CRUSADER RESOURCES LIMITED

A B N: 94 106 641 963

Annual Financial Report

Year ended 31 December 2017

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Corporate Information

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

A description of the Group's operations and of its principal activities is included in the Review of Operations and Activities in the Directors' Report on pages 4 to 22. The Directors' Report is not part of the financial report.

Directors
Stephen Copulos (Chairman)
Marcus Engelbrecht (Managing Director) – appointed 20 November 2017
Robert Smakman (Managing Director) – resigned 20 November 2017
Paul Stephen (Executive Director)
John Evans (Non-executive Director)
Mauricio Ferreira (Non-executive Director)
Jim Rogers (Non-executive Director)

Company Secretary
Andrew Beigel

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ASX Code:
Ordinary shares - CAS

Chairman's Letter to Shareholders

Dear Shareholder,

I am pleased to report that 2017 was another important year for Crusader Resources Ltd in progressing our Brazilian gold projects towards production. The Company divested itself of the Posse Iron Ore Mine in August 2017, facilitating additional focus on our gold projects.

Significant milestones were achieved for the development of the Borborema Gold Project during the year including receiving the Pre-Licence (Licença Previa or 'LP') from the Rio Grande do Norte State Government Environmental Department (IDEMA). The Company is now able to fulfil the standard conditions of the LP and make application to IDEMA for an "Installation Licence" (Licença de Instalação or LI) to be issued.

Detailed optimisation work was undertaken on the Borborema Project showing greatly improved economics under a revised mine plan. The Company intends to complete further optimisation and a Bankable Feasibility Study ("BFS") during 2018.

Our understanding of the geology across the Juruena Gold Project was improved during the year with extensive programs of auger drilling, chip sampling and geological mapping. Additional targets were identified and additional drilling programs have been scheduled for 2018.

The total combined JORC compliant indicated and inferred resources at the Querosene, Dona Maria and Crentes prospects at Juruena are now estimated at 1.28 million tonnes at 6.3 grams per tonne gold for 260,900 ounces.

In May 2017 Crusader announced a proposed merger with the UK AIM listed Company, Stratex International plc. The Board believed the transaction would have added significant value for shareholders, however the merger was not supported by the Stratex shareholders and was subsequently terminated.

In November 2017 the Company announced it intended to seek a secondary listing on the London AIM exchange. The process is ongoing and once completed will provide exposure to a broader range of institutional investors that will ultimately support the development and construction of our gold projects.

I would like to thank the Board and the Crusader team for their commitment over the past 12 months. In particular, thank you to our retiring Managing Director, Rob Smakman for all his efforts over the past 12 years with the Company. I wish our new Managing Director, Marcus Engelbrecht, every success with growing the Company.

I would also like to thank all our shareholders for their ongoing support and hope you continue with us as we strive to deliver value. We expect 2018 will be another significant year for the Company as we advance our gold projects towards production.

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 2017 ("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 director of Black Rock Mining Limited, non-executive Chairman of 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. Marcus Engelbrecht (Managing Director) MAICD; H Compt
Mr. Engelbrecht is a highly experienced resources industry executive, with previous roles including Managing Director and CEO of formally AIM-quoted Archipelago Resources plc (2011-2013) and Chief Financial Officer of ASX and TSX listed OceanaGold Corporation. During his tenure at Archipelago Resources, Mr. Engelbrecht took the company from construction to production, before it was ultimately acquired for approximately £340m. Mr. Engelbrecht also spent 20 years at BHP Billiton, including as Chief Financial Officer of the group's Diamond and Specialty Products division. Mr. Engelbrecht was most recently the Managing Director of London AIM-listed Stratex International PLC.

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

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

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

Directors' Report (continued)

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

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

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

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

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

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

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

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

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 43,203,553 shares during the year at an average price of $0.068 per share.

The Company issued nil options during the year.

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
5,650,000	ordinary	0.41	30-Jun-18
2,885,000	ordinary	0.52	14-Aug-18
1,246,550	ordinary	0.41	20-Aug-18
8,741,258	ordinary	0.2860	31-Dec-18
1,500,000[1]	ordinary	-	21-Jul-19
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	0.195	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	500,000
R. Smakman	3,619,688	1,000,000
P. Stephen	3,543,780	500,000
J. Evans	-	330,000
M. Ferreira	-	330,000
J. Rogers	206,000	3,000,000
M. Engelbrecht	-	-

Dividends
The Directors do not recommend that a dividend be paid. No dividend has been paid by the Company (2016: 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

During the financial year the Company continued to progress the evaluation and development of its two key gold projects, Borborema and Juruena. The company also sold its Posse iron ore mine.

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

During 2017 the Company achieved a significant milestone in the development of its wholly-owned Borborema Gold Project, located in Rio Grande do Norte State, Brazil, receiving the Pre-Licence (Licença Previa or 'LP') from the Rio Grande do Norte State Government Environmental Department (IDEMA).

This critical licence approves the Environmental Impact Assessment for Borborema and follows submission of an updated project plan to the environmental authorities in 2016, which was developed in conjunction with IDEMA. The updated project plan proposed a reduced project footprint, dry stacked tailings and restricts project infrastructure to Crusader's owned farm area.

With this key licence now received, Crusader is working to fulfil the standard conditions of the LP, which have largely already been achieved. On submission of the required reports and subject to approval by IDEMA, an "Installation Licence" (Licença de Instalação or LI) will be issued.

The Borborema Mineral Resource previously reported in July of 2012 and the Borborema Ore Reserve reported in November 2012 under the 2004 version of the JORC code, were both updated during 2017 to comply with the 2012 version of the JORC code. (See ASX announcement of 24 July 2017.)

Subsequently on 6 March 2018, the Borborema Ore Reserve was updated in compliance with the 2012 version of the JORC code using current economic inputs as at 31 December 2017.

This update fully supports the previously reported ore reserve using current economic inputs including commodity pricing, exchange rates and allowance for inflation as at 31 December 2017. This update was prepared in connection with the Dual Listing process as announced on 20 November 2017.

Having released the results of the detailed optimisation work undertaken by third party consultants on the Borborema Project on 8 February 2018, showing greatly improved economics under a revised mine plan, the Company has now prioritised further optimisation and completion of a Bankable Feasibility Study ("BFS") during 2018.

The Borborema Project is mineable as an open pit, with initial metallurgical test work returning recoveries of 93%-96%. The project, which is 100% owned by Crusader, has existing on-site facilities with excellent infrastructure including a water permit, a sealed highway directly to the project area with230kV power lines adjacent and is near the historic mining town of Currais Novos (~20km) with available skilled labour.

Directors' Report (continued)

Operating and Financial Review (continued)

Table 1: Borborema Gold Project Mineral Resource (JORC 2012 code)

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

Mineral Resource table, reported at various cut-offs. 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 figures

Table 2: Borborema Gold Project Ore Reserve (JORC 2012 code)

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)**

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 costs, gold price of US$1301/oz. Note, appropriate rounding has been applied, subtotals may not equal total figures.

Directors' Report (continued)

Operating and Financial Review (continued)

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

Crusader's Juruena Project represents 24 tenements over 770km^2 and has returned some of the highest gold results across the Alta Floresta gold belt, with diamond drilling delivering several extremely high-grade intercepts, including two in excess of 1,000 g/t. (See ASX announcement from 22 December 2016 for details of all relevant intercepts). The current indicated resource at Juruena has an average grade >18 g/t with the 2018 program focused on developing a larger scale resource.

On the back of the results obtained during an extensive program of auger drilling, chip sampling and geological mapping completed during the last quarter of 2017, Crusader has commenced planning and commissioning of its first drilling and exploration program for 2018.

Crusader's initial 2018 exploration program is focussed on several new targets identified in line with the main trend in the Juruena fault region.

Table 3: JORC (2012) compliant mineral resource estimate for Juruena Project, December 2016.

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**

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.

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.

Directors' Report (continued)

Operating and Financial Review (continued)

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 @ 12.7 g/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.

The drilling programs completed have 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.

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 @ 14 g/t Au** from 92m in TD-01, **1.16m @ 14.99 g/t Au** from 94m in TD-02 and **0.5m @ 31.12 g/t Au** from 117m in TD-04.

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 @ 47.67 g/t Au** from 94m) and **2m @ 15.44 g/t** from 166m downhole. This hole was drilled ~100m below hole JRNRC032 (drilled in 2013) which intercepted **36m @ 3.24 g/t Au**[3] from 23m (including **7m @ 12.69 g/t Au** from 41m).

The Tatu and Tatu NE results were not included in the updated JORC-compliant mineral resource estimate (ASX 22 December 2016), 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.

Novo Astro Gold Project, Mato Grosso, Brazil (CAS 100%)

This project is Crusader's second project within the Alta Floresta gold belt, 25km south east of our Juruena project. A 4km wide circular soil anomaly has been identified with rock chip samples returning significant gold indicators, including 13 at over 10 g/t, with the highest being 264 g/t and 101.7 g/t (Announcement 11 September 2013).

Crusader's exploration team will target initial drilling over Nova Astro following a full structural review over the project which is planned for 2018. Systematic modern exploration has proven to be extremely successful over this belt and Crusader's approach, using a combination of IP geophysics and geochemistry, including soil sampling and auger drilling, has led to significant drilling success which has led to resource definition. Novo Astro represents an exciting opportunity to apply Crusader's understanding of the area and geology to the scale over the broader Novo Astro project.

