May 2016	0.30	19 May 2023	0.0884	19 May 2016

(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.

Directors' Report (continued)

Remuneration Report – audited (continued)

(3) 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.

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

Directors' Report (continued)

Remuneration Report – audited (continued)

Remuneration of Directors and Key Management Personnel for the year ended 31 December 2016 and comparatives are shown over the next two pages:

Remuneration of Directors and Key Management Personnel for the year ended 31 December 2016:

	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 2016	120,000	-	-	-	2,400	**122,400**	2%	2%
R. Smakman								
12 months to 31 Dec 2016	373,173	56,204	-	-	34,286	**463,663**	7%	7%
P. Stephen								
12 months to 31 Dec 2016	354,167	-	-	18,783	17,143	**390,093**	4%	4%
J. Evans[1]								
12 months to 31 Dec 2016	60,000	-	-	2,850	1,584	**64,434**	2%	2%
M. Ferreira[1]								
12 months to 31 Dec 2016	60,000	-	-	-	1,584	**61,584**	3%	3%
J. Rogers	50,000	-	-	-	283,600	**333,600**	85%	85%
Total Directors								
12 months to 31 Dec 2016	**1,071,340**	56,204	**-**	**21,633**	**340,596**	**1,435,774**	**24%**	**24%**
Key Management Personnel								
A. Beigel								
12 months to 31 Dec 2016	175,000	-	-	16,589	6,245	**197,834**	3%	3%
J. Nery								
12 months to 31 Dec 2016	237,684	-	-	-	-	**237,684**	0%	0%
Total Key Management Personnel								
12 months to 31 Dec 2016	**412,684**	**-**	**-**	**16,589**	**6,245**	**435,518**	**1%**	**1%**
Total Directors and Key Management Personnel								
12 months to 31 Dec 2016	**1,430,024**	**56,204**	**-**	**38,222**	**346,842**	**1,871,292**	**19%**	**19%**

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

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[2]								
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[2]								
12 months to 31 Dec 2015	60,000	-	-	2,812	23,408	**86,220**	27%	27%
M. Ferreira[2]								
12 months to 31 Dec 2015	60,000	-	-	-	23,408	**83,408**	28%	28%
D. Netherway[5]								
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[3]								
12 months to 31 Dec 2015	213,205	-	-	-	(5,210)	**207,995**	(3%)	(3%)
W. Foote[4]								
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%**

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

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

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

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

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 2016 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	$0.0720	$0.43	8 Aug 16	7 Aug 17
R. Smakman	-	333,334	30 Jul 13	$0.0720	$0.43	8 Aug 16	7 Aug 17
R. Smakman	-	333,333	14 Aug 14	$0.1300	$0.52	14 Aug 16	14 Aug 18
P. Stephen	-	166,666	30 Jul 13	$0.0720	$0.43	8 Aug 16	7 Aug 17
P. Stephen	-	166,667	14 Aug 14	$0.1300	$0.52	14 Aug 16	14 Aug 18
J. Evans	-	110,000	30 Jul 13	$0.0720	$0.43	8 Aug 16	7 Aug 17
M. Ferreira	-	110,000	30 Jul 13	$0.0720	$0.43	8 Aug 16	7 Aug 17
A. Beigel	-	75,000	14 May 13	$0.1776	$0.43	14 May 16	13 May 17
A. Beigel	-	75,000	14 Aug 14	$0.0891	$0.52	14 Aug 16	14 Aug 18
J. Rogers	1,000,000	1,000,000	19 May 16	$0.0999	$0.15	19 May 16	19 May 23
J.Rogers	1,000,000	1,000,000	19 May 16	$0.0953	$0.20	19 May 16	19 May 23
J. Rogers	1,000,000	1,000,000	19 May 16	$0.0884	$0.30	19 May 16	19 May 23
Total	**3,000,000**	**4,536,666**					

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**					

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 (2015: nil).

Value of options issued to Key Management Personnel
During the current financial period there were 3,000,000 options granted (2015: nil) to Directors and Key Management Personnel related to share-based payments compensation. No options granted to Directors or Key Management Personnel as part of their remuneration lapsed or were exercised during the year. In the prior year, 1,250,000 options lapsed and 2,656,250 options were forfeited.

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

	Balance at 1 Jan 16	Granted as remuneration	Options lapsed	Options exercised	Net Other Changes	Balance at 31 Dec 16	Not vested and not exercisable at 31 Dec 16	Vested and exercisable at 31 Dec 16	Options vested during the period
Directors									
S. Copulos	1,000,000	-	-	-	2,083,333	3,083,333	-	3,083,333	166,666
R. Smakman	1,916,667	-	-	-	200,000	2,116,667	333,334	1,783,333	666,667
P. Stephen	958,333	-	-	-	50,000	1,008,333	166,666	841,667	333,333
J. Evans	660,000	-	-	-	-	660,000	-	660,000	110,000
J. Rogers	-	3,000,000	-	-	-	3,000,000	-	3,000,000	3,000,000
M. Ferreira	660,000	-	-	-	-	660,000	-	660,000	110,000
KMP									
A. Beigel	431,250	-	-	-	-	431,250	75,000	356,250	150,000
J. Nery	-	-	-	-	-	-	-	-	-
Total	**5,626,250**	**3,000,000**	-	**-**	**2,333,333**	**10,959,583**	**575,000**	**10,384,583**	**4,536,666**

	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[1]	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[2]	681,250	-	-	(681,250)	-	-	-	-	-
W. Foote[3]	1,225,000	-	-	(1,225,000)	-	-	-	-	-
J. Nery	-	-	-	-	-	-	-	-	-
Total	**9,532,500**	**-**	**(1,250,000)**	**(2,656,250)**	**-**	**5,626,250**	**2,111,666**	**3,514,584**	**1,536,667**

(1) Mr. D Netherway resigned 14 May 2015.
(2) Mr. M Schmulian retired on 6 August 2015.
(3) Mr. W. Foote's contract ended on 31 July 2015.

