Centaurus Metals Limited ABN 40 009 468 099

And its controlled entities

Annual Financial Report

31 December 2014

Contents

CentaurusMetals Limited

Corporate Directory

Directors

Mr D M Murcia AM, B.Juris, LL.B
Non-Executive Chairman

Mr D P Gordon B.Bus, CA, FFin, AGIA, MAICD
Managing Director

Mr P E Freund FAusIMM(CP), F.AIM
Non-Executive Director

Mr M D Hancock B.Bus, CA, FFin
Non-Executive Director

Secretary

Mr J W Westdorp B.Bus, CPA, MAICD
Chief Financial Officer/Company Secretary

Share Registry

Advanced Share Registry Limited
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Nedlands WA 6009
Telephone: (08) 9389 8033

Auditors

KPMG
Chartered Accountants
235 St Georges Terrace
Perth WA 6000

Bankers

Australia

National Australia Bank
1232 Hay Street
West Perth WA 6005

Brazil

Banco Bradesco
ag: 2946. c/c:74404-2
Endereço: Rua da Bahia, 951 – 5º andar
Belo Horizonte, MG
Cep: 30130-008

Stock Exchange Listing

Centaurus Metals Limited shares are
listed on the Australian Securities Exchange
Ordinary fully paid shares
(ASX code: CTM)

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Directors' Report

Your directors present their report on the Consolidated Entity ("Group") consisting of Centaurus Metals Limited ("Centaurus" or "the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2014 together with the consolidated financial report and review report thereon.

1 Directors

The directors of the Company at any time during or since the end of the year are:

- D M Murcia Independent Non- Executive Chairman
- D P Gordon Managing Director
- P E Freund Non-Executive Director
- M Hancock Non-Executive Director
- R G Hill Independent Non-Executive Director (resigned 4 July 2014)
- S Zaninovich Independent Non-Executive Director (resigned 4 July 2014)

Unless otherwise disclosed, all directors held their office from 1 January 2014 until the date of this report.

2 Directors and Officers

Mr Didier M Murcia, AM, B.Juris, LL.B
Non-Executive Chairman, Age 52

Experience and Expertise
Independent non-executive director appointed 16 April 2009 and appointed Chairman 28 January 2010. Lawyer with over 25 years legal and corporate experience in the mining industry. He is currently Honorary Australian Consul for the United Republic of Tanzania. He is Chairman and founding director of Perth-based legal group MPH Lawyers.

Other Directorships
During the last three years Mr Murcia held directorships in the following ASX listed companies:

- Cradle Resources Limited (appointed 13 August 2013)
- Alicanto Minerals Limited (appointed 30 May 2012)
- Gryphon Minerals Limited (appointed 28 July 2006)
- Rift Valley Resources Limited (appointed 22 November 2010, resigned 4 June 2013)

Special Responsibilities

- Chairman of the Board
- Chairman of the Remuneration Committee

Mr Darren P Gordon, B.Bus, CA, FFin, AGIA, MAICD
Managing Director, Age 43

Experience and Expertise
Managing Director appointed 4 May 2009. Chartered Accountant with over 20 years resource sector experience as a senior finance and resources executive. Former Chief Financial Officer for Gindalbie Metals Limited.

Special Responsibilities

- Managing Director

Mr Peter E Freund, FAusIMM(CP), F.AIM
Non-Executive Director, Age 68

Experience and Expertise
Former Operations director appointed 28 January 2010 until 11 July 2014 when he assumed a non-executive directors role. Mechanical Engineer with 40 years operational and project development experience in the mining industry with expertise in all aspects of iron ore mining, processing and other steel-making minerals. Former General Manager of the Karara Joint Venture between Gindalbie Metals Limited and Ansteel.

Special Responsibilities

- Member of the Remuneration Committee

Mr Mark D Hancock, B.Bus, CA, FFin
Non-Executive Director, Age 46

Experience and Expertise
Non-executive director appointed 23 September 2011. Currently Chief Commercial Officer at Atlas Iron Limited. Over 20 years experience in senior financial roles across a number of leading companies in Australia and South East Asia, including Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil Plc.

Other Directorships
During the last three years Mr Hancock held directorships in the following ASX listed companies:
- Atlas Iron Limited (appointed 25 May 2012, resigned 2 December 2014)

Special Responsibilities
- Member of the Remuneration Committee

Mr Richard G Hill, B.Juris, LLB., BSc (Hons), FFin
Non-executive Director (resigned 4 July 2014), Age 46

Experience and Expertise
Independent non-executive director appointed 28 January 2010. Geologist and Solicitor with nearly 20 years experience in the mining industry. Founder of two ASX-listed mining companies. Managing Director of Strandline Resources Ltd.

Other Directorships
During the last three years Mr Hill held directorships in the following ASX listed companies:
- Strandline Resources Ltd (appointed 23 October 2014)
- Genesis Minerals Ltd (appointed 13 February 2013)
- YTC Resources Limited (appointed 28 April 2006, resigned 11 July 2012)

Mr Steven E Zaninovich, B.E Civil
Non-executive Director (resigned 4 July 2014), Age 46

Experience and Expertise
Independent non-executive director appointed 10 January 2013. Civil Engineer with over 20 years experience in mine development and construction predominately in overseas locations. Currently the Chief Operating Officer of ASX Listed Gryphon Minerals Ltd.

Other Directorships
Gryphon Minerals Ltd (appointed 28 January 2010, resigned 22 May 2012 to take up Chief Operating Officer role).

Mr John W Westdorp, B.Bus, CPA, MAICD
Chief Financial Officer & Company Secretary, Age 51

Experience and Expertise
Mr Westdorp was appointed as Chief Financial Officer on 3 December 2012. Mr Westdorp is a Certified Practicing Accountant. He has over 20 years' experience and was previously the Chief Financial Officer of Murchison Metals Ltd. Mr Westdorp was appointed Company Secretary on the 11 July 2014.

Special Responsibilities
- Chief Financial Officer
- Company Secretary

3 Directors Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2014 and the number of meetings attended by each director were:

	Meetings of Directors		Meetings of Committees			
			Audit & Risk Committee(1)		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
Mr D M Murcia	11	11	n/a	n/a	1	1
Mr D P Gordon	11	11	n/a	n/a	n/a	n/a
Mr P E Freund	11	11	n/a	n/a	1	1
Mr R G Hill	6	6	1	1	n/a	n/a
Mr M D Hancock	11	11	1	1	1	1
Mr S E Zaninovich	6	6	1	1	n/a	n/a

Held – denotes the number of meetings held during the time the director held office or was a member of the committee during the year.

(1) Subsequent to the restructure of the Board of Directors the Company does not have a formal Audit & Risk Committee. This function is performed by the full Board.

The Company does not have a formal Nomination Committee. This function is performed by the full Board.

4 Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. Disclosure is made at the end of this statement of areas of non-compliance with the recommendations.

Further details of the various charters, policies, codes and procedures that document the Company's corporate governance practices are set out in the Company's website at www.centaurus.com.au.

4.1 Board of Directors

Board Role and Responsibilities

The Board has approved a formal Board Charter which details the Board's role, composition and responsibilities. The Charter is available from the corporate governance information section of the Company's website at www.centaurus.com.au.

The central role of the Board is to approve the strategic direction of the Company, to guide and monitor the Management of the Company in achieving its strategic plans and to oversee overall good corporate governance.

The Board has delegated to the Managing Director all powers to manage the day-to-day business of the Company, subject to those powers reserved to the Board and any specific delegations of authority approved by the Board. The Managing Director is supported by the senior management team in the day-to-day management of the Company.

Board Composition, Size and Structure

The Board is responsible for determining an appropriate mix of skills, knowledge, experience, expertise and diversity on the Board. The number of directors on the board shall be determined in accordance with the Company's Constitution and the requirements of the Corporations Act. The Board shall consist of a majority of non-executive directors. Where practical, at least half of the Board shall consist of independent directors who satisfy the criteria for independence. The Board periodically reviews its composition and the duration of terms served by the directors.

Details of the members of the Board, their skills, experience, expertise, qualifications, term of office and independence status are set out in the Directors' Report under the heading "Directors and Officers" (section 2). There are two independent non-executive directors, one executive director and one non independent non-executive director at the date of signing the Directors' Report.

The Board considers that collectively the directors have the range of skills, knowledge and experience necessary to direct the Company.