Novo Astro is regarded as an intrusive related gold system (IRGS) associated with granitic rocks and appears to be forming concentric gold mineralisation (approximately 5km diameter) centred on a probable granite plug.

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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)

Posse Iron Ore Mine, Minas Gerais, Brazil

On 2 August 2017, the Company announced the sale of its 100% interest in the Posse Iron Ore Mine to Inter Invest B.P. S/A ("Inter Invest"), for a total consideration of BRL8.005M (~AUD3.2M). BRL1M (~AUD400k) was paid upfront with the balance payable as 15 equal instalments. At the date of this report the Company had received BRL1.25M (~AUD500k) of the agreed consideration.

Corporate

During the year the Group raised $2,938,231 (before costs) through the issue of 43,203,553 ordinary shares.

Operating results for the period

The Group's operating loss after income tax for the period was $4,881,024 (December 2016: loss of $8,584,038). The Group's basic loss per share for the year was 1.62 cents (December 2016: loss per share of 3.78 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 2017 of $1,152,021 before foreign exchanges impacts (December 2016: increase of $63,586). The cash increase was largely a result of funds received from capital raisings and borrowings exceeding payments for exploration and mine operations.

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

On the 2 March 2018 the Company issued 7,693,846 shares to raise $500,100 (before costs).

On the 5 March 2018 the Company announced the Copulos Group will convert all of funds loaned ($1,500,000), plus accrued interest and establishment fees, to shares in Crusader, at the issue price to be offered by Crusader at the [capital raising anticipated in conjunction with the AIM IPO. Such conversion will be subject to the receipt of shareholder approval, which will be sought at the Company's annual general meeting to be held in May 2018.

On the 16 March 2018 the Company announced a proposed cash placement of shares to raise between USD6 million and USD15 million and subsequently list on AIM. Shares are expected to be issued a $0.055 each with a free 1 for 2 attaching option, exercisable at $0.055, expiring in 2 years.

Mr Stephen Copulos has confirmed he intends on stepping down as Chairman and Non-executive director of Crusader on 16 April 2018 following the Company's anticipated admission to AIM. Mr Andrew Vickerman will be appointed as an Independent Non-Executive Director of Crusader, conditional on the AIM admission and will be appointed as Chairman on 16 April 2018.

Directors' Report (continued)

Operating and Financial Review (continued)

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.

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 – resigned 20 November 2017
Mr M. Engelbrecht	Managing Director – appointed 20 November 2017
Mr. P. Stephen	Director (Executive)
Mr. J. Evans	Director (Non-Executive)
Mr. M. Ferreira	Director (Non-Executive)
Mr. J Rogers	Director (Non-Executive)
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.

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 2017:

Directors' Report (continued)

Remuneration Report – audited (continued)

	31 Dec 2017 $	31 Dec 2016 $	31 Dec 2015 $	31 Dec 2014 $	31 Dec 2013 (6 months) $
Revenue (1)	1,622,246	6,179,204	7,316,149	16,942,835	7,502,482
Net loss before tax (1)(2)	4,919,210	8,340,951	7,018,064	1,743,940	602,033
Net loss after tax (1)(2)	4,881,024	8,584,038	7,315,075	2,441,986	889,752

	31 Dec 2017 cents	31 Dec 2016 cents	31 Dec 2015 cents	31 Dec 2014 cents	31 Dec 2013 cents
Share price at start of period	11.5	12.5	22.0	30.0	23.0
Share price at end of period	7.1	11.5	12.5	22.0	30.0
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic loss per share (1) (2)	1.62	3.78	4.69	1.83	0.70
Diluted loss per share (1) (2)	1.62	3.78	4.69	1.83	0.70

(1) From continuing and discontinued operations

(2) Restated for change in accounting policy

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 12 May 2017, 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
29. Issued 14 Aug 2014	14-Aug-2014	0.52	14-Aug-2018	0.1144	14-Aug-2014
29. Issued 14 Aug 2014[1]	14-Aug-2014	0.52	14-Aug-2018	0.1140	14-Aug-2015
29. Issued 14 Aug 2014[1]	14-Aug-2014	0.52	14-Aug-2018	0.0600	14-Aug-2015
29. Issued 14 Aug 2014[1]	14-Aug-2014	0.52	14-Aug-2018	0.1300	14-Aug-2016
29. Issued 14 Aug 2014[1]	14-Aug-2014	0.52	14-Aug-2018	0.1440	14-Aug-2017
32. Issued 14 Aug 2014[1]	14-Aug-2014	0.52	14-Aug-2018	0.0762	14-Aug-2015
32. Issued 14 Aug 2014[1]	14-Aug-2014	0.52	14-Aug-2018	0.0891	14-Aug-2016
32. Issued 14 Aug 2014[1]	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) Where the recipient employee ceases service with the Group prior to vesting date, under item 8 of the Plan, they have 45 days from the date of cessation of services to exercise their options before their options are deemed to have lapsed.

Directors' Report (continued)

Remuneration Report – audited (continued)

Key terms of employment contracts

Robert Smakman (resigned 20 November 2017) was contracted as the Chief Executive Officer and Managing Director of the Group. Remuneration was 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

Marcus Engelbrecht is contracted as the Managing Director of the Group (effective from 20 November 2017). Remuneration is as follows:

- salary package of US$360,000 per annum inclusive of base salary, superannuation contributions, taxes and non cash benefits
- 20 days' annual leave per annum and statutory long service leave entitlements
- 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 2017 and comparatives are shown over the next two pages:

Remuneration of Directors and Key Management Personnel for the year ended 31 December 2017:

	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 2017	120,000	-	-	-	-	**120,000**	0%	0%
R. Smakman[2 4]								
1 January to 20 Nov 2017	580,285	32,073	-	-	9,898	**622,256**	2%	2%
P. Stephen								
12 months to 31 Dec 2017	350,000	-	-	18,783	4,949	**373,732**	1%	1%
J. Evans[1]								
12 months to 31 Dec 2017	60,000	-	-	2,850	-	**62,850**	0%	0%
M. Ferreira[1]								
12 months to 31 Dec 2017	60,000	-	-	-	-	**60,000**	0%	0%
J. Rogers								
12 months to 31 Dec 2017	60,000	-	-	-	-	**60,000**	0%	0%
M. Engelbrecht[3]								
20 Nov 2017 to 31 Dec 2017	52,287	-	-	-	-	**52,287**	0%	0%
Total Directors								
12 months to 31 Dec 2017	**1,282,572**	**32,073**	**-**	**21,633**	**14,847**	**1,351,126**	**1%**	**1%**
Key Management Personnel								
A. Beigel								
12 months to 31 Dec 2017	170,000	-	-	16,150	1,562	**187,712**	1%	1%
J. Nery								
12 months to 31 Dec 2017	264,364	-	-	-	-	**264,364**	0%	0%
Total Key Management Personnel								
12 months to 31 Dec 2017	**434,364**	**-**	**-**	**16,150**	**1,562**	**452,076**	**0%**	**0%**
Total Directors and Key Management Personnel								
12 months to 31 Dec 2017	**1,716,936**	**32,073**	**-**	**37,783**	**16,409**	**1,803,201**	**1%**	**1%**

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

(2) Mr R. Smakman resigned 20 November 2017.

(3) Mr M. Engelbrecht was appointed 20 November 2017.

(4) Included in Mr Smakman's Salary & Fees is a termination payment of $205,285 (comprising annual leave, long service leave and payment in lieu).

Directors' Report (continued)

Remuneration Report – audited (continued)

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[5]								
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[5]								
12 months to 31 Dec 2016	60,000	-	-	2,850	1,584	**64,434**	2%	2%
M. Ferreira[5]								
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%**

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

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 2017 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
R. Smakman	-	333,334	14 Aug 14	$0.1440	$0.5200	14 Aug 17	14 Aug 18
P. Stephen	-	166,666	14 Aug 14	$0.1440	$0.5200	14 Aug 17	14 Aug 18
A. Beigel	-	75,000	14 Aug 14	$0.1010	$0.5200	14 Aug 17	14 Aug 18
Total	**-**	**575,000**					

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**					

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 (2016: nil).

Value of options issued to Key Management Personnel

During the current financial period there were nil options granted (2016: 3,000,000) to Directors and Key Management Personnel related to share-based payments compensation. No options granted to Directors or Key Management Personnel were exercised during the year. Details of options granted to Directors or Key Management Personnel as part of remuneration which lapsed during the year are included in the table below. In the prior year no options lapsed and no options were forfeited.