Directors' Report (continued)

Remuneration Report – audited (continued)

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

	Balance at 1 Jan 16	Shares issued on exercise of options	Shares Purchased	Net Other Changes	Shares Sold	Balance at 31 Dec 16
Directors						
S. Copulos	35,566,976	-	26,781,336	-	-	62,348,312
R. Smakman	2,835,073	-	784,615	-	-	3,619,688
P. Stephen	3,443,780	-	100,000	-	-	3,543,780
J. Evans	-	-	-	-	-	-
M. Ferreira	-	-	-	-	-	-
J.Rogers	-	-	206,000	-	-	206,000
KMP						
A. Beigel	308,458	-	-	-	-	308,458
J. Nery	-	-	-	-	-	-
Total	**42,154,287**	**-**	**27,871,951**	**-**	**-**	**70,026,238**

	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**

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 loan was converted into 4,166,665 ordinary shares (with 2,083,333 unlisted options attached) after shareholder approval was obtained at a General Meeting on 22 April 2016. Conversion was 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.

Subsequent to the year end the Company executed a new $1,500,000 convertible loan agreement with the Copulos Group. (refer Note 29)

Loans to Directors and Key Management Personnel
There were no loans to any Directors or Key Management Personnel during the year (2015: 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' Report (continued)

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.

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	J.Rogers

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	5	-	-	2	2
R. Smakman	6	6	-	-	-	-
P. Stephen	6	6	-	-	-	-
J. Evans	6	5	-	-	2	2
M. Ferreira	6	6	-	-	2	2
J.Rogers	6	5	-	-	-	-

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

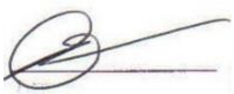
Directors' Report (continued)

Auditor's independence
The auditor's independence declaration for the financial year ended 31 December 2016 has been received and is to be found on page 75.

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 2016.

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 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated	
		Dec 2016 $	**Dec 2015 $**
Continuing operations			
Mineral Revenue	3	6,179,204	7,316,149
Cost of Sales	3	(7,432,997)	(7,263,629)
Gross Profit		**(1,253,793)**	**52,520**
Other income	3	239,141	243,248
Administration	3	(1,490,912)	(898,707)
Corporate expenses	3	(1,566,494)	(1,402,515)
Finance costs	3	(921,450)	(1,181,015)
Depreciation and amortisation	3	(1,025,092)	(1,755,048)
Exploration and evaluation	3	(4,107,687)	(3,711,963)
Unrealised foreign exchange gain/(loss)		238,710	(356,800)
Other expenses from ordinary activities		(453,415)	(845,943)
Impairment of non-current asset	3	(1,665,863)	-
Loss before income tax expense		**(12,006,855)**	**(9,856,225)**
Income tax expense / (benefit)	5	(243,087)	(297,011)
Loss for the period attributable to owners of the parent		**(12,249,942)**	**(10,153,236)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		3,206,477	(5,134,095)
Net fair value gain/(loss) on available-for-sale assets taken to equity		10,000	-
Less reclassified to profit or loss on impairment of available-for-sale financial asset		-	23,000
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, net of income tax		**3,216,477**	**(5,111,095)**
Total comprehensive income/(expense) for the year attributable to owners of the parent		**(9,033,465)**	**(15,264,331)**
Loss per share			
Basic (cents per share)	20	(5.00)	(6.51)
Diluted (cents per share)	20	(5.00)	(6.51)

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 2016

	Note	Consolidated Dec 2016 $	Dec 2015 $
Current Assets			
Cash and cash equivalents	26(a)	1,560,782	1,393,646
Trade and other receivables	10	435,708	607,698
Inventories	11	229,100	752,764
Other current assets		382,740	234,275
Total Current Assets		**2,608,330**	**2,988,383**
Non-Current Assets			
Other financial assets		148,661	148,661
Exploration and evaluation assets	12	20,128,039	16,541,722
Mine development properties	13	13,820	1,743,571
Property, plant and equipment	14	309,068	1,134,951
Total Non-Current Assets		**20,599,588**	**19,568,905**
Total Assets		**23,207,919**	**22,557,288**
Current Liabilities			
Trade and other payables	15	1,457,769	1,879,332
Provisions	16	1,154,512	818,449
Borrowings	4	-	5,075,016
Total Current Liabilities		**2,612,281**	**7,772,796**
Non-Current Liabilities			
Provisions	16	944,428	828,276
Borrowings	4	-	-
Total Non-Current Liabilities		**944,428**	**828,276**
Total Liabilities		**3,556,709**	**8,601,072**
Net Assets		**19,651,209**	**13,956,216**
Equity			
Total equity attributable to equity holders of the Company			
Issued capital	17	75,820,161	62,336,947
Reserves	18	10,782,506	6,563,872
Retained earnings	19	(66,951,458)	(54,944,603)
Total Equity		**19,651,209**	**13,956,216**

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 2016

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 2016	**62,336,947**	**(54,944,603)**	**(2,650,857)**	**9,112,506**	**10,000**	**92,223**	**13,956,216**
Other comprehensive income for the year	-	-	3,206,477	-	10,000	-	**3,216,477**
Loss for the year	-	(12,006,855)	-	-	-	-	**(12,006,855)**
Total comprehensive income for the year	**-**	**(12,006,855)**	**3,206,477**	**-**	**10,000**	**-**	**(8,123,320)**
Shares issued	14,714,415	-	-	-	-	-	**14,714,415**
Share issued upon exercise of options	-	-	-	-	-	-	**-**
Share issue costs (1)	(1,323,423)	-	-	-	-	-	**(1,323,423)**
Equity instruments issued in relation to debt raising	-	-	-	-	-		**-**
Issuance of Convertible Note	92,223	-	-	-	-	(92,223)	**-**
Share Based Payments	-	-	-	1,094,381	-	-	**1,094,381**
At 31 December 2016	**75,820,161**	**(66,951,458)**	**555,620**	**10,206,888**	**20,000**	**-**	**19,651,209**