Selection and Appointment of New Directors

When the need for a new director is identified, the Board reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent research consultants.

When considering new candidates for nomination, the Board takes into account:

- the candidate's competence and qualifications;
- independence;
- the range of skills, experience and expertise on the Board to identify the skills that will best increase the effectiveness of the Board;
- the candidate's ability to devote the time required by a director to effectively undertake his or her responsibilities; and
- the extent to which the candidate is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of the Company.

Directors' Independence

The Board has adopted specific principles in relation to directors' independence and these are set out in its Charter. An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The names of the directors considered to be independent are set out in the Directors' Report.

Term of Office

The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

Responsibilities of Management

The Board Charter sets out the responsibilities of management and details are available on the Company's website.

Independent Professional Advice

The Board, Board Committees or individual directors may seek independent external professional advice as considered necessary at the Company's expense, subject to prior consultation with the Chairman. A copy of any such advice received will be made available to all members of the Board.

Director and Executive Education

The Group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Performance Assessment of the Board and Senior Management

The Board is responsible for undertaking an annual evaluation process to review its performance and that of its Committees. The evaluation process includes a self-assessment questionnaire to review performance attributes. The most recent review of the Board was conducted in June 2014. The next Board performance review will be undertaken during 2015.

The performance of senior management is assessed annually by the Managing Director. Performance is measured against established targets specific to the individual role and responsibilities of each person. Senior management performance evaluations have been conducted by the Managing Director for the financial year ended 31 December 2014.

Board Committees

The Board may from time to time establish and delegate any powers to a Committee of the Board in accordance with the Company's Constitution. The Board is responsible for approving and reviewing the charter terms and membership of each Committee established by the Board.

The Board has established a Remuneration Committee.

The Board has not established an Audit Committee or a Nomination Committee. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Audit or Nomination Committee.

All non-executive directors shall be entitled to attend meetings of Board Committees where there is no conflict of interest.

4.2 Remuneration Committee

The Remuneration Committee operates in accordance with its Charter which is available on the Company's website. The role of the Committee is to review and assist the Board in developing the Company's remuneration, recruitment, retention and termination policies. The members of the Committee are appointed by the Board.

The Committee shall consist of at least three non-executive directors, consisting of a majority of independent directors. The Chairman of the Committee should be an independent director. All persons appointed to the Committee should have sufficient professional expertise, knowledge and understanding to allow them to discharge their duties.

Remuneration consultants are required to be appointed by, and report directly to, the Committee. The Committee will ensure the remuneration consultant is sufficiently independent.

The Committee will meet as frequently as necessary, but at least once a year, in order to carry out the responsibilities of the Committee. Any Committee member may convene a meeting of the Committee.

The Committee may extend an invitation to any person to attend all or part of any meeting which it considers appropriate. The Committee may meet with external advisers, any executive or other employee, any other non-executive director, and may do so with or without the presence of management.

If any such person has a material personal interest in a matter being considered that person must not be present when that matter is being considered.

All Board members wishing to attend are entitled to be present at Committee Meetings (except in circumstances where there is a conflict of interest). The Managing Director and Company Secretary will normally be invited to attend meetings.

The Chairman of the Committee will report to the Board, at the following Board meeting, on the proceedings of each meeting of the Committee, bringing forward all recommendations of the Committee which require Board endorsement or approval. A copy of Committee papers should be circulated to all Directors who are not members of the Committee.

The Company's remuneration policy consists of:

- a clear distinguished structure of non-executive remuneration from that of executive directors and senior management;
- balancing the Company's desire to attract and retain personnel against its interest in not paying excessive remuneration;
- providing an appropriate balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and goals;
- motivating personnel to pursue the long term growth and success of the Company; and
- demonstrating a clear relationship between personnel performance and remuneration.

Further information on directors' and executives' remuneration is set out in the Remuneration Report. Details of the qualifications of directors of the Remuneration Committee and their attendance at Committee meetings are set out in the Directors' Report.

4.3 Remuneration Report – Audited

4.3.1 Principles of Remuneration

The primary objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward and governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linked executive compensation;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation to ensure:

(i) Alignment to shareholders' interests:

- focuses on the creation of shareholder value and returns; and
- attracts and retains high calibre executives.

(ii) Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards;
- provides recognition for contribution; and
- seeks to retain experienced and competent individuals in key executives roles

The remuneration framework currently consists of base pay, cash incentive bonuses and long-term incentives through participation in the Employee Share Option Plan and/ or the Performance Share Plan.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, the Group was involved in mineral exploration and pre-development activities and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly in addition to being influenced by broader market factors.

The performance of the Group in respect of the current period and the previous four financial years is set out below:

	2014 $	2013 $	Dec 2012 $	June 2012 $	June 2011 $
Net Loss	(10,460,299)	(32,714,987)	(9,125,800)	(20,783,843)	(12,204,218)
Change in share price	($0.15)	($0.13)	($0.11)	($0.20)	$0.064
Market capitalisation at year end	$12.2 million	$39.2 million	$64.6 million	$58.7 million	$68 million
Iron Ore Price (USD/tonne) CFR China 62% Fe at relevant year end date	71.75	134.75	144.50	135.25	170.75

During the years stated above, there were no returns of capital made by the Company to shareholders and no dividends paid.

During the year financial year ended 31 December 2014, no salary or fee increases were awarded to non-executive directors, executive directors or executives of the Company.

The executive pay and reward framework has four components:

- base pay and benefits;
- short term incentives in the form of cash bonuses based on achievement of milestones;
- long term incentives through participation in the Employee Share Option Plan and/ or the Performance Share Plan; and
- other remuneration such as superannuation.

The combination of these components comprises the executive's total remuneration.

Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's remuneration is competitive with the market. An executive's base pay is also reviewed on promotion. There are no guaranteed base pay increases included in any senior executive contracts.

Incentives – Cash Bonuses

The Board may pay discretionary cash bonuses or offer performance based incentives. When offered, bonus amounts are pre-determined and are based on achievement of milestones relevant to the Company's strategic objectives. No cash bonuses were offered or paid for the year ended 31 December 2014.

Expatriate Benefits

Expatriate executives located in Brazil receive benefits including housing, relocation costs and return travel. The Company's focus is to minimise the number of executives on expatriate arrangements. Currently the Company has one expatriate employee.

Retirement Benefits

In accordance with regulatory requirements, Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

Long Term Incentives – Options and Performance Rights

Long term incentives comprising share options and performance rights are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth. Options and performance rights are granted for no consideration and do not carry voting or dividend entitlements. Information on share options and performance rights granted during the year is set out in section 4.3.4.

Short Term Incentive Plan

No new STIs were offered in the year ended 31 December 2014. There are no short term incentives in place as at the date of this report.

Employment Agreements

Remuneration and other terms of employment for executives are formalised in employment agreements. The agreements provide for the provision of other benefits and participation, when eligible, in the Employee Share Option Plan and Performance Share Plan.

Other major provisions of the agreements relating to remuneration are set out below:

D P Gordon – Managing Director

- Term of agreement – commenced on 4 May 2009. Mr Gordon may terminate the agreement by giving 6 months notice. The Company may terminate the agreement by giving 12 months notice.
- Base salary, exclusive of superannuation during the year ended 31 December 2014 was $400,000. Base salary is reviewed annually. Subsequent to year end base salary has been reduced to $360,000 effective from 1 April 2015. Provision of four weeks annual leave.
- Long Term Incentive Performance Rights – subject to shareholder approval, performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.
- Long Term Incentive Options– subject to shareholder approval, options are issued under the Company's Employee Share Option Plan with vesting conditions based on performance conditions.

J W Westdorp – Chief Financial Officer

- Term of agreement – commenced on 3 December 2012 with no set term. Mr Westdorp or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, exclusive of superannuation is $325,000 effective from 1 July 2014, reviewed annually. Provision of four weeks annual leave.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production and market capitalisation targets.
- Long Term Incentive Options – subject to shareholder approval, options are issued under the Company's Employee Share Option Plan with vesting conditions based on service conditions.

P E Freund – Operations Director (resigned 11 July 2014)

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Freund or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is $400,000 effective from 1 July 2013, reviewed annually. Provision of four weeks annual leave.
- Expatriate benefits including accommodation, relocation expenses and tax equalisation are provided for living in Brazil.