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

	Balance at 1 Jan 17	Granted as remuneration	Options lapsed	Options exercised	Net Other Changes	Balance at 31 Dec 17	Not vested and not exercisable at 31 Dec 17	Vested and exercisable at 31 Dec 17	Options vested during the period
Directors									
S. Copulos	3,083,333	-	(2,583,333)	-	-	500,000	-	500,000	-
R. Smakman	2,116,667	-	(1,116,667)	-	-	1,000,000	-	1,000,000	333,334
P. Stephen	1,008,333	-	(508,333)	-	-	500,000	-	500,000	166,666
J. Evans	660,000	-	(330,000)	-	-	330,000	-	330,000	-
J. Rogers	3,000,000	-	-			3,000,000	-	3,000,000	-
M. Engelbrecht	-	-	-	-	-	-	-	-	-
M. Ferreira	660,000	-	(330,000)	-	-	330,000	-	330,000	-
KMP									
A. Beigel	431,250	-	(206,250)	-	-	225,000	-	225,000	75,000
J. Nery	-	-	-	-	-	-	-	-	-
Total	**10,959,583**	**-**	**(5,074,583)**	**-**	**-**	**5,885,000**	**-**	**5,885,000**	**575,000**

	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**

Directors' Report (continued)

Remuneration Report – audited (continued)

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

	Balance at 1 Jan 17	Shares issued on exercise of options	Shares Purchased	Net Other Changes	Shares Sold	Balance at 31 Dec 17
Directors						
S. Copulos	62,348,312	-	-	-	-	62,348,312
R. Smakman	3,619,688	-	-	-	-	3,619,688
M. Engelbrecht [1]	-	-	-	-	-	-
P. Stephen	3,543,780	-	-	-	-	3,543,780
J. Evans	-	-	-	-	-	-
M. Ferreira	-	-	-	-	-	-
J.Rogers	206,000	-	-	-	-	206,000
KMP						
A. Beigel	308,458	-	-	-	-	308,458
J. Nery	-	-	-	-	-	-
Total	**70,026,238**	**-**	**-**	**-**	**-**	**70,026,238**

	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**

(1) Mr M. Engelbrecht was appointed 20 November 2017.

Convertible note holdings of Directors and Key Management Personnel

Effective 30 March 2017 the Company executed a $1,500,000 convertible debt facility agreement (with interest of 12% per annum, payable quarterly, and a maturity date of 30 March 2018) with the Copulos Group, a related party to Chairman, Mr Stephen Copulos. Conversion of part or all of the funds loaned 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.

Loans to Directors and Key Management Personnel

There were no loans to any Directors or Key Management Personnel during the year (2016: 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	5	5	-	-	2	1
R. Smakman	5	5	-	-	-	-
P. Stephen	5	5	-	-	-	-
J. Evans	5	4	-	-	2	2
M. Ferreira	5	5	-	-	2	2
J.Rogers	4	1	-	-	-	-
M. Engelbrecht	-	-	-	-	-	-

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

Auditor's independence

The auditor's independence declaration for the financial year ended 31 December 2017 has been received and is to be found on page 79.

Directors' Report (continued)

Non-audit services

Details of non-audit fees paid or payable to Deloitte Touche Tohmatsu for the year ended 31 December 2017 are disclosed in note 9 to the financial statements and relate to tax services associated with the terminated merger with Stratex International plc.

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

M. Engelbrecht
Managing Director
Perth
2 April 2018

Competent Person Statement

Borborema mineral resource estimate

The information in this report that relates to the mineral resource estimate for the Borborema Project was first reported in accordance with ASX Listing Rule 5.8 on 24 July 2017. Crusader confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 24 July 2017 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate continue to apply and have not materially changed.

Borborema ore reserve estimate

The information in this report that relates to the Ore Reserve estimate for the Borborema Project was first reported in accordance with ASX Listing Rule 5.9 on 6 March 2018. Crusader confirms that it is not aware of any new information or data that materially affects the information included in the announcement 6 March 2018 and that all material assumptions and technical parameters underpinning the Ore Reserve estimate continue to apply and have not materially changed.

Juruena mineral resource estimate

The information in this report that relates to the Mineral Resource estimate for the Juruena Project was first reported in accordance with ASX Listing Rule 5.8 on 22 December 2016. Crusader confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 22 December 2016 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate continue to apply and have not materially changed.

Exploration results

The information in this report relating to exploration results for the Borborema Project, Juruena Project and Novo Astro Project is based on and fairly represents information and supporting information compiled by Mr Robert Smakman. Mr Smakman is the former Managing Director of the Company. Mr Smakman is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Smakman has consented to the form and context in which the exploration results and supporting information are presented in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated	
		Dec 2017	Dec 2016 Restated (1)
		$	$
Continuing operations			
Mineral Revenue		-	-
Cost of Sales		-	-
Gross Profit		-	-
Other income	3	393,513	239,141
Administration		(1,319,225)	(1,431,254)
Corporate expenses	3	(2,533,415)	(1,963,609)
Finance costs	3	(424,384)	(836,824)
Depreciation and amortisation	3	(106,775)	(157,781)
Exploration and evaluation	3	(149,542)	(104,325)
Unrealised foreign exchange (loss)/gain		(48,689)	238,710
Other expenses from ordinary activities		(131,160)	(453,416)
Loss before income tax		**(4,319,677)**	**(4,469,358)**
Income tax (expense)/benefit	5	-	-
Net loss from continuing operations		**(4,319,677)**	**(4,469,358)**
Discontinued Operations			
Net profit/(loss) from discontinued operations	26	(561,347)	(4,114,680)
Net loss for the year		**(4,881,024)**	**(8,584,038)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(1,227,153)	3,206,474
Net fair value gain/(loss) on available-for-sale assets taken to equity		(3,000)	10,000
Other comprehensive (loss)/income for the year, net of income tax		**(1,230,153)**	**3,216,474**
Total comprehensive loss for the year attributable to owners of the parent		**(6,111,177)**	**(5,367,564)**
Loss per share			
Basic (cents per share)	20	(1.62)	(3.78)
Diluted (cents per share)	20	(1.62)	(3.78)

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.

(1) See Note 2 for details of the restatement as a result of a change in accounting policy.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		Consolidated	
		Dec 2017	Dec 2016 Restated (1)	Dec 2015 Restated (1)
		$	$	$
Current Assets				
Cash and cash equivalents	27(a)	2,632,054	1,560,782	1,393,646
Trade and other receivables	10	157,855	435,708	607,698
Inventories	11	1,617	229,100	752,764
Other current assets		364,771	382,740	234,275
Total Current Assets		**3,156,297**	**2,608,330**	**2,988,383**
Non-Current Assets				
Other financial assets		145,661	148,661	148,661
Exploration and evaluation assets	12	27,955,110	28,091,173	21,082,036
Mine development properties	13	-	13,820	1,743,571
Property, plant and equipment	14	202,527	309,068	1,134,951
Total Non-Current Assets		**28,303,298**	**28,562,722**	**24,109,219**
Total Assets		**31,459,595**	**31,171,052**	**27,097,602**
Current Liabilities				
Trade and other payables	15	3,305,113	2,612,282	2,697,780
Borrowings	4	2,925,631	-	5,075,016
Total Current Liabilities		**6,230,744**	**2,612,282**	**7,772,796**
Non-Current Liabilities				
Trade and other payables	15	698,301	731,612	655,553
Provisions	16	-	212,816	172,723
Total Non-Current Liabilities		**698,301**	**944,428**	**828,276**
Total Liabilities		**6,929,045**	**3,556,710**	**8,601,072**
Net Assets		**24,530,550**	**27,614,342**	**18,496,531**
Equity				
Total equity attributable to equity holders of the Company				
Issued capital	17	78,681,768	75,820,161	62,336,947
Reserves	18	9,718,130	10,782,505	6,563,872
Retained earnings	19	(63,869,350)	(58,988,326)	(50,404,288)
Total Equity		**24,530,550**	**27,614,340**	**18,496,531**

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

(1) See Note 2 for details of the restatement as a result of a change in accounting policy.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR 31 DECEMBER 2017

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 2017	**75,820,161**	**(58,988,326)**	**555,617**	**10,206,888**	**20,000**	**-**	**27,614,340**
Other comprehensive loss for the year	-	-	(1,227,153)	-	(3,000)	-	**(1,230,153)**
Loss for the year	-	(4,881,024)	-	-	-	-	**(4,881,024)**
Total comprehensive loss for the year	**-**	**(4,881,024)**	**(1,227,153)**	**-**	**(3,000)**	**-**	**(6,111,177)**
Shares issued	2,938,231	-	-	-	-	-	**2,938,231**
Share issued upon exercise of options	-	-	-	-	-	-	**-**
Share issue costs	(76,624)	-	-	-	-	-	**(76,624)**
Issuance of Convertible Note	-	-	-	-	-	149,369	**149,369**
Share Based Payments	-	-	-	16,409	-	-	**16,409**
At 31 December 2017	**78,681,768**	**(63,869,350)**	**(671,536)**	**10,223,297**	**17,000**	**149,369**	**24,530,550**

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 2017 (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 2016 (as previously reported)	**62,336,947**	**(54,944,602)**	**(2,650,857)**	**9,112,506**	**10,000**	**92,223**	**13,956,216**
Adjustment on change in accounting policy (1)	-	4,540,314	-	-	-	-	**4,540,314**
At 1 January 2016 (Restated)	**62,336,947**	**(50,404,288)**	**(2,650,857)**	**9,112,506**	**10,000**	**92,223**	**18,496,531**
Other comprehensive loss for the year	-	-	3,206,474	-	10,000	-	**3,216,477**
Loss for the year (Restated)	-	(8,584,038)	-	-	-	-	**(8,584,038)**
Total comprehensive loss for the year	**-**	**(8,584,038)**	**3,206,474**	**-**	**10,000**	**-**	**(5,367,564)**
Shares issued	14,714,414	-	-	-	-	-	**14,714,415**
Share issued upon exercise of options	-	-	-	-	-	-	**-**
Share issue costs	(1,323,423)	-	-	-	-	-	**(1,323,423)**
Issuance of Convertible Note	92,223	-	-	-	-	(92,223)	**-**
Share Based Payments	-	-	-	1,094,382	-	-	**1,094,382**
At 31 December 2016	**75,820,161**	**(58,988,326)**	**555,617**	**10,206,888**	**20,000**	**-**	**27,614,340**