(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 2015	**57,996,007**	**(44,791,367)**	**2,483,236**	**8,582,618**	**(13,000)**	-	**24,257,494**
Other comprehensive income for the year	-	-	(5,134,093)	-	23,000	-	**(5,111,095)**
Loss for the year	-	(10,153,236)	-	-	-	-	**(10,153,236)**
Total comprehensive income for period	**-**	**(10,153,236)**	**(5,134,093)**	**-**	**23,000**	**-**	**(15,264,331)**
Shares issued	4,672,406	-	-	-	-	-	**4,672,406**
Shares issued upon exercise of options	-	-	-	-	-	-	**-**
Share issue costs	(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**

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 2016

	Note	Consolidated Dec 2016 $	Consolidated Dec 2015 $
Cash flows from operating activities			
Receipts from customers		6,614,141	7,558,258
Payments to suppliers and employees		(10,460,865)	(9,948,028)
Payment for exploration and evaluation		(3,926,585)	(3,586,976)
Finance Costs		(532,122)	(431,238)
Income taxes paid		(234,061)	(269,229)
Net cash provided by/ (used in) operating activities	26(b)	**(8,539,492)**	**(6,677,213)**
Cash flows from investing activities			
Interest received		72,035	124,599
Receipts for disposal of property, plant and equipment		-	29,894
Proceeds from sale of equity investments		32,000	-
Proceeds from sale of tenements		41,349	41,162
Payments for property, plant and equipment	14	(89,497)	(242,187)
Net cash used in investing activities		**55,887**	**(46,532)**
Cash flows from financing activities			
Proceeds from issues of equity securities		14,205,138	4,672,406
Costs of issuing securities	17	(652,455)	(139,910)
Proceeds from borrowings		-	500,000
Repayment of borrowings		(5,005,492)	(41,429)
Net cash (used in)/ provided by financing activities		**8,547,191**	**4,991,067**
Net increase/(decrease) in cash and cash equivalents		63,586	(1,732,678)
Cash and cash equivalents at the beginning of the financial year		1,393,646	3,388,153
Effect of exchange rate fluctuations on cash held in foreign currencies		103,550	(261,829)
Cash and cash equivalents at the end of the financial year	26(a)	**1,560,782**	**1,393,646**

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 2016 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 31 March 2017.

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 $12,249,942 (2015: loss $10,153,236) and experienced net cash outflows from operating and investing activities of $8,483,605 for the year ended 31 December 2016 (2015: outflow of $6,723,745). Cash and cash equivalents totalled $1,560,784 as at 31 December 2016 (31 December 2015: $1,393,646).

The directors have prepared a cash flow forecast for the period ending 31 March 2018, 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 $1,000,000 received on 31 March 2017 with $500,000 to be received in April 2017 in relation to the issuance of convertible notes which were agreed by the Group in March 2017. The issuance of the convertible notes is subject to shareholder approval;
b) Raising additional funds through debt and/or equity of at least $5,000,000 before May 2017 to meet the Group's current working capital requirements; and
c) Managing and deferring costs and creditor payments where applicable to coincide with the fund raising activities outlined above to ensure all obligations can be met.

The directors are pursuing a number of fund raising initiatives which are advanced at the date of this report in order to raise the required additional funding prior to May 2017. The Directors are confident one of these fund raising initiatives will be successful and the financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that the operational and financial plans in place are achievable and accordingly the Group will be able to continue as a going concern and meet its obligations as and when they fall due.

Should the Directors not be successful in achieving the matters set out above, there is a material uncertainty whether the Group will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its 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 not continue as a going concern.

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(r) 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

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 and technical 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 2014-3 – Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-9 – Equity Method in Separate Financial Statements
- AASB 2015-1 Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Disclosure Initiative: Amendments to AASB 101
- AASB 1057 Application of Australian Accounting Standards, AASB 2015-9 Scope and Application Paragraphs

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- ASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Disclosure Initiative: Amendments to AASB 107
- AASB 9 Financial Instruments 2014
- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Effective date of AASB 15, AASB 2016-3 Clarifications to AASB 15
- AASB 2016-5 Classification and Measurement of Share-based Payment Transactions
- AASB 16 Leases
- AASB 2014-10 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Effective Date of Amendments to AASB 10 and AASB 128

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, other than the mine life of the Posse project and related property, plant and equipment.

Capitalised exploration expenditure
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 13.

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

3. Revenue and Expenses

	Consolidated Dec 2016 $	Consolidated Dec 2015 $
Revenue – mineral products	**6,179,204**	**7,316,149**
Cost of sales	6,055,685	7,263,629
Write down of iron ore inventory *(i)*	1,377,311	-
	7,432,997	**7,263,629**
(i) Refer to Note 11 for additional information		
Revenue – other income		
Rental and administrative services income	179,661	124,564
Interest revenue	59,480	118,684
	239,141	**243,248**
Expenses		
Corporate expenses:		
Office rental	260,645	236,743
Staff costs	877,082	1,005,459
Director fees	241,573	265,000
Professional fees	141,720	205,020
Marketing and media costs	590,072	70,912
Other corporate expenses	220,577	267,480
Cost allocation to subsidiaries	(765,175)	(648,099)
	1,566,494	**1,402,515**
Finance costs:		
Interest	497,945	552,298
Accretion of debt issuance costs	423,505	628,717
	921,450	**1,181,015**
Depreciation and amortisation	**1,025,092**	**1,755,048**
Exploration and evaluation:		
Juruena project	3,725,184	3,163,152
Other exploration	382,503	548,811
	4,107,687	**3,711,963**
Impairment of non-current assets:		
Property, plant & equipment	635,624	-
Mine development assets	1,030,239	-
	1,665,863	**-**

Refer to Note 13 for additional information

Notes to the Annual Financial Statements

	Consolidated	
	Dec 2016 $	**Dec 2015 $**
3. Revenue and Expenses (continued)		
Employee expenses:		
Salaries and wages	2,845,101	4,074,527
Defined contribution plan	198,263	260,753
Other employee benefits	670,523	783,658
Equity-settled share-based payments (refer Note 7)	346,842	178,059
Annual Leave	144,731	229,279
	4,205,460	**5,526,276**

Employee expenses are included in Administration, Corporate Expenses and Exploration & Evaluation expenses in the Statement of Profit or Loss.