Non- Executive Directors

Fees and payments to non-executives reflect the demands which are made on, and the responsibilities of, the directors. Non-Executive directors' fees and payments are reviewed at least annually by the Board. The Chairman's fees are determined independently to the fees of non-executive based on comparative roles in the external market.

Non-executive directors' remuneration consists of set fee amounts and statutory superannuation. The level of fees for Non-Executive directors during the year was $60,000 per annum and $90,000 per annum for the Non-Executive Chairman. The current base remuneration has recently been adjusted with effect from 1 April 2015. The level of fees for Non-Executive directors is set at $40,000 per annum and $60,000 per annum for the Non-Executive Chairman. Directors do not receive additional committee fees. Non-Executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at $400,000. There is no provision for retirement allowances for Non-Executive directors.

Non-Executives are eligible to be granted options and performance rights to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group. There have been no new grants of performance rights or options to Non-Executives during the year. Prior to issuing incentives the Board considers whether the issue is reasonable in the circumstances. In the past incentives have been offered to assist the Company in attracting and retaining the highest calibre of Non-Executive, whilst maintaining the Group's cash reserves.

4.3.2 Directors' and Executive Officers' Remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the named Company executives and other key management personnel of the Group are:

	Short Term Benefits		Post-employment Benefits		Long Term Benefits	Share- based Payments[4]			
Year Ended 31 December 2014	Salary & Fees $	Other Benefits[2] $	Super-annuation $	Redundancy Benefits $	Long Service Leave[3] $	Options and Rights $	Total $	S300A(1)(e)(i) Proportion of Remuneration Performance Related[5] %	S300A(1)(e)(vi) Value of Options and Rights as Proportion of Remuneration %
Non- Executive Directors									
Mr D M Murcia	90,000	-	-	-	-	-	90,000	-	-
Mr P E Freund[1]	26,062	-	2,476	-	-	-	28,538	-	-
Mr M D Hancock	60,000	-	-	-	-	-	60,000	-	-
Mr R G Hill (resigned 4 July 2014)	27,460	-	2,540	-	-	-	30,000		
Mr S E Zaninovich (resigned 4 July 2014)	30,000	-	-	-	-	-	30,000	-	-
Executive Directors									
Mr D P Gordon	400,000	23,736	25,000	-	53,260	34,567	536,563	6.4%	6.4%
Mr P E Freund[1]	254,115	22,830	23,701	182,649	-	-	483,295	-	-
Executives									
Mr J W Westdorp	325,000	18,750	25,000	-	-	73,722	442,472	16.7%	16.7%
Total	1,212,637	65,316	78,717	182,649	53,260	108,289	1,700,868		

(1) Effective of 11 July 2014 Mr P E Freund stepped down from his executive position but remains on the Board as a non-executive Director.

(2) Other benefits include annual leave entitlements, measured on an accrual basis, and reflects the movement in entitlement over the 12 month period and non-cash benefits and expatriate benefits for executives located in Brazil.

(3) Relates to pro rata long service leave which has been recorded as a provision for the first time during the year.

(4) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The fair value of the rights is calculated using the 5 day volume weighted average share price prior to date of grant. The value disclosed is the portion of the fair value of the options and rights recognised in this reporting period.

(5) The vesting of performance rights and options is conditional on the achievement of future targets which if not achieved will result in the forfeiture of the related rights or options. The proportion of performance related remuneration consists of short term incentives and long term incentives. The percentages disclosed include the value of options and performance rights expensed during the year in accordance with Australian Accounting Standards. Details of the vesting conditions related to the options and rights have been disclosed in section 4.3.4.

Year Ended 31 December 2013	Short Term Benefits Salary & Fees $	Short Term Benefits Other Benefits[(1)] $	Post-employment Benefits Super-annuation $	Share- based Payments[(2)] Options and Rights $	Total $	S300A(1)(e)(i) Proportion of Remuneration Performance Related[(3)] %	S300A(1)(e)(vi) Value of Options and Rights as Proportion of Remuneration %
Non- Executive Directors							
Mr D M Murcia	90,000	-	-	11,482	101,482	-	11.3%
Mr R G Hill	54,920	-	5,080	-	60,000	-	-
Mr M D Hancock	60,000	-	-	-	60,000	-	-
Mr S E Zaninovich (appointed 10 January 2013)	58,692	-	-	-	58,692	-	-
Ms S Lyons (resigned 12 April 2013)	16,667	-	-	-	16,667	-	-
Mr K G McKay (resigned 10 January 2013)	1,694	-	152	-	1,846	-	-
Executive Directors							
Mr D P Gordon	400,000	5,514	25,000	(96,209)	334,305	-	-
Mr P E Freund	375,000	30,795	25,000	(36,647)	394,148	-	-
Executives							
Mr J W Westdorp	325,000	-	25,000	37,034	387,034	9.5%	9.5%
Total	1,381,973	36,309	80,232	(84,340)	1,414,174		

(1) Other benefits include non-cash benefits and expatriate benefits for executives located in Brazil.

(2) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The fair value of the rights is calculated using the 5 day volume weighted average share price prior to date of grant. The value disclosed is the portion of the fair value of the options and rights recognised in this reporting period. During the year performance rights were forfeited due to failure to meet vesting conditions. Share based payment expenses in relation to these performance rights and options were reversed during the period. In addition a number of unvested options and performance rights are not expected to vest due to the revised development strategy for the Jambreiro Project and the expected timeframe required to develop an economic export business for the Project. Share based payment expenses in relation to these performance rights and options which are not expected to vest were reversed during the period.

(3) The vesting of performance rights and options is conditional on the achievement of future targets which if not achieved will result in the forfeiture of the related rights or options. The proportion of performance related remuneration consists of short term incentives and long term incentives. The percentages disclosed include the value of options and performance rights expensed during the year in accordance with Australian Accounting Standards. Details of the vesting conditions related to the options and rights have been disclosed in section 4.3.4

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4.3.3 Analysis of Bonuses

There were no cash bonuses awarded as remuneration to directors or other key management personnel of the Company during the year or the prior year. There were no unvested cash bonuses as at 31 December 2014. Unvested cash bonuses as at 31 December 2013 were forfeited during the year.

4.3.4 Equity Instruments

A Performance Share Plan (PSP) was adopted by the Board on 23 July 2012 and was approved by shareholders on 31 August 2012. Under the PSP, the Board may from time to time in its absolute discretion grant performance rights to eligible persons including executives and employees, subject to such terms and conditions as the Board determines. Performance rights are, in effect, options to acquire unissued shares in the Company, the exercise of which is subject to certain performance milestones and remaining in employment during the vesting period. Performance rights are granted under the PSP for no consideration and are granted for a period not exceeding 5 years. The performance rights will only vest into shares if the performance conditions relating to the targets are met.

Options are granted under the Employee Share Option Plan (ESOP) which was approved by shareholders at the 2013 annual general meeting. Eligibility to participate in the ESOP (including participation by Executive and Non-Executive directors) is determined by the Board in its absolute discretion. Where provided, options granted under the ESOP are for no consideration and are granted for a period of up to 5 years. The vesting and exercise conditions of options granted are also determined by the Board in its absolute discretion. Employees must remain in employment during the vesting period. Options may also be granted by the Company outside of the ESOP, but under similar terms and conditions.

The Group has a policy that prohibits directors and employees who are granted share options and performance rights as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases.

Rights over Equity Instruments Granted as Compensation

Details on options and rights over ordinary shares in the Company that were granted as remuneration to each key management personnel during the reporting period and details of options and rights that vested during the period are detailed below. On 5 September 2014 the Board announced that it had agreed to issue the Managing Director, Mr Darren Gordon, share options and performance rights as part of his remuneration arrangements. The issue was subject to shareholder approval. The Board and Mr Gordon have subsequently agreed to cancel the issue and will not seek shareholder approval. There were no rights that vested during the reporting period.

Analysis of Rights over Equity Instruments Granted as Compensation

Details of vesting profiles of the rights held by each key management person of the Group are detailed below:

PERFORMANCE RIGHTS	Number Of Performance Rights Issued	Grant Date	Fair value per right at grant date	% Vest In Year	% Forfeited In Year	Financial Year In Which Grant Vests
Directors						
Mr D Gordon	400,000	31/08/12	$0.2853	-	-	2015(1)
Mr P Freund	300,000	23/11/12	$0.3000	-	100%	-
Executives						
Mr J Westdorp	200,000	03/12/12	$0.2926	-	-	2015(1)
	200,000	03/12/12	$0.2926	-	-	2016(2)
	300,000	25/08/14	$0.0770	-	-	2015(3)
	200,000	25/08/14	$0.0770	-	-	2015(4)

Performance rights have a nil exercise price.