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

(1) See Note 2 for details of the restatement as a result of a change in accounting policy

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated	
		Dec 2017	Dec 2016 Restated (1)
		$	$
Cash flows from operating activities			
Receipts from customers		2,028,846	6,614,141
Payments to suppliers and employees		(5,691,037)	(10,460,865)
Finance Costs		-	(532,122)
Income taxes paid		-	(234,061)
Net cash (used in) operating activities	27(b)	**(3,662,191)**	**(4,612,907)**
Cash flows from investing activities			
Interest received		16,148	72,035
Receipts for disposal of property, plant and equipment	26	522,524	-
Payment for exploration and evaluation		(1,586,067)	(3,926,585)
Proceeds from sale of equity investments		-	32,000
Proceeds from sale of tenements		-	41,349
Payments for property, plant and equipment	14	-	(89,497)
Net cash used in investing activities		**(1,047,395)**	**(3,870,698)**
Cash flows from financing activities			
Proceeds from issues of equity securities		2,938,231	14,205,138
Costs of issuing securities	17	(76,624)	(652,455)
Proceeds from borrowings		3,000,000	-
Repayment of borrowings		-	(5,005,492)
Net cash provided by financing activities		**5,861,607**	**8,547,191**
Net increase/(decrease) in cash and cash equivalents		1,152,021	63,586
Cash and cash equivalents at the beginning of the financial year		1,560,782	1,393,646
Effect of exchange rate fluctuations on cash held in foreign currencies		(80,749)	103,550
Cash and cash equivalents at the end of the financial year	27(a)	**2,632,054**	**1,560,782**

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

(1) See Note 2 for details of the restatement as a result of a change in accounting policy

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 2017 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 accruals 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 2 April 2018.

Change in accounting policy

The Group has previously expensed all costs incurred subsequent to the acquisition of rights to explore, up to costs associated with the preparation of a definitive feasibility study, whereby the Group commenced the capitalisation of costs associated with the area of interest.

The Group has elected to change the above method of accounting for exploration and evaluation expenditure, and the new policy has been applied retrospectively (with comparative information restated accordingly). Under the new policy:

- exploration and evaluation expenditure incurred in the acquisition of the rights to explore (including payments to landowners required under the Group's mineral leases) is capitalised and recognised as an exploration and evaluation asset; and
- exploration and evaluation expenditure incurred subsequent to acquisition of the area of interest is capitalised to the extent that they are expected to be recouped through the successful development of a relevant area of interest or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable information given the prevalence of this policy with comparable exploration companies based in both Australia and also the UK where the Group is in the process of undertaking a secondary listing on the Alternative Investment Market (AIM) of the London Stock Exchange. Consequently, adopting this revised accounting policy will in the opinion of the directors result in the Group's financial statements being more comparable to its peers operating in both Australia, but also the UK. The impact of this change in accounting policy is reflected below.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

For comparative purposes, the change of accounting policy has resulted in the restatement of the affected financial statement line items for the prior periods as follows:

Impact on statement of financial position	**1 January 2016**	**31 December 2016**
Increase in exploration and evaluation assets	4,540,314	3,422,818
Increase in equity / net assets	**4,540,314**	**3,422,818**

Impact on Statement of profit or loss	**31 December 2016**
De-recognise exploration expenditure	3,422,818
Decrease in net loss	**3,422,818**

Basic and diluted loss per share have also been restated. The amount of the impact on basic and diluted loss per share for the restated result for the year ended 31 December 2016 due to the change in accounting policy is a decrease in loss per share of 1.5 cents.

Impact on statement of cash flows	**31 December 2016**
Cash flows from operating activities	
Payments for exploration and evaluation	3,926,585
Decrease in net cash outflow used in operating activities	**3,926,585**
Cash flows from investing activities	
Payments for exploration and evaluation	(3,926,585)
Increase in net cash used in investing activities	**(3,926,585)**

Reclassification of comparative financial information

Comparative information within the consolidated statement of financial position relating to Current and Non-current liabilities for annual leave and other benefits (Current: 2016: $860,691, 2015: $315,892), payroll and associated taxes (Current: 2016: $85,498, 2015: $435,984), and other payables (Current: 2016: $208,324, 2015: $66,573, Non-current 2016: $731,612, 2015: $655,553), previously included in Provisions have been re-categorised in all periods to Other payables within the Consolidated Statement of Financial Position. The reclassification has not impacted the non-current / current classification of such liabilities. The reclassification will provide more relevant information to users of the financial statements and will result in comparable presentation to the current year.

Going concern

The financial report has 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 $4,881,024 (2016: loss $8,584,038) and experienced net cash outflows from operating and investing activities of $4,709,586 (2016: outflow of $8,483,605) for the year ended 31 December 2017. As at 31 December 2017, the Group had a net current liability position of $3,074,445 (31 December 2016: net current liabilities of $3,952). Cash and cash equivalents totalled $2,632,054 as at 31 December 2017 (31 December 2016: $1,560,784).

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The Company announced on 20 November 2017 that it had appointed UK based advisory group Hannam & Partners (H&P) to work alongside its existing Australian mandated advisor ANZ Corporate Advisory to establish a secondary listing of Crusader on the Alternative Investment Market of the London Stock Exchange ("AIM"), in conjunction with completing a placement to Australian based shareholders. As at the date of approval of the financial report, the Group is advanced in completing these capital raising activities, and expects that they will complete in April 2018.

The directors have prepared a cash flow forecast for the period ending 31 March 2019, which indicates the Group is required to raise a minimum of approximately A$6.3 million in April 2018, and that should this occur that the Group will have sufficient cash flow to fund its operations during the twelve-month period from the date of signing this report. The key assumptions on which the cash flow forecast is based are as follows:

- Completion of the ASX placement and / or AIM listing in April 2018 raising the required minimum funding; and
- Managing and deferring costs and creditor payments where applicable to coincide with the fund raising activities noted above.

If the placement on the ASX and / or AIM listing does not complete, or fails to raise the required minimum funds, the Group would need to raise replacement funding through debt or equity, to raise sufficient capital to service the net current liability position noted above, fund continuing operations, and allow repayment of all funds due to third parties.

The Directors are confident that the Group will be successful in achieving the matters noted above and the year-end financial report has therefore been prepared on the going concern basis.

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(s) for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

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.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

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.

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.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Cash and cash equivalents (continued)

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.

(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) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(j) 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.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of other tangible and intangible assets (continued)

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.

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.

(k) 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.

(l) 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)

(m) 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.

(n) 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)

(n) 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.

(o) 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)

(p) Exploration and evaluation expenditure

Expenditure incurred in the acquisition of rights to explore is capitalised and recognised as an exploration and evaluation asset.

Exploration costs are then capitalised to the extent that they are expected to be recouped through the successful development of a relevant area of interest or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

As disclosed in note 2(b), the group changed its accounting policy in respect to accounting for exploration and evaluation expenditure during the period.

(q) 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.

(r) New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement

In the current year the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and mandatorily effective for an accounting period that begins on or after 1 January 2017.

Adoption of new and revised Accounting Standards

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective:

Standard/Interpretation	Note	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15' and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1	1 January 2018	31 December 2018
AASB 16 Leases	2	1 January 2019	31 December 2019

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement (continued)

Standard/Interpretation	Note	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128		1 January 2018	31 December 2018
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions		1 January 2018	31 December 2018
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15		1 January 2018	31 December 2018
AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4		1 January 2018	31 December 2018
AASB Interpretation 22 Foreign Currency Translation and Advance Consideration		1 January 2018	31 December 2018
AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments		1 January 2019	31 December 2019
Long-term Interests in Associates and Joint Ventures Amendments to IAS 28 and Illustrative Example—Long-term Interests in Associates and Joint Ventures		1 January 2019	31 December 2019
Prepayment Features with Negative Compensation Amendments to IFRS 9		1 January 2019	31 December 2019

1. AASB15 “Revenue from Contracts with Customers” - the core principle of this accounting standard is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

   An entity recognises revenue in accordance with that core principle by applying the following steps:

   Step 1: Identify the contract(s) with a customer

   Step 2: Identify the performance obligations in the contract

   Step 3: Determine the transaction price

   Step 4: Allocate the transaction price to the performance obligations in the contract

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New and revised Standards and Interpretations affecting amounts reported and/or disclosures in the financial statement (continued)

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Consolidated Entity has undertaken an assessment of the new requirements and determined that no material changes would be required under the new standard.

2. AASB 16 'Leases' - In February 2016, the Australian Accounting Standards Board issued AASB 16 'Leases', which replaces the current guidance in AASB 117 'Leases', Interpretation 4 'Determining whether an Arrangement contains a Lease', Interpretation 115 'Operating Leases - Incentives' and Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
   The new standard will apply to the Consolidated Entity from 1 July 2019. Early adoption is permitted, but only in conjunction with AASB 15: 'Revenue from Contracts with Customers'. The new standard requires the lessee to recognise its leases in the statement of financial position as an asset (the right to use the leased item) and a liability reflecting future lease payments. Depreciation of the leased asset and interest on lease liability will be recognised over the lease term. The lessee can utilise the exceptions related to short-term and low-value leases, however, assets subject to subleases do not qualify for the low-value exception.

   We are currently assessing the impact of the new leasing standard on our financial results. This includes identifying changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and controls. Our adoption approach and application of the transition provisions under the new standard will depend on the outcome of this assessment, which is yet to be finalised.