4. Borrowings secured at amortised cost

Borrowings – secured at amortised cost

Current		
Finance Leases	-	2,058
Convertible Notes	-	407,777
Loans	-	4,665,180
	-	**5,075,015**
Non-Current		
Finance Leases	-	-
Loans	-	-
	-	**-**
Total Current and Non-current Borrowings	**-**	**5,075,015**

Loans

The Company had a $5,000,000 loan facility outstanding at 31 December 2015 with Macquarie Bank Limited which was re-paid in full during the year ended 31 December 2016. The loan was interest bearing at BBSY +8.5% per annum (31 December 2015: BBSY + 8.5% p.a.).The facility was secured by a general security agreement over the assets of the Group, and a specific security agreement over the shares of the Australian subsidiaries.

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 convertible notes were converted into issued capital on 30 April 2016.

The earliest date that the loan could be converted into ordinary shares at the option of the loan holder, was within 4 business days after shareholder approval has been obtained at a General Meeting which was held on 22 April 2016.

Notes to the Annual Financial Statements

4. Borrowings secured at amortised cost (continued)

Convertible Note (continued)

Thereafter, conversion could occur at any time until 14 December 2016. If the notes were not converted, they would have been redeemed for cash on 24 December 2016 at $500,000. Conversion was 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.

On issuance in 2015 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 has no existing finance leases (average lease term of the existing finance leases for the period ending December 2015: 0.2 years).

	Consolidated	
	Dec 2016 $	**Dec 2015 $**
5. Income tax		
a) The components of tax expense comprise		
Current tax	243,087	297,011
Deferred tax	-	-
	243,087	**297,011**
b) The prima facie tax benefit on loss from ordinary activities before income tax is recognised to the income tax as follows:	(12,006,855)	(9,856,225)
Prima facie tax benefit on loss from ordinary activities at 30% (December 2015 30%)	(3,602,056)	(2,956,868)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	837	1,079
Fines	23	374
Foreign Losses	(1,036)	1,852,539
	(3,601,881)	**(1,102,876)**
Movement in unrecognised temporary differences	191,129	141,665
Tax effect of current year tax losses for which no deferred tax asset has been recognised	3,653,839	1,258,222
Income tax expense	**243,087**	**297,011**

Notes to the Annual Financial Statements

	Consolidated	
	Dec 2016 $	Dec 2015 $
5. Income tax (continued)		
c) The following deferred tax balances have not been recognised (at relevant tax rates):		
Investments	36,900	81,900
Depreciable assets	-	-
Accrued expenses	60,058	156,338
Capitalised expenses	559,282	462,346
Entity establishment costs	217	8,576
Borrowing costs	-	-
Provision for expenses	39,748	37,470
Unearned Income	2,061	2,811
Capital raising costs	612,757	357,822
Carry forward revenue tax losses	9,730,532	8,630,964
Carry forward capital tax losses	2,561,701	2,526,195
Carry forward foreign tax losses	7,691,390	6,482,060
	21,294,646	**18,746,482**
Deferred tax liabilities (at relevant tax rates)		
Prepaid expenses	-	900
Accrued interest income	749	616
Capitalised tenement acquisition costs	-	-
	749	**1,516**
Net deferred asset not recognised	**21,293,897**	**18,744,966**

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 years ended 31 December 2016 and 31 December 2015, the group elected to pay taxes on 3% of gross income (Iron ore sales from the Posse mine), as this is the most tax effective option at the time the election was made.

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 2016 $	**Dec 2015 $**
Financial assets		
Cash and cash equivalents	1,560,782	1,393,646
Held to maturity investments	121,661	121,661
Loans and receivables	435,708	607,698
Available-for-sale financial assets	27,000	27,000
	2,145,151	**2,150,005**
Financial liabilities		
Trade and other payables	1,457,769	1,879,331
Other financial liabilities	-	2,058
Loans Payable	-	5,075,016
	1,457,769	**6,956,405**

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 26, 4 and 16 respectively. None of the Group's entities is 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.

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 before any provision for doubtful debts. Refer to Note 10 for further information.

Customer	Dec 2016 $	%	Dec 2015 $	%
Siderurgica Noroeste Ltda	130,182	20.0	108,312	16.2
Aperam Inox America Do Sul S.a.	25,452	3.9	-	-
Pedreira Um Valemix	26,715	4.1	21,682	3.2
AVG Siderurgia Ltda	232,179	35.8	401,660	59.9
Industria De Ferro Gusa Ltda	48,362	7.4	28,015	4.2
Other	186,458	28.7	110,802	16.5
	649,348	**100**	**670,471**	**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 2016 $	**Dec 2015 $**
Cash and cash equivalents	1,560,782	1,393,646
Held to maturity financial assets	121,661	121,661
Loans and receivables	435,708	607,698
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 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 2016 $	**Dec 2015 $**
Financial assets		
Cash and cash equivalents	196,326	126,164
Loans and receivables	507,677	566,874
	704,003	**693,038**
Financial liabilities		
Trade and other payables	1,065,157	1,200,650
Provisions	1,445,778	1,500,562
Borrowings	-	2,058
	2,510,935	**2,703,270**

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 2016 would have increased/decreased by $737,065 (year ended 31 December 2015: increased/decreased by $543,398).