(1) Performance rights vest on first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2015.

(2) Performance rights vest on market capitalisation exceeding $500 million by 30 June 2016.

(3) Performance rights vest on first sale of Iron Ore from any of the Company's current or future Brazilian Projects on or before 30 April 2015.

(4) Performance rights vest on a decision to mine in respect the Jambreiro Project by 30 June 2015.

Analysis of Options over Equity Instruments Granted as Compensation

Details of vesting profiles of the options granted as remuneration to key management personnel of the Group are detailed below:

OPTIONS	Number Of Options Issued	Grant Date	Expiry Date	Exercise Price	Fair value per option at grant date	% Vest In Year	% Forfeited In Year	Financial Year In Which Grant Vests
Executive Director								
Mr D Gordon	125,000	31/03/10	31/03/15	$0.6400	$0.5360	-	-	2015(1)
	125,000	31/08/10	31/03/15	$0.6400	$0.5360	-	-	2015(2)
Executives								
Mr J Westdorp	250,000	25/08/14	31/08/18	$0.1250	$0.0450	100%	-	
	250,000	25/08/14	31/08/18	$0.1250	$0.0450	-	-	2016(3)
	500,000	25/08/14	31/08/18	$0.1250	$0.0450	-	-	2017(3)

(1) Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil.

(2) Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 250,000 tonnes per month over a consecutive 3 month period.

(3) Options vested on completion of service conditions.

Exercise of Options Granted as Compensation

There were no shares issued on exercise of options which were previously granted as compensation to key management personnel.

Options and Rights Over Equity Instruments

The movement during the reporting period, by *number* of rights and options over ordinary shares in Centaurus Metals Limited held, directly, indirectly and beneficially, by each key management person, including their related parties, is as follows:

	Held 1 January 2014	Granted as Compensation	Exercised	Other Changes[(2)]	Held 31 December 2014	Vested During the Period	Vested and Exercisable 31 December 2014
Directors							
Mr D M Murcia	312,500	-	-	(187,500)	125,000	-	125,000
Mr D P Gordon	1,150,000	-	-	(500,000)	650,000	-	-
Mr P E Freund	2,300,000	-	-	(2,300,000)	-	-	-
Mr M Hancock	-	-	-	-	-	-	-
Mr R G Hill[(1)]	187,500	-	-	(187,500)	-	-	-
Mr S E Zaninovich[(1)]	-	-	-	-	-	-	-
Executives							
Mr J Westdorp	400,000	1,500,000	-	-	1,900,000	250,000	250,000

(1) Resigned 4 July 2014

(2) Other changes represent options that expired or were forfeited during the year.

Analysis of Movements in Options and Rights

The movement during the reporting period, by *value*, of options and rights over ordinary shares in the Company held by each director, key management person and each of the Company executives and relevant Group executives is detailed below:

	Value Of Options Granted $(A)	Value Of Performance Rights Granted $(B)	Value Of Options Exercised In Year $(C)	Value Of Options Lapsed In Year $(D)	Value Of Performance Rights Lapsed In Year $(E)
Director					
Mr D M Murcia	-	-	-	-	-
Mr D P Gordon	-	-	-	-	-
Mr P E Freund	-	-	-	-	21,000
Mr R G Hill	-	-	-	-	-
Executives					
Mr J W Westdorp	44,592	38,394	-	-	-

(1) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(2) The value of performance rights granted in the period is the fair value calculated using the 5 day volume weighted average share price prior to grant date. This amount is allocated to remuneration over the vesting period.

(3) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(4) The value of unvested options that lapsed during the year represents the benefit forgone and is calculated at the date the options lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved. The value of the Options which lapsed during the year is nil as the options were out of the money.

(5) The value of unvested performance rights that lapsed during the year represents the benefit forgone and is calculated based on the share price at the date the performance rights lapsed assuming the performance criteria had been achieved.

4.3.5 Key Management Personnel Transactions

Loans to Key Management Personnel and Their Related Parties

No loans have been made to directors or other key management personnel of Centaurus Metals Limited or the Group.

Key Management Personnel and Director Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction Value		Balance Outstanding As At	
		2014	2013	**2014**	2013
Key Management Person	**Transaction**	**$**	$	**$**	$
Mr D M Murcia[1]	Legal fees	**25,335**	28,691	**-**	-
Total and current liabilities				**-**	-

(1) Payable to MPH Lawyers, a firm in which Mr D Murcia is a partner.

Shareholdings of Key Management Personnel

The movement during the reporting period of ordinary shares in Centaurus Metals Limited held, directly, indirectly and beneficially, by each key management person, including their related parties, is as follows:

	Held 1 January 2014	Purchases	Received on Exercise of Options	Sales	Other[2]	Held at 31 December 2014
Director						
Mr D M Murcia	1,613,405	120,000	-	-		1,733,405
Mr D P Gordon	6,769,791	120,000	-	-		6,889,791
Mr P E Freund	25,000	40,000	-	-		65,000
Mr M Hancock	33,333	120,000	-	-		153,333
Mr R G Hill[1]	1,569,430	-	-	-	(1,569,430)	-
Mr S E Zaninovich[1]	6,250	-	-	-	(6,250)	-
Executives						
Mr J Westdorp	-	-	-	-	-	-

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arms length.

(1) Resigned 4 July 2014.

(2) Other changes represent balances held on resignation.

4.4 Audit & Risk Committee

Following the restructure of the Board of Directors on 4 July 2014 the responsibilities of the Audit & Risk Committee were assumed by the full Board. The Board is responsible for overseeing the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures, and the internal audit (if and when appointed) and external audit functions.

The Board has ensured that the Managing Director and Chief Financial Officer have provided the following written declarations prior to the sign-off of the annual financial reports:

- that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year comply with accounting standards and present a true and fair view of the Group's financial position and operational results; and
- the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board is responsible for monitoring the Company's external auditor relationship.

The Company appoints as external auditor an internationally recognised and respected accountancy firm which has clearly demonstrable audit quality processes and resources to carry out the assignment and who is independent from the Company.

The external auditor is required to provide an annual declaration of independence to the Board. The external auditor is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The external auditor is required to rotate the audit and review partners at least once every five years. A previous audit partner should not be involved in the Company's audit for at least two years subsequent.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 31 to the financial statements.

4.5 Risk Management

The Company recognises that risk is inherent to its business and effective management of risk is essential for the achievement of the Company's objectives and to sustainable success. Successful risk management can enhance opportunities, reduce threats and maximise competitive advantage.

The objective of the Company's risk management system is to provide a consistent process for the recognition and management of risks across its business. The success of the Company's risk management system lies in the responsibility placed on everyone at all levels to proactively identify, manage, review and report on risks relating to the objectives they are accountable for delivering.

The Company applies a structured approach to identifying key areas of business risk which include strategic, health and safety, environment, human capital, finance, technology, reputation and brand, legal and compliance, and social and cultural risks.

At a strategic level, the Board undertakes periodic reviews of strategic and corporate risks facing the Company. The Board may use the services of external risk management consultants in these reviews. At an operational level, senior management conduct regular reviews of operational risks. These reviews may include participation by the Company's key service providers and external risk management consultants.

A risk register is developed from the risk reviews. The risk register includes details of the risks identified, qualitative risk assessment and the risk response plan. A consolidated report of key strategic, corporate and operational risks and the appropriate management strategies is prepared and presented to the Board.

The Company's risk profile may change over time. Part of the process of regular reviews of existing risks is to identify new and emerging risks. Due to the size and nature of the Company, an internal audit function has not been established or internal audit review conducted. The Board oversees the processes by which risks are managed. This will include the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management.

The Managing Director and Chief Financial Officer are required to state to the Board in writing that the declaration relating to the integrity of the Company's financial statements is founded on a sound system of risk management and that the system is operating in all material respects in relation to financial reporting risks.

Senior management is responsible for the design and implementation of the risk management system to manage the Company's risks and report to the Board whether those risks are being effectively managed.