At the date of authorisation of the financial report, there were no IASB Standards and IFRIC Interpretations issued in the current year.

The Directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Consolidated Entity that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

(s) 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.

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.

Notes to the Annual Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Critical accounting judgements and key sources of uncertainty (continued)

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.

Deferred consideration – sale of Posse Iron Ore Mine

The Group considered the fair value of the deferred consideration in relation to the sale of the Posse Iron Ore Mine at the date of sale, concluding that the fair value of this deferred consideration receivable was $nil at this date. The fair value was determined with consideration to uncertainty with respect to the timing of receipt of payments and recoverability based on credit risk.

Notes to the Annual Financial Statements

	Consolidated Dec 2017 $	Consolidated Dec 2016 $
3. Revenue and Expenses		
<u>Revenue – other income</u>		
Rental and administrative services income	52,616	179,661
Other income (1)	250,000	-
Profit on disposal of asset	64,771	-
Interest revenue	26,126	59,480
	393,513	**239,141**

(1) Other Income relates to the break fee associated with Stratex International Plc's termination of the scheme implementation deal effective 6 November 2017.

	Dec 2017 $	Dec 2016 $
<u>Expenses</u>		
Corporate expenses:		
Office rental	247,636	260,645
Staff costs	783,659	877,082
Director fees	240,000	241,573
Professional fees	809,991	141,720
Marketing and media costs	199,010	590,072
Other corporate expenses	548,773	220,577
Cost allocation to subsidiaries	(295,654)	(368,060)
	2,533,415	**1,963,609**
Finance costs:		
Interest	349,384	413,319
Debt issuance costs	75,000	423,505
	424,384	**836,824**
Depreciation and amortisation	**106,775**	**157,781**
Exploration and evaluation:		
Other exploration (refer note 12)	149,542	104,325
	149,542	**104,325**
Employee expenses:		
Salaries and wages	2,157,737	2,845,101
Defined contribution plan	257,653	198,263
Other employee benefits	492,619	670,523
Equity-settled share-based payments (refer Note 7)	16,409	346,842
Annual Leave	203,526	144,731
	3,127,944	**4,205,460**

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

Notes to the Annual Financial Statements

4. Borrowings secured at amortised cost

Borrowings – secured at amortised cost

Current		
Finance Leases	-	-
Convertible Notes	2,925,631	-
Loans	-	-
	2,925,631	**-**
Total Current Borrowings	**2,925,631**	**-**

Loans

The company had no loans outstanding at 31 December 2017 (31 December 2016: $nil).

Convertible Note

Copulos Group Convertible Note

Effective 30 March 2017 the Company executed a $1,500,000 convertible debt facility agreement (with interest of 12% per annum, payable quarterly, and a maturity date of 30 March 2018) with the Copulos Group, a related party to Chairman, Mr Stephen Copulos. Conversion of part or all of the funds loaned 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.

Stratex International plc Convertible Note

On the execution of the Scheme Implementation Deed ("SID") with Stratex International plc on 15 June 2017, Crusader entered into a secured convertible note agreement with Stratex (with interest of 12% per annum, payable quarterly) pursuant to which Stratex agreed to make available to Crusader an interim funding solution in the principal of $1,000,000. In addition, under the terms of the convertible note agreement, Crusader requested additional funding of $500,000. In respect of each Note, an establishment fee of 5% of the Face Value of each Note is payable to Stratex upon redemption. All amounts due to Stratex under the terms of the convertible notes are to be repaid within 6 months of the date of termination of the SID, and consequently is due for repayment on 1 May 2018.

Conversion of part or all of the funds would 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 issuance 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 2016: 0 years).

Notes to the Annual Financial Statements

		Consolidated	
		Dec 2017	Dec 2016 Restated
		$	$
5.	**Income tax**		
a)	The components of tax expense comprise		
	Current tax	-	-
	Deferred tax	-	-
b)	The prima facie tax benefit on loss from ordinary activities before income tax is recognised to the income tax as follows:	(4,319,677)	(4,469,358)
	Prima facie tax benefit on loss from ordinary activities at 27.5% (December 2016 27.5%)	(1,187,911)	(1,229,073)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Entertainment	1,193	837
	Fines	5,916	23
	Foreign Losses	82,594	1,041,669
		(1,098,208)	**(186,544)**
	Movement in unrecognised temporary differences	56,343	49,344
	Tax effect of change in tax rate	11,141	-
	Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,030,724	137,200
	Income tax expense	-	-
c)	The following deferred tax balances have not been recognised (at relevant tax rates):		
	Investments	34,650	36,900
	Depreciable assets	-	-
	Accrued expenses	112,040	60,058
	Capitalised expenses	642,788	559,282
	Entity establishment costs	-	217
	Borrowing costs	9,030	-
	Provision for expenses	42,894	39,748
	Capital raising costs	414,135	612,757
	Carry forward revenue tax losses	9,784,202	9,730,532
	Carry forward capital tax losses	2,348,226	2,561,701
	Carry forward foreign tax losses	6,732,604	6,208,635
		20,120,569	**19,809,830**

Notes to the Annual Financial Statements

5. Income Tax (continued)

	Consolidated	
	Dec 2017	**Dec 2016 Restated**
	$	**$**
Deferred tax liabilities (at relevant tax rates)		
Prepaid expenses	461	-
Accrued interest income	303	749
Capitalised tenement acquisition costs	-	-
	764	**749**
Net deferred tax asset not recognised	**20,119,805**	**19,809,081**

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

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

During the year ended 31 December 2017, the group has decided to pay tax on 34% of net profit as this is the cheaper option.

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

Notes to the Annual Financial Statements

6. Financial Risk Management

Overview

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

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

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

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

Categories of financial instruments

	Consolidated	
	Dec 2017 $	**Dec 2016 $**
Financial assets		
Cash and cash equivalents	2,632,054	1,560,782
Held to maturity investments	121,661	121,661
Loans and receivables	157,855	435,708
Available-for-sale financial assets	24,000	27,000
	2,935,570	**2,145,151**
Financial liabilities		
Trade and other payables	2,656,408	1,457,769
Other financial liabilities	-	-
Borrowings	2,925,631	-
	5,582,039	**1,457,769**

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 17, 18 and 20 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 CNS Empreendimentos Em Transportes Minerios Eire, there were no significant concentrations of credit risk.

The below table shows the distribution of receivables from the Group at the end of the period before any provision for doubtful debts. Refer to Note 10 for further information.

Customer	Dec 2017 $	%	Dec 2016 $	%
Siderurgica Noroeste Ltda	118,170	39.6	130,182	20.0
Aperam Inox America Do Sul S.a.	-	-	25,452	3.9
Pedreira Um Valemix	-	-	26,715	4.1
AVG Siderurgia Ltda	-	-	232,179	35.8
Industria De Ferro Gusa Ltda	-	-	48,362	7.4
Other	179,790	60.4	186,458	28.8
	297,960	**100**	**649,348**	**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 2017 $	Carrying Amount Dec 2016 $
Cash and cash equivalents	2,632,054	1,560,782
Held to maturity financial assets	121,661	121,661
Loans and receivables	157,855	435,708
Available-for-sale financial assets	24,000	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 $2,400 (December 2016: increase/ decrease by $2,700) as a result of the changes in fair value of available-for-sale shares.

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

Notes to the Annual Financial Statements

6. Financial Risk Management (continued)

Foreign currency risk management

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

	Consolidated	
	Dec 2017 $	**Dec 2016 $**
Financial assets		
Cash and cash equivalents	82,381	196,326
Loans and receivables	27,847	507,677
	110,228	**704,003**
Financial liabilities		
Trade and other payables	1,172,209	1,065,157
Provisions	1,199,155	1,445,778
Borrowings	-	-
	2,371,364	**2,510,935**

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 2017 would have increased/decreased by $343,631 (year ended 31 December 2016: increased/decreased by $801,598).

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 2017 would have (increased)/decreased by $7,851 (year ended 31 December 2016: net profit would have (increased)/decreased by $18,727). 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 2017 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	3.33%	2,632,054	-	-	-	**2,632,054**
Trade and other receivables	-	-	-	-	157,855	**157,855**
Deposits	2.43%	-	-	121,661	-	**121,661**
Listed investments at market value	-	-	-	-	24,000	**24,000**
		2,632,054	**-**	**121,661**	**181,855**	**2,935,570**
Financial Liabilities						
Finance lease liabilities	-	-	-	-	-	**-**
Convertible debt	-	-	(2,925,631)	-	-	**(2,925,631)**
Trade and other payables	-	-	-	-	(3,305,112)	**(3,305,112)**
	-	**-**	**(2,925,631)**	**-**	**(3,305,112)**	**(6,230,743)**
Net financial assets/(liabilities)	-	**2,632,054**	**(2,925,631)**	**121,661**	**(3,123,258)**	**(3,295,173)**

Notes to the Annual Financial Statements

6. Financial Risk Management (continued)

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	-	-	-	-	(2,612,282)	**(2,612,282)**
		-	**-**	**-**	**(2,612,282)**	**(2,612,282)**
Net financial assets/(liabilities)		**1,560,782**	**-**	**121,661**	**(2,149,574)**	**(467,131)**

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 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Available for sale				
Listed Investments	24,000	-	-	**24,000**
	24,000	**-**	**-**	**24,000**

	Dec 2016			
	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	16,409
Marketing expense	-
Capital raising costs	-
Total	**16,409**

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 2017 No.	Dec 2017 WAEP	Dec 2016 No.	Dec 2016 WAEP
Outstanding at the beginning of the period	53,318,889	0.41	35,736,557	0.41
Granted during the period	-		20,082,332	0.18
Forfeited during the period	-		-	-
Lapsed during the period	(20,296,081)	0.26	(2,500,000)	0.66
Reversal of lapsed options	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	**33,022,808**	**0.30**	**53,318,889**	**0.28**
Exercisable at the end of the period	23,035,000	0.29	39,605,582	0.28

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	0.0823
Issued 17 June 2016	19-May-16	19-May-16	19-May-23	0.2000	0.0783
Issued 17 June 2016	19-May-16	19-May-16	19-May-23	0.3000	0.0722
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 2017 is 1.59 years (December 2016: 1.87 years).