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 2016 would have (increased)/decreased by $18,727 (year ended 31 December 2015: net profit would have (increased)/decreased by $31,858). 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 2016 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	3.18%	1,560,782	-	-	-	**1,560,782**
Trade and other receivables	-	-	-	-	435,708	**435,708**
Deposits	2.88%	-	-	121,661	-	**121,661**
Listed investments at market value	-	-	-	-	27,000	**27,000**
		1,560,782	**-**	**121,661**	**462,708**	**2,145,151**
Financial Liabilities						
Finance lease liabilities		-	-	-	-	**-**
Loan payable	-	-	-		-	**-**
Convertible debt					-	**-**
Trade and other payables	-	-	-	-	(1,457,769)	**(1,457,769)**
		-	**-**	**-**	**(1,457,769)**	**(1,457,769)**
Net financial assets/(liabilities)		**1,560,782**	**-**	**121,661**	**(995,062)**	**687,382**

Notes to the Annual Financial Statements

6. Financial Risk Management (continued)

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)**

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 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Available for sale				
Listed Investments	27,000	-	-	**27,000**
	27,000	**-**	**-**	**27,000**

	Dec 2015			
	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 share based payments were made during the period:

	$
Share options issued expense	346,842
Marketing expense	$208,700
Capital raising costs	538,839
	1,094,381

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

Notes to the Annual Financial Statements

7. Share-based payments (continued)

	Dec 2016 No.	Dec 2016 WAEP	Dec 2015 No.	Dec 2015 WAEP
Outstanding at the beginning of the period	35,736,557	0.41	37,492,308	0.41
Granted during the period	20,082,332	0.18	3,150,499	0.15
Forfeited during the period	-	-	(2,656,250)	0.52
Lapsed during the period	(2,500,000)	0.66	(2,250,000)	0.59
Reversal of lapsed options	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	**53,318,889**	**0.28**	**35,736,557**	**0.30**
Exercisable at the end of the period	39,605,582	0.28	28,830,642	0.40

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 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	13-May-17	0.4300	0.1645
Issued 14 May 2013	14-May-13	14-May-16	13-May-17	0.4300	0.1776
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	0.4100	0.2036
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
Issued 29 April 2016 (6)	29-Apr-16	29-Apr-16	31-Dec-17	0.1500	0.0606
Issued 17 June 2016	19-May-16	19-May-16	19-May-23	0.1500	0.0999
Issued 17 June 2016	19-May-16	19-May-16	19-May-23	0.2000	0.0953
Issued 17 June 2016	19-May-16	19-May-16	19-May-23	0.3000	0.0884
Issued 30 May 2016	30-May-16	30-May-16	31-Dec-17	0.1500	0.0519
Issued 23 Dec 2016	23-Dec-16	23-Dec-16	23-Dec-19	0.2000	0.0366
Issued 23 Dec 2016	23-Dec-16	23-Dec-16	23-Dec-19	0.2600	0.0429

Notes to the Annual Financial Statements

7. Share-based payments (continued)

(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) These options were issued in relation to the capital raising in December 2015, and have been treated as share issuance costs.
(6) These options were issued on conversion of the Convertible Note held at 31 December 2015, and have been treated as share issuance costs.

The weighted average remaining contractual life for the share options outstanding at 31 December 2016 is 1.87 years (December 2015: 2.18 years)

The range of exercise prices for options outstanding at the end of the period was $0.15 - $0.52 (December 2015: $0.15 - $1.35)

The weighted average fair value of options granted during the period was $0.0531 (December 2015: $0.0608).

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 2016 and 31 December 2015.

		Granted 2016							Granted 2015
		$0.15 Options	**$0.15 Options**	**$0.20 Options**	**$0.30 Options**	**$0.15 Options**	**$0.20 Options**	**$0.26 Options**	**$0.15 Options**
Dividend yield	%	-	-	-	-	-	-	-	-
Expected volatility	%	90%	90%	90%	90%	90%	90%	90%	100%
Risk-free interest rate	%	2.00%	2.31%	2.31%	2.31%	2.00%	2.00%	2.00%	2.05%
Expected life	Years	1.7	6.4	6.4	6.4	1.6	3.0	3.0	2
Exercise price	$	0.15	0.15	0.20	0.30	0.15	0.20	0.26	0.15
Share price at grant date	$	0.14	0.11	0.11	0.11	0.13	0.10	0.10	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 (2015: 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.
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).

Notes to the Annual Financial Statements

7. Share-based payments (continued)

Employee share option plan (continued)

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. A. Beigel	Chief Financial Officer / Company Secretary
Mr. J. Nery	Manager – Iron Ore, Licensing and Compliance

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

	Consolidated	
	Dec 2016 $	**Dec 2015 $**
Short-term employee benefits	1,486,228	2,058,456
Post-employment benefits	38,222	40,378
Share-based payments	346,842	178,059
	1,871,292	**2,276,893**

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

	Consolidated	
	Dec 2016	**Dec 2015**
9. Auditors' Remuneration	**$**	**$**
Audit of the Parent Entity		
Audit or review of financial report	69,930	77,500
Auditors of overseas entities		
Audit or review of financial report	47,277	37,775
	117,207	**115,275**

The auditor of the Group is Deloitte Touche Tohmatsu.

Notes to the Annual Financial Statements

10. Trade and other receivables

	Consolidated Dec 2016 $	Dec 2015 $
Current		
Trade receivables	649,348	670,471
Less provision for doubtful debts	(297,275)	(103,683)
Other receivables	86,635	40,910
	435,708	**607,698**

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.

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 recognised an allowance for doubtful debts on the basis the amounts may not be recoverable.

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

11. Inventories

Work In Progress	42,372	54,030
Finished Goods	186,728	698,734
	229,100	**752,764**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $7,432,997 (2015: $7,263,629). Included within cost of sales are charges of $1,377,312 (2015: nil) related to the write down of iron ore inventory due to the net realisable value due to uncertainty regarding recovery of this value.

12. Exploration and evaluation assets

Costs brought forward	16,541,722	21,016,279
Expenditure incurred during the period	4,229,417	3,872,858
Acquisition of asset	-	-
Amounts expensed	(4,107,687)	(3,711,963)
Effect of exchange rates	3,464,587	(4,635,452)
Costs carried forward	**20,128,039**	**16,541,722**

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 $3,725,184 (December 2015: $3,162,152) 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 $382,502 incurred within Brazil during the period (December 2015: $548,811), on the basis that they are not directly attributable to the Borborema area of interest and consequently relate to exploration activities which are in the pre-feasibility stage.

Notes to the Annual Financial Statements

13. Mine development properties	Consolidated Dec 2016 $	Dec 2015 $
Cost brought forward	1,743,571	3,560,042
Additions	-	267,880
Impairment	(1,030,239)	
Depreciation and amortisation	(664,580)	(1,380,436)
Effect of foreign exchange	(34,932)	(703,915)
Carrying amount at the end of the period	**13,820**	**1,743,571**

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.