4.6 Ethical Standards

Code of Conduct

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is available on the Company's website. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity. In summary, the Code requires that at all times, all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies.

Securities Trading Policy

The Company has adopted a Securities Trading Policy which is available on the Company's website. The Policy applies to executive and non-executive directors, full-time, part-time and casual employees, and contractors, consultants and advisers of the Company. Additional trading restrictions apply to directors and senior managers who report directly to the Managing Director.

The Policy prohibits dealings in the Company's securities when in possession of price-sensitive information that is not generally available to the market.

Directors and employees must not partake in short-term trading of the Company's securities which is defined as less than a 30-day period. Directors and senior managers are prohibited from trading in the Company's securities during the following blackout periods:

- 1 week prior to the release of annual and half yearly accounts to the ASX;
- 1 week prior to the release of the quarterly results announcement to the ASX; and
- 2 business days after the release of any ASX announcement.

Trading during blackout periods may only be permitted with prior approval of the Chairman where there are exceptional circumstances (such as severe financial hardship) and the director or senior manager is not aware of inside information.

Before trading in the Company's securities during periods outside of the Blackout Periods (if permitted by the Policy), directors and senior managers must comply with the following:

- Directors must advise the Chairman prior to any proposed trading; and
- In the case of the Chairman and senior managers, the Managing Director and Company Secretary must be advised.

Directors must notify the Company Secretary promptly of sufficient details of any trading to enable notice to be filed in accordance with the ASX Listing Rules within 5 business days of the trading.

Before any director or senior manager enters into a loan arrangement (for example margin lending) whereby the Company's securities are mortgaged, provided as security, lent or charged to a financier, they must comply with the following:

- Directors must seek approval from the Chairman; and
- In the case of the Chairman and senior managers, approval from the Managing Director is required.

Directors and senior managers must also inform the Company Secretary of all loan arrangements affecting the Company's securities. This includes the creation, variation or discharge of security arrangements.

Directors and employees participating in an equity-based incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Anti-Bribery & Corruption Policy

The Company has an established Anti-Bribery & Corruption Policy which is available on the Company's website.

The Company is committed to operating in a manner consistent with the laws of the jurisdictions in which it operates, including those relating to anti-bribery and corruption. Honesty, integrity and fairness are considered integral to the way the Company operates, and conduct associated with bribery and corruption is inconsistent with these values.

The Company has a strict policy which forbids its personnel, suppliers and all third parties with whom the Company transacts from engaging in any activity that constitutes bribery or corruption. The Company strictly prohibits the payment, offer or authorisation of a bribe, as well as the receipt or acceptance of a bribe.

The Anti-Bribery and Corruption Policy sets out the Company's policy requirements and procedures to ensure compliance with applicable anti-bribery and anti-corruption laws. A breach of the Policy is a serious matter which will be investigated and addressed by the Company.

Disciplinary action will be taken against any personnel who breach the Policy. This includes failure to report breaches of the Policy. The action taken will depend on the severity of the breach but may include:

- reprimands;
- formal warnings;
- demotions; and
- termination of employment or engagement arrangements.

In the case of third parties to whom the Policy also applies, the Company will terminate its relationship with a third party who has been found to breach the Policy.

4.7 Continuous Disclosure and Shareholder Communication

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

These policies and procedures also include the arrangements the Group has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Managing Director and Chairman, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website prior to the presentation being made. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Group seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, media briefings, details of Company meetings, press releases, and financial reports are available on the Company's website.

4.8 Diversity

The Group values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilises the contribution of all its employees. The purpose of this policy is to provide diversity and equality relating to all employment matters. The Group's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The Group opposes all forms of unlawful and unfair discrimination.

Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation. The proportion of women within the whole organisation was as follows:

	2014	2013
Women employees in the whole organisation	38%	36%
Women in Managerial positions	25%	0%
Women on the Board of Directors	0%	0%

The Board recognises that there is a gender imbalance amongst managerial and non-executive director positions, and that an opportunity exists to address this upon future appointments to these positions. A copy of the Diversity Policy is available on the Company's website.

4.9 Non-Compliance Statement

The Company has not followed all of the Recommendations set out in Australian Securities Exchange Limited's Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departures are as follows:

- A majority of the Board should be independent directors. The Board is comprised of four directors, three non-executive and one executive. Of the three non-executive directors, two are deemed to be independent directors. The other non-executive director, Mr Hancock, is the representative of the Company's largest shareholder, and as such does not meet the requirement to qualify as an independent director. The current size of the Company does not justify a larger Board with a majority of independent directors.
- The Board should establish a Nomination Committee. The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.
- The Board should establish an Audit Committee. The Company complied with this recommendation until 4 July 2014 when it restructured the Board of Directors. From 4 July 2014 the responsibilities of the Audit Committee were assumed by the Board.
- The Audit Committee should be structured so that it: consists of only Non-Executive Directors, consist of a majority of independent Directors, is chaired by an independent Chair; who is not Chair of the Board and has at least three members. The Board considers that the size and complexity of the Company's affairs do not merit establishment of a separate Audit Committee. The Board meets on a regular basis and discusses matters normally included within the terms of reference of an Audit Committee, being company risk, control and general and specific financial matters.
- Companies should establish measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity. When filling a position every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.
- Non-executive directors should not receive options. Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group. The Board considers that there are circumstances where the issue of options is reasonable and will assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Group's cash reserves and delivering on the Group's strategic objectives.

5 Principal Activities

During the period the principal activities of the Group consisted of exploration and pre-development activities related to iron ore mineral resources. There were no significant changes in the nature of the activities of the Group during the year.

6 Operating and Financial Review

A summary of consolidated results is set out below

	31 December 2014 $	31 December 2013 $
Interest Income	**252,806**	693,518
Other Income	**318,180**	494
	570,986	694,012
Loss before income tax expense	**(10,460,299)**	(35,921,292)
Income tax benefit	**-**	3,206,305
Loss attributable to members of Centaurus Metals Limited	**(10,460,299)**	(32,714,987)

Financial Performance

During the year ended 31 December 2014 the Group received proceeds from the Liberdade court settlement of $512,270, which resulted in a reversal of a provision for impairment of $181,618 and a gain of $330,652. During the year the Group recognised an impairment loss of $1,397,191 on the carrying values of its Passabém Iron Ore Project. The project was assessed for impairment as a result of the Group's intent to focus on the Candonga project. Exploration and Evaluation costs totalling $5,136,663 (2013 $12,240,270) were expensed in accordance with the Group's accounting policy. The exploration and evaluation costs primarily comprise costs in relation detailed engineering work at Jambreiro and exploration and feasibility studies at the Candonga project in Brazil.

Financial Position

At the end of the year the Group had a net cash balance of $891,990 (2013: $4,843,508) and net assets of $6,507,522 (2013: $12,008,268). Total liabilities amounted to $1,019,303 (2013: $1,680,558) and were limited to trade and other payables, provisions, employee benefits and deferred tax liabilities.

Strategy

The key focus of the Group during the year has remained on its Domestic Iron & Steel Strategy, which is based on commencing production from its Candonga Iron Ore Project in Brazil. The Group achieved a number of important milestones during year towards achieving this goal.

Production from the Candonga Project is planned to be sold into the large domestic steel industry in south-eastern Brazil, which is based in and around the world class iron ore mining region known as the "Iron Quadrangle".

In the longer term Centaurus holds a portfolio of iron ore assets that will be evaluated as potential future production centres or hubs for the Company's Domestic Strategy.

In addition to producing iron ore to sell into the Brazilian steel industry, Centaurus also plans in the future to sell iron ore into the seaborne market. This Export Market Strategy would leverage off the cash flow to be generated by the domestic iron ore business to develop projects around existing port and rail infrastructure.

Project Activities

Candonga Project

During the year the Company fast-tracked the development of its 100% owned Candonga Direct Shipping Ore (DSO) Project. Exploration activities during the year included completing a drilling program and a feasibility study which was completed in September. Key highlights of the Candonga Feasibility Study included low forecast mine gate operation costs (C1+ royalities) of A$14.9/tonne from a very low pre-production capital costs of A$3.6 million. The updated JORC 2012 compliant Candonga Mineral Resource estimate now stands at 9.4 million tonnes (Mt) grading 43.7% Fe[(1)]. The high grade component of the Resource is expected to produce a DSO product with a simple crush and screen process and has the potential to supply high grade lump and sinter feed products into the Brazilian domestic market.