The range of exercise prices for options outstanding at the end of the period was $0.15 - $0.52 (December 2016: $0.15 - $0.52).

The weighted average fair value of options granted during the period was nil (December 2016: $0.0531).

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 2017 and 31 December 2016.

		Granted 2017	**Granted 2016**						
			$0.15 Options	**$0.15 Options**	**$0.20 Options**	**$0.30 Options**	**$0.15 Options**	**$0.20 Options**	**$0.26 Options**
Dividend yield	%	-	-	-	-	-	-	-	-
Expected volatility	%	-	90%	90%	90%	90%	90%	90%	90%
Risk-free interest rate	%	-	2.00%	2.31%	2.31%	2.31%	2.00%	2.00%	2.00%
Expected life	Years	-	1.7	6.4	6.4	6.4	1.6	3.0	3.0
Exercise price	$	-	0.15	0.15	0.20	0.30	0.15	0.20	0.26
Share price at grant date	$	-	0.14	0.11	0.11	0.11	0.13	0.10	0.10

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 (2016: 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. M. Engelbrecht	Managing Director – appointed 20 November 2017
Mr. R. Smakman	Managing Director – resigned 20 November 2017
Mr. P. Stephen	Executive Director
Mr. J. Evans	Director (Non-Executive)
Mr. M. Ferreira	Director (Non-Executive)
Mr. J. Rogers	Director (Non-Executive)
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 2017 $	**Dec 2016 $**
Short-term employee benefits	1,766,803	1,486,228
Post-employment benefits	37,783	38,222
Share-based payments	16,409	346,842
	1,820,995	**1,871,292**

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

	Consolidated	
9. Auditors' Remuneration	**Dec 2017 $**	**Dec 2016 $**
Audit of the Parent Entity		
Audit or review of financial report	93,991	69,930
Tax services related to Stratex scheme of arrangement	31,279	-
Auditors of overseas entities		
Audit or review of financial report	34,794	47,277
	160,064	**117,207**

The auditor of the Group is Deloitte Touche Tohmatsu.

Notes to the Annual Financial Statements

	Consolidated	
	Dec 2017 $	Dec 2016 $
10. Trade and other receivables		
Current		
Trade receivables	297,960	649,348
Less provision for doubtful debts	(277,533)	(297,275)
Other receivables	137,427	86,635
	157,855	**435,708**

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	1,617	42,372
Finished Goods	-	186,728
	1,617	**229,100**

The cost of inventories recognised as an expense during the year in respect of discontinued operations was $2,730,178 (2016: $7,432,997). Included within cost of sales (discontinued operations) are charges of $164,140 (2016: $1,377,312) 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	28,091,173	21,082,036
Expenditure incurred during the period	1,630,749	3,648,873
Amounts expensed	(149,542)	(104,325)
Effect of exchange rates	(1,617,270)	3,464,587
Costs carried forward	**27,955,110**	**28,091,173**

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.

Expenditure incurred in the acquisition of rights to explore is capitalised and recognised as an exploration and evaluation asset.

Notes to the Annual Financial Statements

12. Exploration and evaluation assets (continued)

Exploration costs are then capitalised to the extent that they are expected to be recouped through the successful development of a relevant area of interest or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest was assessed for impairment triggers in accordance with the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* as at 31 December 2017, with no impairment triggers identified.

As disclosed in note 2(b), the group changed its accounting policy in respect to accounting for exploration and evaluation expenditure during the period.

	Consolidated	
13. Mine development properties	**Dec 2017 $**	**Dec 2016 $**
Cost brought forward	13,820	1,743,571
Additions	-	-
Impairment	-	(1,030,239)
Impairment reversal (refer note 26)	520,000	-
Disposal of Posse operations (refer note 26)	(520,000)	-
Depreciation and amortisation	(13,820)	(664,580)
Effect of foreign exchange	-	(34,932)
Carrying amount at the end of the period	**-**	**13,820**

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 was tested for impairment in accordance with AASB 136 as at 31 December 2016.

Methodology

The Group adopted a value in use model to calculate the recoverable value of its Posse operations as at 31 December 2016 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.

Notes to the Annual Financial Statements

13. Mine development properties (continued)

Methodology (continued)

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 were based on the latest mine plan, which forecasts that mining operations would now cease in May 2017 (Dec 2015: January 2018), which represented 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.
- 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 was $nil.

	Consolidated	
	Dec 2017	**Dec 2016**
14. Property, plant and equipment	**$**	**$**
Balance at the beginning of the period		
Cost	2,123,560	2,588,931
Accumulated depreciation	(1,814,492)	(1,453,980)
Carrying amount at beginning of period	**309,068**	**1,134,951**
Additions	-	97,001
Disposals	(39,058)	(109,744)
Depreciation	(89,602)	(360,512)
Loss on impairment	-	(635,624)
Effect of foreign exchange	22,119	182,996
Carrying amount at the end of the period	**202,527**	**309,068**

Refer to note 13 for details of impairment testing as at 31 December 2016.

Notes to the Annual Financial Statements

15. Trade and other payables	Consolidated Dec 2017 $	Dec 2016 $
Current		
Trade payables and accruals	1,942,607	1,457,769
Annual leave and other benefits	894,425	860,691
Payroll and associated taxes	260,697	85,498
Other payables	207,383	208,324
	3,305,112	**2,612,282**
Non current		
Other payables	698,301	731,612
	698,301	**731,612**
Total Current and non current Trade and other payables	**4,003,413**	**3,343,894**

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

Refer note 2(b) for details related to the reclassification of certain comparative balances within the consolidated statement of financial position.

Notes to the Annual Financial Statements

	Consolidated Dec 2017 $	Dec 2016 $
16. Provisions		
Non-current		
Rehabilitation	-	212,816
Other	-	-
	-	**212,816**
Total Current and Non-Current Provisions	**-**	**212,816**

17. Issued capital	**No.**	**$**
Ordinary shares issued and fully paid		
At 31 December 2016	299,100,609	75,820,161
At 31 December 2017	342,304,162	78,681,768

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

Fully paid ordinary share capital	**Dec 2017**		**Dec 2016**	
	No.	**$**	**No.**	**$**
Balance at the start of the financial period	299,100,609	75,820,161	170,277,114	62,336,947
Shares issued for cash	43,203,553	2,938,231	128,198,495	14,744,137
Share based payments	-	-	625,000	62,500
Capital raising costs	-	(76,624)	-	(1,323,423)
Balance at the end of the financial period	**342,304,162**	**78,681,768**	**299,100,609**	**75,820,161**

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.

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.

Notes to the Annual Financial Statements

18. Reserves (continued)

Nature and purpose of reserves (continued)

	Consolidated	
	Dec 2017 $	**Dec 2016 $**
Reserves		
Share based payment reserve	10,223,294	10,206,885
Foreign currency translation reserve	(671,535)	555,617
Investment revaluation reserve	17,000	20,000
Other reserve	149,361	-
	9,718,128	**10,782,505**
Foreign currency translation reserve		
Balance at the beginning of the financial period	555,620	(2,650,860)
Currency translation differences arising during the period	(1,227,155)	3,206,477
Balance at the end of the financial period	**(671,535)**	**555,617**
Share based payments reserve		
Balance at the beginning of the financial period	10,206,888	9,112,506
Option and performance shares expense	16,409	1,094,382
Balance at the end of the financial period	**10,223,297**	**10,206,888**
Investments revaluation reserve		
Balance at the beginning of the financial period	20,000	10,000
Unrealised gain/(loss) on available for sale investment	(3,000)	10,000
Balance at the end of the financial period	**17,000**	**20,000**
Convertible Note Reserve		
Balance at the beginning of the financial period	-	92,223
Conversion of convertible note	-	(92,223)
Issuance of convertible note	149,369	-
Balance at the end of the financial period	**149,369**	**-**

Notes to the Annual Financial Statements

	Consolidated Dec 2017 $	Consolidated Dec 2016 $
19. Retained earnings		
Movements in accumulated losses were as follows:		
Balance at the beginning of the financial year	(55,551,598)	(54,944,602)
Adjustment on change in accounting policy	-	7,977,042
Net loss for the year	(4,881,024)	(8,548,038)
Balance at the end of the financial year	**(60,432,622)**	**(55,551,598)**

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:

	Dec 2017	Dec 2016
	$	**$**
Net loss attributable to ordinary equity holders of the parent	(4,881,024)	(8,548,038)
	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	301,302,282	227,286,585

There are no shares to be issued under the exercise of 32,022,808 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 2018 approximately $95,173 (2017: $137,880). These costs are expected to be fulfilled in the normal course of operations.

Notes to the Annual Financial Statements

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.