Below budget operational and financial performance, and changes to the expected life of mine were identified as impairment triggers as at 31 December 2016, 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 associated with the project.

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, estimated life of mine, commodity prices, 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 2016 impairment assessment for the Posse Project:

- Production tonnages are based on the latest mine plan, which forecasts that mining operations will now cease in May 2017 (Dec 2015: January 2018), 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.

Notes to the Annual Financial Statements

13. Mine development properties (continued)

Methodology (continued)

- Mine closure costs based on the Director's best estimate of the liability factoring timing and potential costs incurred.

The impairment assessment for the Posse project concluded that the carrying value was in excess of its recoverable value, and as a result an impairment charge of $1,665,863 was recognised as at 31 December 2016. This impairment charge related to property, plant and equipment of $635,624 and mine development properties of $1,030,239. Following the impairment the carrying value of the Posse CGU as at 31 December 2016 is nil.

	Consolidated	
14. Property, plant and equipment	**Dec 2016 $**	**Dec 2015 $**
Balance at the beginning of the period		
Cost	2,588,931	2,752,329
Accumulated depreciation	(1,453,980)	(1,079,368)
Carrying amount at beginning of period	**1,134,951**	**1,672,961**
Additions	97,001	324,039
Disposals	(109,744)	(133,467)
Depreciation	(360,512)	(374,612)
Loss on impairment (i)	(635,624)	-
Effect of foreign exchange	182,996	(353,970)
Carrying amount at the end of the period	**309,068**	**1,134,951**

(i) Refer to Note 13 for further details.

15. Trade and other payables

Current		
Trade payables and accruals	**1,457,769**	**1,879,332**

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

Notes to the Annual Financial Statements

	Consolidated	
	Dec 2016 $	Dec 2015 $
16. Provisions		
Current		
Annual leave and other benefits	860,691	315,892
Payroll and associated taxes	85,498	435,984
Other	208,323	66,573
	1,154,512	**818,449**
Non-current		
Rehabilitation	212,816	172,723
Other	731,612	655,553
	944,428	**828,276**
Total Current and Non-Current Provisions	**2,085,138**	**1,646,725**

17. Issued capital	**No.**	**$**
Ordinary shares issued and fully paid		
At 31 December 2015	170,277,114	62,336,947
At 31 December 2016	299,100,609	75,820,161

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

Fully paid ordinary share capital	**Dec 2016**		**Dec 2015**	
	No.	**$**	**No.**	**$**
Balance at the start of the financial period	170,277,114	62,336,947	140,939,141	57,996,007
Shares issued for cash	128,198,495	14,744,137	29,337,973	4,672,406
Share based payments	625,000	62,500	-	-
Capital raising costs	-	(1,323,423)	-	(331,466)
Balance at the end of the financial period	**299,100,609**	**75,820,161**	**170,277,114**	**62,336,947**

18. 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.

Notes to the Annual Financial Statements

18. Reserves (continued)

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.

	Consolidated	
	Dec 2016 $	Dec 2015 $
Reserves		
Share based payment reserve	10,206,888	9,112,506
Foreign currency translation reserve	555,620	(2,650,857)
Investment revaluation reserve	20,000	10,000
Other reserve	-	92,223
	10,782,508	**6,563,872**
Foreign currency translation reserve		
Balance at the beginning of the financial period	(2,650,857)	2,483,236
Currency translation differences arising during the period	3,206,477	(5,134,093)
Balance at the end of the financial period	**555,620**	**(2,650,857)**
Share based payments reserve		
Balance at the beginning of the financial period	9,112,506	8,582,618
Option and performance shares expense	1,094,381	529,888
Balance at the end of the financial period	**10,206,887**	**9,112,506**
Investments revaluation reserve		
Balance at the beginning of the financial period	10,000	(13,000)
Unrealised gain/(loss) on available for sale investment	10,000	-
Cumulative gain/(loss) reclassified to profit or loss on impairment of available-for-sale financial assets	-	23,000
Balance at the end of the financial period	**20,000**	**10,000**
Convertible Note Reserve		
Balance at the beginning of the financial period	92,223	-
Conversion of convertible note	(92,223)	92,223
Balance at the end of the financial period	**-**	**92,223**

Notes to the Annual Financial Statements

	Consolidated	
	Dec 2016 $	Dec 2015 $
19. Retained earnings		
Movements in accumulated losses were as follows:		
Balance at the beginning of the financial year	(55,611,660)	(44,791,367)
Net loss for the year	(12,249,942)	(10,153,236)
Balance at the end of the financial year	**(66,951,458)**	**(54,944,603)**

20. 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	(12,249,942)	(10,153,236)
	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	227,286,585	155,945,088

There are no shares to be issued under the exercise of 53,318,889 options currently outstanding which are considered to be dilutive. The diluted earnings per share is therefore the same as basic earnings per share.

21. 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 2017 approximately $137,880 (2016: $136,672). These costs are expected to be fulfilled in the normal course of operations.

22. 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 is one (December 2015: two) lease agreement for accommodation for employees in Brazil.

Notes to the Annual Financial Statements

22. Operating lease arrangements (continued)

The Group has no other operating lease commitments.

	Consolidated	
	Dec 2016 $	Dec 2015 $
Operating lease commitments:		
Not later than 1 year	277,181	270,489
Later than 1 year but not later than 5 years	96,841	203,956
Later than 5 years	-	-
	374,022	**474,445**

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	14,460	43,948
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	14,460	**43,948**

23. 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.

The following transactions occurred with related parties:

Nature of transaction	Nature of relationship	Total value of transactions for the year ended 31 December 2016	Amount of outstanding balance as at 31 December 2016
Office space and corporate services provided, including marketing/promotion and I.T. services to Consolidated Zinc Ltd.	Non-executive chairman in common.	$47,733	-
Provision of corporate services to Black Rock Mining Ltd.	Non-executive chairman in common.	$6,000	-

Notes to the Annual Financial Statements

24. Controlled entities

	Country of Incorporation	Principal Activity	Ownership Interest	
			Dec 2016	Dec 2015
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%

25. Segment reporting

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

- Mining and Mineral Exploration – Iron ore
- Mineral Exploration – Gold
- Mineral Exploration – Corporate/Unallocated

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 2016 and 31 December 2015. This is the Group's primary basis of segmentation.