Important milestones in the permitting process were achieved during the year which included completing the approval process for the Trial Mining Licence (GUIA de Utilizacao-"GU") which are required in order to develop a low-cost operation producing 300,000tpa[2] of DSO. The Company also lodged, and received approval from the Brazilian Department of Mines (DNPM), the Final Exploration Report for the tenement that covers the project.

The approval of the Final Exploration Report supports the quality of the exploration and project development work undertaken by Centaurus and provides a strong degree of confidence that the DNPM is satisfied with the viability of a future full-scale mining operation. The approval of the Final Exploration Report cleared the way for the Company to lodge the full Mining lease application known as the PAE on the 6 January 2015.

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[1] Refer to ASX announcement on 1 September 2014 for full details of the JORC 2012 Resource estimate.
[2] Refer to ASX announcement on 30 September 2014 for full details of the Candonga Feasibility Study.

Conquista DSO Project

During the year Centaurus took the first step towards expanding its DSO business in south-east Brazil after securing an option to acquire a 100% interest in a portfolio of highly prospective tenements with extensive DSO mineralization located just 8km along well maintained gravel roads from the Candonga Project. The Company has completed initial surface exploration programs which have confirmed a substantial strike length of DSO mineralisation, providing an attractive exploration target for the Company for 2015 and laying the foundations for it to either expand or extend the mine life of its 300,000tpa Candonga DSO operation.

Jambreiro Iron Ore Project

During the year discussions for offtake and debt funding continued and progressed to an advanced stage, however, in June the Company announced, in light of the deterioration in market sentiment and conditions in the iron ore sector, it did not expect to be able to finalise a debt and equity funding package in time to meet its previously announced mid-2014 construction timeline.

From ongoing discussions with potential financiers, it has become evident that debt funding for Jambreiro will remain conditional on securing off-take. The finalisation of a long-term off-take agreement has, in part, been awaiting the re-commencement of construction and the finalisation of development of the Sudeste port development in south-eastern Brazil. Construction activity on the port ramped up significantly in the latter half of the period.

The new port is an important asset for many resource groups in the region and, in the case of Centaurus, provides the opportunity to establish long-term supply arrangements with potential off-takers for lower cost Jambreiro supply as a substitute for some of their existing integrated supply which is likely to be more profitably delivered into the export market. The commencement of export operations at Sudeste will be an important catalyst in promoting the completion of a suitable off-take arrangement for Jambreiro as existing domestic supply is diverted to the export market.

During the year work on a re-interpretation of the Jambreiro geology was carried out which has resulted in the preparation of an updated JORC 2012 Mineral Resource estimate for the Jambreiro Project. The overall JORC Mineral Resource (combined Measured, Indicated and Inferred) reflected a minor increase in Fe grade from the July 2013 estimate of 128.0Mt grading 27.2%[3] Fe to 128.5Mt grading 28.0% Fe [4].

Corporate

In July 2014, following the decision to defer the development of Jambreiro, the Company made changes to its Board and senior management team, consistent with its focus on reducing costs and optimising its organisational structure. As a result Mr Peter Freund stepped down from an executive role but remains a non-executive director. Mr Steven Zaninovich and Mr Richard Hill stepped down from the Board as non-executive Directors.

During the year the Company completed a $5.5m capital raising.

The Annual General Meeting of Centaurus Metals Limited was held on Thursday 29 May 2014. All resolutions were passed on a show of hands.

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Roger Fitzhardinge, a Competent Person who is a Member of the Australasia Institute of Mining and Metallurgy and Volodymyr Myadzel, a Competent Person who is a Member of the Australian Institute of Geoscientists. Roger Fitzhardinge is a permanent employee of Centaurus Metals Limited and Volodymyr Myadzel is the Senior Resource Geologist of BNA Consultoria e Sistemas Limited, independent resource consultants engaged by Centaurus Metals Limited.

Roger Fitzhardinge and Volodymyr Myadzel have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Roger Fitzhardinge and Volodymyr Myadzel consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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[3] Refer to ASX announcement on 29 July 2013 for full details of the Resource estimate.

[4] Refer to ASX announcement on 30 July 2014 for full details of the JORC 2012 Resource estimate.

Factors and Business Risks Affecting Future Business Performance

The following factors and business risks could have a material impact on the Company's success in delivering its strategy of becoming an iron ore producer:

Access to Funding

The Company's ability to successfully develop future projects is contingent on the ability to fund those projects from operating cash flows or through affordable debt and equity raisings. The development of the Candonga Project is contingent on developing an appropriate funding solution.

Iron Ore Commodity Prices

The iron ore price fluctuates according to changes in demand and supply. The Company is exposed to changes in the iron ore price, which could affect the profitability of the Company's projects. Significant adverse movements in the iron ore price could also affect the ability to raise debt and equity to fund the development of projects.

Exchange Rates

The Company will be exposed to changes in the US Dollar and the Brazilian Real. Sales of iron ore will be denominated in US Dollars. The Company's CAPEX and OPEX costs will be primarily denominated in Brazilian Real.

Project Implementation

The implementation of new projects on time and on budget is critical to maximising shareholder returns.

Operating Risks

Once in operations, the Company will be exposed to a number of factors and business risks including mining, beneficiation of ore, health and safety and environmental issues.

Iron Ore Product Sales

The Company's strategy is to sell iron ore products from its projects to domestic pig iron producers and integrated steel mills. Whilst the specifications of the products proposed to be produced by the Company are consistent with the purchasing specifications in the domestic market, there is no definitive certainty that the Company will be able to enter into suitable sales arrangements with domestic purchasers.

Emphasis of Matter

The audit opinion for the year ended 31 December 2014 contains an emphasis of matter in relation to potential uncertainty regarding continuation as a going concern. The Financial Statements have been prepared on the basis of going concern. The Group will require funding in order to continue its exploration activities and to fund development of the Candonga Iron Ore Project. Refer to Note 2 of the Financial Report for further details.

Significant Changes in the State of Affairs

In the opinion of directors, other than as outlined in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

7 Dividends

No dividend was declared or paid by the Company during the current or previous year.

8 Events Subsequent to Reporting Date

On 25 February 2015 The Company announced a $1.1M share placement at a price of $0.025 per share together with one free attaching option for every three shares, completed to professional and sophisticated investor clients of Canaccord Genuity Ltd and some of the Company's major shareholders.

Other than the matters discussed above there has not arisen in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, has arisen.

9 Likely Developments

Other than likely developments contained in the "Operating and Financial Review" and events subsequent, further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

10 Environmental Regulation

The Group is subject to environmental laws and regulations under Brazilian (State and Federal) legislation depending on the activities undertaken. Compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. There were no known significant breaches of these regulations during the year.

11 Directors' Interests

The relevant interest of each director in the shares and options over such shares issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Employee Options	Employee Rights
Directors			
Mr D M Murcia	1,733,405	125,000	-
Mr D P Gordon	6,889,791	250,000	400,000
Mr P E Freund	65,000	-	-
Mr M D Hancock	153,333	-	-

12 Share Options & Rights

Options & Rights Granted to Directors and Executives of the Company

During the year 1,000,000 options and 500,000 performance rights were issued to Mr John Westdorp. There have been no options or performance rights granted to directors of the Company.

Unissued Share Options and Performance Rights

At the date of this report unissued ordinary shares of the Company under option (issued under the ESOP & PSP) are:

Expiry Date	Exercise Price	Employee Options		Total Number Of Shares Under Option
		Vested	Unvested	
31/03/2015	$0.64	-	250,000	250,000
19/07/2015	$0.76	12,500	75,000	87,500
30/11/2015	$0.88	125,000	-	125,000
04/02/2016	$1.04	37,500	150,000	187,500
31/08/2018	$0.125	750,000	2,250,000	3,000,000
		925,000	**2,725,000**	**3,650,000**

Expiry Date	Exercise Price	Employee Rights		Total Number Of Shares Under Rights
		Vested	Unvested	
31/08/17	$0.00	-	855,000	855,000
03/12/17	$0.00	-	400,000	400,000
31/08/18	$0.00	-	1,700,000	1,700,000
		-	**2,955,000**	**2,955,000**

13 Indemnification and Insurance of Officers and Auditors

During the period, the Company paid insurance premiums to insure the directors, executive officers and Company Secretary of the Group. The amount of premiums paid has not been disclosed due to confidentiality requirements under the contract of insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group

14 Non- Audit Services

During the period KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Board, is satisfied that the provision of those non-audit services during the year by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	31 December 2014 $	31 December 2013 $
Audit Services		
Auditors of the Company		
Audit and review of financial reports KPMG	**139,240**	129,932
Services other than statutory audit		
Taxation compliance services KPMG	**24,775**	42,988

15 Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the period ended 31 December 2014.