The Group has no other operating lease commitments.

	Consolidated	
	Dec 2017 $	**Dec 2016 $**
Operating lease commitments:		
Not later than 1 year	58,111	277,181
Later than 1 year but not later than 5 years	25,167	96,841
Later than 5 years	-	-
	83,278	**374,022**

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	13,260	14,460
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	13,260	**14,460**

Notes to the Annual Financial Statements

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 24.

(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 2017**	**Amount of outstanding balance as at 31 December 2017**
Office space and corporate services provided, including marketing/promotion and I.T. services to Consolidated Zinc Ltd.	Non-executive director in common.	$57,627	-
Provision of corporate services to Black Rock Mining Ltd.	Non-executive chairman in common.	$6,000	-

24. Controlled entities

	Country of Incorporation	**Principal Activity**	**Ownership Interest**	
			Dec 2017	**Dec 2016**
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%
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%

Notes to the Annual Financial Statements

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.

During the year the Group completed the sale of Posse Iron Ore Mine, which is consequently classified as a discontinued operation as at 31 December 2017 and 31 December 2016. Further information on the sale of Posse Iron Ore Mine is included in note 26.

The following table presents the revenue and results analysed by mineral resource for the twelve months ended 31 December 2017 and 31 December 2016. This is the Group's primary basis of segmentation.

Dec-2017	**Iron Ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Revenue	-	-	-	**-**
Cost of sales	-	-	-	**-**
Gross Profit	**-**	**-**	**-**	**-**
Other revenue	-	64,771	328,742	**393,513**
Exploration and evaluation	-	-	(149,542)	**(149,542)**
Depreciation and amortisation	-	(43,409)	(63,366)	**(106,775)**
Finance costs	-	-	(424,384)	**(424,384)**
Unrealised foreign exchange loss	-	-	(48,690)	**(48,690)**
Central administration costs	-	**-**	(3,852,640)	**(3,852,640)**
Other expenses from ordinary activities	-	**-**	(131,159)	**(131,159)**
Segment Result	**-**	**21,362**	**(4,341,040)**	**(4,319,677)**

Dec-2016	**Iron Ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross Profit	**-**	**-**	**-**	-
Other revenue	-	-	239,141	**239,141**
Exploration and evaluation	-	-	(104,325)	**(104,325)**
Depreciation and amortisation	-	(52,296)	(105,485)	**(157,781)**
Finance costs	-	(15,777)	(821,047)	**(836,824)**
Unrealised foreign exchange loss	-	-	238,710	**238,710**
Central administration costs	-	-	(3,394,863)	**(3,394,863)**
Other expenses from ordinary activities	-	**-**	(453,415)	**(453,415)**
Segment Result	**-**	**(68,073)**	**(4,401,284)**	**(4,469,358)**

Notes to the Annual Financial Statements

25. Segment reporting (continued)

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-2017	**Iron Ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Current assets	20,428	167,783	2,968,086	**3,156,297**
Non-current assets	-	31,528,530	211,494	**31,740,024**
Total Assets	**-**	**31,696,313**	**3,179,581**	**34,896,321**
Current liabilities	-	496,422	5,734,322	**6,230,744**
Non-current liabilities	-	-	698,301	**698,301**
Total Liabilities	**-**	**496,422**	**6,432,623**	**6,929,045**
Net Assets / (Net Liabilities)	**20,428**	**31,199,891**	**(3,253,042)**	**27,967,276**

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	31,649,520	336,108	**31,999,448**
Total Assets	**911,994**	**31,865,046**	**1,830,740**	**34,607,778**
Current liabilities	1,251,633	547,320	813,329	**2,612,282**
Non-current liabilities	212,816	-	731,612	**944,428**
Total Liabilities	**1,464,449**	**547,320**	**1,544,943**	**3,556,710**
Net Assets / (Net Liabilities)	**(552,455)**	**31,317,726**	**285,797**	**31,051,068**

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 2017.

Dec-2017	**Iron ore**	**Gold**	**Corporate/ Unallocated**	**Total**
	$	**$**	**$**	**$**
Other financial assets	-	-	145,661	**145,661**
Exploration and expenditure	-	31,527,599	-	**31,527,599**
Mine development properties	-	-	-	**-**
Property, plant and equipment	-	931	65,833	**66,764**
Total non-current assets	**-**	**31,528,530**	**211,494**	**31,740,024**

Notes to the Annual Financial Statements

25. Segment reporting (continued)

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	-	31,527,899	-	**31,527,899**
Mine development properties	13,820	-	-	**13,820**
Property, plant and equipment	-	203,803	105,266	**309,068**
Total non-current assets	**13,820**	**31,731,702**	**253,927**	**31,999,448**

26. Discontinued Operations

On 1 August 2017 the Company entered into a sale agreement to divest its 100% interest in the Posse Iron Ore Mine with Inter Invest B.P. S/A for BRL 8,005,000 (Undiscounted $3,200,000). The consideration consisted of an upfront payment of BRL 1,000,000 ($399,750), and deferred consideration of BRL 7,005,000 ($2,800,000), comprising 15 equal payments of BRL 467,000 ($186,683) commencing 60 days after 1 August 2017.

Consequently, the Posse operations are reported as a discontinued operation.

As at 1 August 2018, the Group considered the fair value of the deferred consideration to be $nil due to uncertainty in relation to the timing of receipt of payments and recoverability.

As at the date of approval of the financial statements none of the deferred consideration payments due in accordance with the sales agreement have been received, since 11 October 2017. The Group continues to work with the acquirer and intends to enforce their contractual rights under the sales agreement.

The financial performance and cash flow information presented are for the period ended 1 August 2017 and year ended 31 December 2016.

	Consolidated	
	1 August 2017	31 Dec 2016
	$	$
Mineral Revenue	1,622,246	6,179,204
Cost of Sales - direct	(2,730,178)	(7,432,997)
Gross Profit	(1,107,932)	(1,253,793)
Other income		
Depreciation and amortisation	(11,603)	(867,311)
Other expenses from ordinary activities	-	(84,626)
Impairment of non-current assets		(1,665,863)
Loss before income tax	(1,119,535)	(3,871,593)
Income tax expense	38,186	(243,087)
Loss from discontinued operations	(1,081,349)	(4,114,680)

Continued…

Notes to the Annual Financial Statements

26. Discontinued Operations (continued)

	Consolidated	
	1 August 2017 $	**31 Dec 2016 $**
Income tax expense	38,186	(243,087)
Loss from discontinued operations	(1,081,349)	(4,114,680)
Gain on sale of Posse, after income tax	-	-
Reversal of previously recognised impairment	520,002	-
Loss from discontinued operations	(561,347)	(4,114,680)

	Consolidated	
	31 Dec 2017 $	**31 Dec 2016 $**
Net cash outflow from operating activities	(881,506)	(7,014)
Net cash outflow from investing activities	522,524	(74,151)
Net cash outflow from financing activities	-	
Net cash outflow from disposal group	(358,983)	(81,165)

Details of the sale of the subsidiary

Consideration received or receivable:	
Cash	504,810
Receivables	-
Total disposal consideration	504,810
Carrying amount of net assets sold	(504,810)
Gain on sale before income tax	-
Income tax expense on gain	-
Gain on sale after income tax	-

The carrying amount of assets and liabilities as at the date of sale, 1 August 2017 were:

Property, plant and equipment	38,650
Inventories	107,915
Other current assets	245,083
Mine development properties	-
Total assets	**391,648**

Notes to the Annual Financial Statements

26. Discontinued Operations (continued)

	Consolidated 31 Dec 2017 $
Rehabilitation provision	406,840
Total liabilities	**406,840**
Net assets	**(15,192)**
Reversal of previously recognised impairment	520,002
Net assets on disposal post reversal of previously recognised impairment	**504,810**

27. Notes to the statement of cash flows

	Consolidated Dec 2017 $	Dec 2016 $
(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	**2,632,054**	**1,560,782**

(b) Reconciliation of net loss after tax to net cash flows from operating activities

	Dec 2017 $	Dec 2016 $
Net loss	**(4,881,024)**	**(8,584,038)**
Adjustments for:		
Depreciation and amortisation	118,378	1,025,092
Impairment of available-for-sale financial assets	3,000	-
Inventory write down	177,960	1,377,312
Impairment of assets	-	1,665,864
Finance costs	75,000	423,504
Share-based payments	16,409	346,842
Disposal of assets	(64,771)	-
Unrealised exchange (gains)/losses	(383,196)	(1,035,487)
Interest received		-
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	277,853	171,990
Inventory	227,483	523,664
Other current assets	17,969	(148,466)

Notes to the Annual Financial Statements

27. Notes to the statement of cash flows (continued)

	Consolidated	
	Dec 2017 $	**Dec 2016 $**
Increase/(decrease) in liabilities:		
Trade and other payables	1,198,639	(829,340)
Provisions	(505,807)	425,215
Other Liabilities	-	(2,058)
Cash generated/(used) in operating activities	**(3,722,108)**	**(4,612,907)**

Refer to note 2 for details of restatement of 2016 statement of cash flows due to change of accounting policy.

28. Parent Entity

The following table presents the information regarding the parent entity for the year ended 31 December 2017 and the year ended 31 December 2016.