Notes to the Annual Financial Statements

25. Segment reporting (continued)

Dec-2016	**Iron Ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Revenue	6,179,204	-	-	**6,179,204**
Cost of sales	(7,432,997)	-	-	**(7,432,997)**
Gross Profit	**(1,253,793)**	**-**	**-**	**(1,253,793)**
Other revenue	-	-	239,141	**239,141**
Exploration and evaluation	-	(4,048,900)	(58,786)	**(4,107,687)**
Depreciation and amortisation	(867,311)	(52,296)	(105,485)	**(1,025,092)**
Finance costs	(84,626)	(15,777)	(821,047)	**(921,450)**
Unrealised foreign exchange loss	-	-	238,710	**238,710**
Central administration costs	-	-	(3,163,979)	**(3,163,979)**
Other expenses from ordinary activities	-	-	(296,042)	**(296,042)**
Impairment expense	(1,665,864)	-	-	**(1,665,864)**
Segment Result	**(3,871,594)**	**(4,116,973)**	**(4,018,288)**	**(12,006,855)**

Dec-2015	**Iron Ore**	**Gold**	**Corporate/ 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)**

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-2016	**Iron Ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Current assets	898,174	215,526	1,494,630	**2,608,330**
Non-current assets	13,820	20,249,660	336,108	**20,599,588**
Total Assets	**911,994**	**20,465,186**	**1,830,740**	**23,207,920**
Current liabilities	1,251,633	547,317	813,331	**2,612,281**
Non-current liabilities	212,816	-	731,612	**944,428**
Total Liabilities	**1,464,449**	**547,317**	**1,544,943**	**3,556,709**
Net Assets / (Net Liabilities)	**(552,455)**	**19,917,869**	**285,797**	**19,651,211**

Notes to the Annual Financial Statements

25. Segment reporting (continued)

Dec-2015	**Iron Ore**	**Gold**	**Corporate/ 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**

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 2016.

Dec-2016	**Iron ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Other financial assets	-	-	148,661	**148,661**
Exploration and expenditure	-	20,045,857	82,182	**20,128,039**
Mine development properties	13,820	-	-	**13,820**
Property, plant and equipment	-	203,803	105,266	**309,068**
Total non-current assets	**13,820**	**20,249,660**	**336,109**	**20,599,588**

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

Dec-2015	**Iron ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
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**

Notes to the Annual Financial Statements

26. Notes to the statement of cash flows

	Consolidated	
	Dec 2016	**Dec 2015**
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	**1,560,782**	**1,393,646**

b) Reconciliation of net loss after tax to net cash flows from operating activities		
Net loss	**(12,249,942)**	**(10,153,236)**
Adjustments for:		
Depreciation and amortisation	1,025,092	1,755,049
Impairment of available-for-sale financial assets	-	23,000
Inventory write down	1,377,312	-
Impairment of assets	1,665,864	-
Finance costs	423,504	628,717
Share-based payments	346,842	338,338
Disposal of assets	-	(7,338)
Unrealised exchange (gains)/losses	(1,269,169)	(356,800)
Interest received	-	(118,648)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	171,990	462,197
Inventory	523,664	99,233
Other current assets	(148,466)	(22,328)
Increase/(decrease) in liabilities:		
Trade and other payables	(829,340)	311,091
Provisions	425,215	(428,944)
Other Liabilities	(2,058)	78,856
Cash generated/(used) in operating activities	**(8,539,492)**	**(6,677,213)**

Notes to the Annual Financial Statements

27. Parent Entity

The following table presents the information regarding the parent entity for the year ended 31 December 2016 and the year ended 31 December 2015.

	Dec 2016 $	Dec 2015 $
Financial position		
Assets		
Current assets	1,493,501	1,489,201
Non-current assets	18,688,000	18,343,990
Total assets	**20,181,501**	**19,833,191**
Liabilities		
Current liabilities	530,356	5,864,776
Non-current liabilities	-	12,199
Total liabilities	**530,356**	**5,876,975**
Equity		
Issued capital	75,820,163	62,336,947
Retained earnings	(66,395,906)	(57,595,460)
Reserves		
Option premium reserve	10,206,888	9,112,506
Investment revaluation reserve	20,000	10,000
Total equity	**19,651,145**	**13,956,216**

Financial performance	**Year ended Dec 2016 $**	**Year ended Dec 2015 $**
Loss for the period	(8,800,446)	(16,040,531)
Other comprehensive income	10,000	23,000
Total comprehensive income	**(8,790,446)**	**(16,017,531)**

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 (2015: nil).

28. 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

29. Subsequent events

Subsequent to year end on the 25 January 2017 the Company issued 2,000,000 share to raise $260,000 before costs.

On 30 March 2017, the Company executed a Convertible Loan agreement with the Copulos Group. The limit of the facility was $1,500,000 available immediately in drawdown amounts of $500,000 multiples. The terms are subject to shareholder approval and include an establishment fee of 5% and interest of 12% per annum paid quarterly. Conversion of part or all of funds loaned to shares in Crusader Resources Limited, will be at the lower of $0.13 per share and the terms offered by Crusader at the most recent capital raising prior to the conversion date. On 31 March 2017 the Company received $1,000,000 being a part drawndown of the facility.

30. 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 2017

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Crusader Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Crusader Resources Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration as set out on pages 26 to 70.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $12,249,942 and experienced net cash outflows from operating and investing activities of $8,483,605 during the year ended 31 December 2016. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Exploration and Evaluation Assets and Expenditure

As at 31 December 2016 the carrying value of exploration and evaluation assets was $20,128,039 (2015: $16,541,722), as disclosed in Note 12. The Group’s accounting policy in respect of exploration and evaluation expenditure is outlined in Note 2.