This report is signed in accordance with a resolution of the directors.

D P Gordon
Managing Director
Perth
25 March 2015

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Centaurus Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner

Perth

25 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	31 December 2014 $	31 December 2013 $
Profit or Loss			
Other income	7	**318,180**	494
Exploration expenditure		**(5,136,663)**	(12,240,270)
Impairment of available for sale investments		**(302,272)**	(497,678)
Impairment of exploration and evaluation	19	**(1,397,191)**	(18,690,780)
Net reversal of impairment on receivables		**109,672**	-
Employee benefits expense	8	**(2,190,911)**	(2,913,442)
Share based payments (expense)/ reversal	11	**(84,972)**	80,413
Occupancy expenses		**(360,114)**	(443,483)
Listing and share registry fees		**(63,918)**	(56,150)
Professional fees		**(704,756)**	(453,246)
Depreciation	9	**(178,663)**	(153,942)
Other expenses		**(718,131)**	(1,266,390)
Results from operating activities		**(10,709,739)**	(36,634,474)
Finance income		**252,806**	716,096
Finance expenses		**(3,366)**	(2,914)
Net finance income	10	**249,440**	713,182
Loss before income tax		**(10,460,299)**	(35,921,292)
Income tax benefit	12	**-**	3,206,305
Loss for the period		**(10,460,299)**	(32,714,987)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		**(33,368)**	(42,048)
Exchange differences arising on translation of foreign operations		**(361,446)**	499,733
Other comprehensive income (loss) for the period		**(394,814)**	457,685
Total comprehensive loss for the period		**(10,855,113)**	(32,257,302)
Earnings per Share		**Cents**	Cents
Basic loss per share	14	**(5.03)**	(16.71)
Diluted loss per share	14	**(5.03)**	(16.71)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	15(a)	**891,990**	4,843,508
Other receivables and prepayments	16	**763,631**	722,336
Total current assets		**1,655,621**	5,565,844
Non-current assets			
Other receivables and prepayments	16	**1,484,123**	1,607,353
Other investments including derivatives	17	**243,089**	578,730
Property, plant and equipment	18	**1,070,606**	1,413,551
Exploration and evaluation assets	19	**3,073,386**	4,523,348
Total non-current assets		**5,871,204**	8,122,982
Total assets		**7,526,825**	13,688,826
Current liabilities			
Trade and other payables	20	**250,821**	1,207,301
Employee benefits	21	**314,224**	469,385
Provisions	22	**63,866**	-
Total current liabilities		**628,911**	1,676,686
Non-current liabilities			
Provisions	22	**386,688**	-
Deferred tax liabilities	12 (c)	**3,704**	3,872
Total non-current liabilities		**390,392**	3,872
Total liabilities		**1,019,303**	1,680,558
Net assets		**6,507,522**	12,008,268
Equity			
Share capital		**104,035,437**	98,766,042
Reserves		**(386,544)**	(76,702)
Accumulated losses		**(97,141,371)**	(86,681,072)
Total equity		**6,507,522**	12,008,268

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Issued Capital $	Option Reserve $	Share-Based Payments Reserve $	Fair Value Reserve $	Foreign Currency Translation $	Accumulated Losses $	Total Equity $
Balance at 1 January 2014	**98,766,042**	**2,966,597**	**2,711,201**	**68,924**	**(5,823,424)**	**(86,681,072)**	**12,008,268**
Loss for the period	-	-	-	-	-	(10,460,299)	(10,460,299)
Net change in fair value of available-for-sale financial assets	-	-	-	(33,368)	-	-	(33,368)
Foreign currency translation difference for foreign operation	-	-	-	-	(361,446)	-	(361,446)
Total comprehensive loss for the period				**(33,368)**	**(361,446)**	**(10,460,299)**	**(10,855,113)**
Share-based payment/ (reversal) transactions	-	-	84,972	-	-	-	84,972
Issues of ordinary shares	5,530,000	-	-	-	-	-	5,530,000
Share issue costs	(260,605)	-	-	-	-	-	(260,605)
Total transactions with owners	**5,269,395**	**-**	**84,972**	**-**	**-**	**-**	**5,354,367**
Balance at 31 December 2014	**104,035,437**	**2,966,597**	**2,796,173**	**35,556**	**(6,184,870)**	**(97,141,371)**	**6,507,522**

The amounts recognised directly in equity are disclosed net of tax.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Issued Capital $	Option Reserve $	Share-Based Payments Reserve $	Fair Value Reserve $	Foreign Currency Translation $	Accumulated Losses $	Total Equity $
Balance at 1 January 2013	**98,766,042**	**2,966,597**	**2,791,614**	**110,972**	**(6,323,157)**	**(53,966,085)**	**44,345,983**
Loss for the period	-	-	-	-	-	(32,714,987)	(32,714,987)
Net change in fair value of available-for-sale financial assets	-	-	-	(42,048)	-	-	(42,048)
Foreign currency translation difference for foreign operation	-	-	-	-	499,733	-	499,733
Total comprehensive loss for the period	**-**	**-**	**-**	**(42,048)**	**499,733**	**(32,714,987)**	**(32,257,302)**
Share-based payment/ (reversal) transactions	-	-	(80,413)	-	-	-	(80,413)
Total transactions with owners	**-**	**-**	**(80,413)**	**-**	**-**	**-**	**(80,413)**
Balance at 31 December 2013	**98,766,042**	**2,966,597**	**2,711,201**	**68,924**	**(5,823,424)**	**(86,681,072)**	**12,008,268**

The amounts recognised directly in equity are disclosed net of tax

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	**12 Months 31 December 2014 $**	12 Months 31 December 2013 $
Cash flows from operating activities			
Exploration and evaluation expenditure		**(5,717,946)**	(12,510,697)
Payments to suppliers and employees (inclusive of goods and services tax)		**(4,009,970)**	(5,228,180)
Proceeds from court settlement		**512,270**	-
Interest received		**173,707**	850,500
Net cash used in operating activities	15(b)	**(9,041,939)**	(16,888,377)
Cash flows from investing activities			
Payments for plant & equipment		**(63,220)**	(784,974)
Acquisition of exploration assets		**(137,040)**	(961,467)
Proceeds from sale of plant & equipment		**60,396**	43,834
Net cash used in investing activities		**(139,864)**	(1,702,607)
Cash flows from financing activities			
Proceeds from issue of equity securities		**5,530,000**	-
Capital Raising Costs		**(260,605)**	-
Net cash used in financing activities		**5,269,395**	-
Net increase/(decrease) in cash and cash equivalents		**(3,912,408)**	(18,590,984)
Cash and cash equivalents at the beginning of the period		**4,843,508**	23,402,755
Effect of exchange rate fluctuations on cash held		**(39,110)**	31,737
Cash and cash equivalents at 31 December	15(a)	**891,990**	4,843,508

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

Note 1. Reporting Entity

Centaurus Metals Limited ("the Company") is a company domiciled in Australia. The Company's registered office is at Level 3, 10 Outram Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (collectively the "Group" and individually "Group entities"). The Group is a for-profit entity and primarily is involved in exploration for and development of iron ore resources.

Note 2. Basis of Preparation

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2015.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Share based payments are measured at fair value.

Going Concern

The financial statements for the year ended 31 December 2014 have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year, the Group incurred a loss after tax of $10,460,299 with net cash outflows of $3,912,407. The Group has a working capital surplus of $1,026,710. During the year the company restructured its workforce in Brazil and Australia in order to achieve cost savings.

The Group's strategy is to develop its iron ore projects in south-eastern Brazil and is currently focused on the development of its Candonga Iron Ore Project for which it recently received approval for a trial mining license from the Brazilian Department of Mines (DNPM). The Group plans to continue exploration work on its other iron ore projects during 2015 to the extent that funding is available. The Group has the ability to accelerate its work programs or to reduce or defer expenditure.