	Dec 2017 $	**Dec 2016 $**
Financial position		
Assets		
Current assets	2,728,396	1,493,501
Non-current assets	21,554,789	23,523,889
Total assets	**24,283,185**	**25,017,390**
Liabilities		
Current liabilities	4,667,491	530,356
Non-current liabilities	-	-
Total liabilities	**4,667,491**	**530,356**
Equity		
Issued capital	78,681,770	75,820,163
Retained earnings	(69,345,932)	(61,560,018)
Reserves		
Option premium reserve	10,223,297	10,206,888
Investment revaluation reserve	17,000	20,000
Other reserve	39,559	-
Total equity	**19,615,694**	**24,487,034**

Notes to the Annual Financial Statements

28. Parent Entity (continued)

Financial performance	Year ended Dec 2017 $	Year ended Dec 2016 $
Loss for the period	(2,950,026)	(3,964,558)
Other comprehensive income	(3,000)	10,000
Total comprehensive income	**(2,953,026)**	**(3,954,558)**

Contingent liabilities of the parent entity

Other than as disclosed at Note 28, the Parent entity is not aware of any other contingent liabilities at the date of this report (2016: nil).

29. 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.

30. Subsequent events

On the 2 March 2018 the Company issued 7,693,846 shares to raise $500,100 (before costs).

On the 5 March 2018 the Company announced the Copulos Group will convert all of funds loaned ($1,500,000), plus accrued interest and establishment fees, to shares in Crusader, at the issue price to be offered by Crusader at the capital raising anticipated in conjunction with the AIM IPO. Such conversion will be subject to the receipt of shareholder approval, which will be sought at the Company's annual general meeting to be held in May 2018.

On the 16 March 2018 the Company announced a proposed cash placement of shares to raise between USD6 million and USD15 million and subsequently list on AIM. Shares are expected to be issued a $0.055 each with a free 1 for 2 attaching option, exercisable at $0.055, expiring in 2 years.

Mr Stephen Copulos has confirmed he intends on stepping down as Chairman and Non-executive director of Crusader on 16 April 2018 following the Company's anticipated admission to AIM. Mr Andrew Vickerman will be appointed as an Independent Non-Executive Director of Crusader, conditional on the AIM admission and will be appointed as Chairman on 16 April 2018.

31. Contingent assets and 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.

At the date of this report a contingent asset existed in relation to deferred consideration from the sale of the Posse Iron Ore Mine. A total of BRL 6,755,000 ($2,702,000) remains outstanding. Refer to note 26, discontinued operations, for further details.

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

M. Engelbrecht
Managing Director

Perth
2 April 2018

Deloitte.

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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 2017, 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.

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 2017 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 $4,881,024 and experienced net cash outflows from operating and investing activities of $4,709,586 during the year ended 31 December 2017, additionally as at that date the Group was in a net current liability position of $3,074,447. 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Exploration and Evaluation Assets and Expenditure As at 31 December 2017 the carrying value of exploration and evaluation assets was $27,955,110 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 by management including: · determining whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment, · 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.	Our work included, but was not limited to: · 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; · assessing evidence of the Group's future intention for the areas of interest, including reviewing future budgeted expenditure and related work programmes; · evaluating whether exploration activities for the areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; · evaluating that the change in accounting policy adopted during the year relating to exploration and evaluation expenditure has been appropriately applied and disclosed in accordance with the requirements of applicable accounting standards; and · testing on a sample basis, exploration and evaluation expenditure incurred during the year. We also assessed the appropriateness of the disclosures in Note 12 of the financial statements.

Gain on disposal of Posse Iron Ore Mine	Our procedures included, but were not limited to:
As disclosed in note 26 to the financial statements, the Group disposed of the Posse Iron Ore Mine in August 2017 for consideration of $3.2 million. Due to uncertainty in relation to the credit risk of the acquirer significant judgement was applied in determining the fair value of the purchase consideration and consequently the gain on the sale of the Posse operations.	· reading the relevant agreements to understand the key terms and conditions, and confirming our understanding of the purchase consideration with management; · evaluating management's process for the determination of the fair value of the consideration; and · assessing correspondence and confirming our understanding with management in relation to offers received from the acquirer and other potential acquirers, for consistency with the fair value judgements made by management. We also assessed the appropriateness of the disclosures in Note 26 of the financial statements.

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 2017, 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.

Responsibilities of the Directors 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 included in pages 12 to 20 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Crusader Resources Limited, for the year ended 31 December 2017, 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

David Newman
Partner
Chartered Accountants
Perth, 2 April 2018

Deloitte.

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

2 April 2018

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 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountant

ADDITIONAL ASX INFORMATION

The additional information dated 29 March 2018 is required by the ASX Limited Listing Rules and is not disclosed elsewhere in this report.

Distribution of Shareholders

	Numbers
1 - 1,000	104
1,001 – 5,000	152
5,001 – 10,000	176
10,001 – 100,000	541
100,001 and over	269
TOTAL	**1,242**

There were 312 holders of less than marketable parcel of ordinary shares.

Twenty Largest Shareholders

Shareholder	Number of Shares	Percentage
HSBC CUSTODY NOM AUST LTD	57,577,670	16.34%
COPULOS SUPER PL	41,280,103	11.71%
CITICORP NOM PL	33,797,692	9.59%
FARJOY PL	30,197,338	8.57%
SUPERMAX PL	14,868,718	4.22%
J P MORGAN NOM AUST LTD	10,526,061	2.99%
SPACETIME PL	8,963,914	2.54%
BNP PARIBAS NOM PL	7,056,723	2.00%
RETZOS EXECUTIVE PL	5,865,528	1.66%
GWYNVILL TRADING PL	4,441,668	1.26%
GUTHRIE CAD/GIS SOFTWARE	3,850,000	1.09%
WESTPARK OPERATIONS PL	3,598,938	1.02%
GUTHRIE CAD/GIS SOFTWARE	3,250,000	0.92%
SHAYDEN NOM PL	2,509,502	0.71%
BLUE BONE ENTPS WA PL	2,488,571	0.71%
VITOR PL	2,340,547	0.66%
SKINK RES PL	2,220,000	0.63%
STEPHEN PAUL R + J A	2,009,495	0.57%
DV01 MECHELLE PL	1,846,367	0.52%
NATIONAL NOM LTD	1,803,000	0.51%
	240,491,835	**68.22%**

Substantial Shareholders

Shareholder	Number of Shares
Copulos Group	68,502,158
Farjoy PL	30,197,338

Unquoted Options

At 28 March 2018, the following unquoted options were on issue:

Grant Date	Number on Issue	Exercise Price	Expiry Date	No. of Holders
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 Option holdings greater than 20% in any class

Option Holder	Exercise Price	Expiry Date	Number
IFC	$0.41	30 June 2018	5,650,000
IFC	$0.41	20 August 2018	1,246,550
Zenix Nominees Pty Ltd	$0.195	23 December 2019	2,500,000
Melshare Nominees Pty Ltd	$0.195	23 December 2019	2,500,000
Zenix Nominees Pty Ltd	$0.26	23 December 2019	2,500,000
Melshare Nominees Pty Ltd	$0.26	23 December 2019	2,500,000
Macquarie Bank Limited	$0.286	31 December 2018	8,741,258
James Beeland Rogers, Jr and Paige Anderson Parker	$0.15	19 May 2023	1,000,000
James Beeland Rogers, Jr and Paige Anderson Parker	$0.20	19 May 2023	1,000,000
James Beeland Rogers, Jr and Paige Anderson Parker	$0.30	19 May 2023	1,000,000

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	948.262/2014	100%
Borborema	805.049/1977	100%
Borborema	840.149/1980	100%
Borborema	840.152/1980	100%
Espinharas	846.128/2005	100%
Espinharas	846.134/2005	100%
Espinharas	846.136/2005	100%
Espinharas	846.140/2005	100%
Espinharas	846.210/2012	100%
Espinharas	846.208/2012	100%
Espinharas	846.209/2012	100%
Juruena	866.294/2013	100%
Juruena	866.513/2013	100%
Juruena	866.247/2011	100%
Juruena	866.578/2006	100%
Juruena	866.086/2009	100%
Juruena	866.079/2009	100%
Juruena	866.081/2009	100%
Juruena	866.082/2009	100%
Juruena	866.084/2009	100%
Juruena	866.778/2006	100%
Juruena	866.105/2013	100%
Juruena	866.934/2012	100%
Juruena	866.531/2015	100%
Juruena	866.532/2015	100%
Juruena	866.533/2015	100%
Juruena	866.534/2015	100%
Juruena	866.535/2015	100%
Juruena	866.537/2015	100%
Juruena	866.538/2015	100%
Juruena	866.085/2009	100%
Juruena	866.080/2009	100%
Juruena	866.632/2006	100%
Juruena	866.633/2006	100%
Juruena - Novo Astro	867.246/2005	100%
Manga	860.057/2016	100%
Mara Rosa	860.957/2012	100%
Mara Rosa	860.958/2012	100%
Mara Rosa	860.959/2012	100%
Seridó	848.093/2013	100%
Seridó	848.055/2015	100%
Seridó	848.281/2014	100%
Seridó	846.130/2012	100%
Seridó	846.131/2012	100%

Location	Description	Ownership
Seridó	846.313/2012	100%
Seridó	846.316/2012	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	846.502/2011	100%
Seridó	846.503/2011	100%
Seridó	846.504/2011	100%
Seridó	846.505/2011	100%
Seridó	848.011/2015	100%
Seridó	848.208/2016	100%
Seridó	848.007/2015	100%
Seridó	848.804/2011	100%
Seridó	846.158/2011	100%
Seridó	846.227/2011	100%