Significant judgement is required:

in determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources (“AASB 6”); and
in determining the treatment of exploration and evaluation expenditure in accordance with AASB 6, and the Group’s accounting policy. In particular:

whether the particular areas of interest meet the recognition conditions for an asset; and
which elements of exploration and evaluation expenditures qualify for capitalisation for each area of interest.

</td><td>
Our work included, but was not limited to, the following procedures:

to assess whether there are indicators of impairment:

assessing, with the support of the component audit team, whether the rights to tenure of the areas of interest remained current at balance date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future;
holding discussions with the directors and management as to the status of ongoing exploration programmes for the areas of interest, as well as assessing if there was evidence that a decision had been made to discontinue activities in any specific areas of interest; and
obtaining and assessing evidence of the Group’s future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes;

considering whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;
testing, on a sample basis, exploration and evaluation expenditure incurred during the year for compliance with AASB 6 and the Group’s accounting policy; and
assessing the appropriateness of the related disclosures in Note 12.

</td></tr>
</table>

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Crusader Resources Limited included in pages 15 to 23 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of the Company, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 31 March 2017

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

31 March 2017

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 2016, 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

D Newman

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	103
1,001 – 5,000	181
5,001 – 10,000	180
10,001 – 100,000	548
100,001 and over	242
TOTAL	**1,254**

There were 251 holders of less than marketable parcel of ordinary shares.

Twenty Largest Shareholders

Shareholder	Number of Shares	Percentage
FARJOY PL	30,197,338	10.03%
HSBC CUSTODY NOM AUST LTD	28,732,622	9.54%
CITICORP NOM PL	16,685,147	5.54%
HSBC CUSTODY NOM AUST LTD	15,354,109	5.10%
INTNL FINANCE CORP	13,793,100	4.58%
SUPERMAX PL	13,330,256	4.43%
J P MORGAN NOM AUST LTD	12,667,628	4.21%
EYEON NO 2 PL	8,333,333	2.77%
CITYWEST CORP PL	7,555,910	2.51%
SPACETIME PL	7,425,453	2.47%
EYEON INV PL	6,969,775	2.31%
RETZOS EXECUTIVE PL	5,865,528	1.95%
GWYNVILL TRADING PL	4,441,668	1.48%
NATIONAL NOM LTD	3,793,601	1.26%
WESTPARK OPERATIONS PL	3,598,938	1.20%
GUTHRIE CAD/GIS SOFTWARE	3,120,000	1.04%
HSBC CUSTODY NOM AUST LTD	3,066,976	1.02%
ABN AMRO CLEARING SYDNEY	2,998,152	1.00%
SHAYDEN NOM PL	2,509,502	0.83%
CALDWELL RICHARD A	2,500,000	0.83%
	192,939,036	**64.10%**

Substantial Shareholders

Shareholder	Number of Shares
Copulos Group	62,348,312
Farjoy PL	30,197,338

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	206,250	$0.43	13 May 2017	1
30 July 2013	2,535,000	$0.43	7 August 2017	5
31 December 2015	10,483,831	$0.15	31 December 2017	20
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
25 January 2017	5,000,000	$0.195	23 December 2019	2
25 January 2017	5,000,000	$0.26	23 December 2019	2
31 December 2014	8,741,258	$0.286	31 December 2018	1
19 May 2016	1,000,000	$0.15	19 May 2023	1
19 May 2016	1,000,000	$0.20	19 May 2023	1
19 May 2016	1,000,000	$0.30	19 May 2023	1

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%
Borborema	948.262/2014	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	866.632/2006	100%
Juruena	866.633/2006	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	866.778/2006	100%
Juruena	866.086/2009	100%
Juruena	867.246/2005	100%
Juruena	866.480/2010	100%
Juruena	867.118/2010	100%
Juruena	866.294/2013	100%
Juruena	866.513/2013	100%
Juruena	866.247/2011	100%
Juruena	866.578/2006	100%
Juruena	866.934/2012	100%
Juruena	866.105/2013	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%
Manga	860.057/2016	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	848.208/2016	100%
Seridó	848.209/2010	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%

Borborema Gold Project Mineral Resource Estimate by Multiple Indicator Kriging (MIK)				
Category	**Cut-off grade**	**Tonnes (Mt)**	**Grade (Au g/t)**	**Contained Gold (Moz)**
Measured	0.40	9.8	1.09	0.34
	0.50	**8.2**	**1.22**	**0.32**
	0.60	6.8	1.35	0.30
Indicated	0.40	53.1	0.99	1.70
	0.50	**42.8**	**1.12**	**1.55**
	0.60	34.8	1.26	1.41
Total Measured + Indicated	0.40	62.9	1.01	2.04
	0.50	**51.0**	**1.14**	**1.87**
	0.60	41.7	1.27	1.70
Inferred	0.40	23.2	0.87	0.65
	0.50	**17.6**	**1.00**	**0.57**
	0.60	13.6	1.14	0.49
Total Mineral Resource	0.40	86.1	0.97	2.69
	0.50	**68.6**	**1.10**	**2.43**
	0.60	55.2	1.24	2.20

July 2012 Mineral Resources Estimate Summary Table, reported at a 0.5 g/t cut-off. Parent Block 25mE x 25mN x 5mRL. Selective Mining Unit 5mE x 6.25mN x 2.5mRL.
Note, appropriate rounding has been applied, subtotals may not equal total figure.

Borborema Gold Project Maiden Ore Reserve				
Category		**Tonnes (Mt)**	**Grade (Au g/t)**	**Mineable Gold (koz)**
Proven	Oxide	0.65	0.80	17
	Fresh	7.26	1.25	292
Probable	Oxide	1.68	0.70	38
	Fresh	32.82	1.20	1,260
Total		**42.41**	**1.18**	**1,610 (1.61 Moz)**

November 2012 Ore Reserve estimate for the Borborema Gold Project. Reported at a 0.4 g/t cut-off for oxide and 0.5g/t cut-off for fresh material. The cut-off grades have been based on the latest throughput costs, gold price of US$1350/oz, metallurgical recovery of 95% and then rounded up. Note, appropriate rounding has been applied, subtotals may not equal total figures.

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