The Group will require further funding in order to continue its exploration activities and fund development of the Candonga Iron Ore Project. The Group intends to fund the development with a combination of debt and equity or via the establishment of a joint venture. In the event the project does not proceed as planned, the Group intends to raise funds via equity issues. Additionally, if necessary should such funding not be achieved, interests in the Group's projects can be sold or farmed out as required in order to maintain sufficient cash reserves to enable the continuation of activities.

The Directors believe that the Group will be able to secure funding sufficient to meet requirements to continue as a going concern due to the following:

- The Group has successfully raised equity capital in the past;
- The Company is conducting a rights issue pursuant to a prospectus dated 6 March 2015 to raise up to $3,500,000. In the event that rights are not taken up by eligible shareholders, the Directors have 3 months in which to place any shortfall.
- The Group is engaged in discussions with a debt provider regarding the funding of its planned development; and

- The Group is engaged in discussions with a potential joint venture partner for the project and has the ability to undertake similar discussions with other parties.

The form, value and timing of such transactions is yet to be determined and will depend amongst other things, on capital markets, iron ore prices and the outcome of planned exploration and evaluation activities. Should the Group not secure additional funding, there is material uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 3. Functional and Presentation Currency

These consolidated financial statements are presented in Australian Dollars, which is the Company's functional currency. The functional currency of the Brazilian subsidiaries is the Brazilian Real.

Note 4. Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below and also in the following notes:

- Note 16 - Other Receivables and Prepayments;
- Note 19 - Exploration and Evaluation Assets. The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.; and
- Note 25- Financial Instruments – Fair Values & Risk Management.

(b) Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in Note 19 – Exploration and Evaluation assets. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's Exploration and Evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The Group is required to make estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment are estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the recoverability of ore reserves becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after the expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to profit or loss in the period when that information becomes available.

(c) Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Group uses market observable data where possible and relevant. Fair values are categorised into difference levels in a fair value hierarchy based on the inputs used in the value techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in 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*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(i) Investments in Equity Securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

(ii) Derivatives

The fair value of listed options is determined by reference to their quoted closing bid price at the reporting date. The fair value of unlisted options is determined using a valuation model.

(iii) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iv) Share-based Payment Transactions

The fair value of the employee share options are estimated using the applicable valuation methodology. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and performance conditions attached to vesting are not taken into account in determining fair value. The fair value of employee performance rights is measured using the 5 day weighted average share price prior to grant date. Where the service period commences prior to grant date the fair value is provisionally calculated and subsequently revised upon grant date.

Note 5. Significant Accounting Policies

Except for the changes explained in Note 5(q), the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method as at the acquisition date, which is the date control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Transaction costs such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Group.

(iii) Transactions Eliminated on Consolidation

Inter-Group balances and transactions and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the foreign exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve, or FCTR) within equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented within equity in the FCTR.

(c) Financial Instruments

The Group classifies non-derivative financial assets into the following categories at fair value through profit and loss, held-to-maturity financials assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non- derivative Financial Assets and Financial Liabilities – Recognition and Derecognition

The Group initially recognises loans, receivables and deposits on the date when they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: receivables, cash and cash equivalents and available-for-sale financial assets.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale Financial Assets

These assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer Note 5(g)) and foreign currency differences on available-for-sale equity instruments (see Note 5(b)(i)), are recognised in other comprehensive income and accumulated in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

The Group's investments in equity securities are classified as available-for-sale financial assets.

(ii) Non derivative Financial Liabilities – Measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iii) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of any tax effect.

(iv) Derivative Financial Instruments

Derivatives are recognised initially at fair value any directly attributable transactions costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in profit or loss.

(d) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or loss on disposal of an item of property, plant and equipment are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Plant & equipment	10-15 years
Motor Vehicles	3-5 years
Furniture, fittings and equipment	3-8 years
Software	1-3 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Exploration and Evaluation Expenditure

Exploration and evaluation costs are expensed in the year they are incurred. Acquisition costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future and is not expected to be renewed;
- Substantive expenditures on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash-generating unit which is no larger than the area of interest. The Group performs impairment testing in accordance with Accounting Policy 5(g)(ii).

Farm-out Arrangements

Arrangements whereby an external party earns an ownership interest in an exploration or development property via the sole-funding of a specified exploration, evaluation or development programme or by injection of funds to be utilised for such a programme will be accounted so that the Group recognises its share of assets, liabilities and equity associated with the property. Any gain or loss upon initial recognition of these items will be recognised in the statement of comprehensive income.

(f) Leases

(i) Determining Whether an Arrangement Contains a Lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

(ii) Leased Assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(g) Impairment

(i) Non- derivative Financial Assets

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

For Financial Assets measured at amortised cost the Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

(ii) Non- financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The group of assets is referred to as the Cash Generating Unit or CGU.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Non-current Assets Held For Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(i) Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Termination Benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based Payment Transactions

The fair value of share-based payment awards granted to employees is recognised as an expense at grant date with a corresponding increase in equity, over the period that employees become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-market conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(k) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. Interest revenue is recognised using the effective interest method.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(l) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income Tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Goods and Services Tax and Equivalent Indirect Taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) and equivalent indirect taxes, except where the amount of tax incurred is not recoverable from the taxation authority. In these circumstances, the tax is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of tax included. The net amount of tax recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

(o) Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director ('MD') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise minimal, not material corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(q) Changes in accounting policies

The Group has adopted the following amendment to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014. AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets. The adoption of this amendment has had no material impact on the Group's financial statements.

(r) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They may be available for early adoption at 31 December 2014, but have not been applied in preparing this financial report.

AASB 9 *Financial Instruments* published in July 2014, replaces the existing guidance in AASB 139 *Financials Instruments: Recognition and Measurement.* AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance includes AASB 118 *Revenue,* AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

Note 6. Operating Segments

The Group operates in the iron ore exploration industry. For management purposes the Group is organised into one main operating segment which involves the exploration of minerals. All of the Group's activities are interrelated and financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon an analysis on the Group as one segment. The financial results and financial position from this segment are largely equivalent to the financial statements of the Group as a whole.

Geographical Segment Information	**2014 Non-current Assets $**	2013 Non-current Assets $
Brazil	**5,565,106**	7,467,332
Australia	**306,098**	655,650
Total	**5,871,204**	8,122,982

Note 7. Other Income

	31 December 2014 $	31 December 2013 $
Gain on court settlement	**330,652**	-
Profit/ (loss) on sale of property plant and equipment	**(12,472)**	-
Other	**-**	494
Total	**318,180**	494

Gain on court settlement relates to award of damages against Mineração Marsil Ltda a former Joint Venture partner in the Liberdade Iron Ore Project. Centaurus was awarded damages which were adjusted for interest and inflation components.

Note 8. Employee Benefits Expense

	31 December 2014 $	31 December 2013 $
Salaries, fees and other benefits	**5,209,477**	6,997,755
Superannuation	**341,190**	211,121
Recognised in exploration expenditure expense	**(3,359,756)**	(4,295,434)
Total	**2,190,911**	2,913,442

Note 9. Depreciation

	31 December 2014 $	31 December 2013 $
Depreciation	**236,704**	341,680
Recognised in exploration expenditure expense	**(58,041)**	(187,738)
Total	**178,663**	153,942

Note 10. Finance Income and Expense

	31 December 2014 $	31 December 2013 $
Finance income		
Interest income on bank deposits	**252,806**	693,518
Net foreign exchange gain	**-**	22,578
	252,806	716,096
Finance expense		
Net foreign exchange loss	**(3,270)**	-
Change in fair value of derivatives	**-**	(2,222)
Interest expense	**(96)**	(692)
	(3,366)	(2,914)
Net finance income recognised in profit or loss	**249,440**	713,182

Note 11. Share-based Payments

Employee Share Option Plan

The Employee Share Option Plan ("ESOP") was approved by shareholders at the 2013 annual general meeting. All employees (including directors) are eligible to participate in the ESOP. Options granted carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share of the Company with full dividend and voting rights. There were 3,000,000 new options granted during the year (2013 nil).

Reconciliation of Outstanding Share Options

The number and weighted average exercise prices of share options issued under the employee share option plan and issued to consultants are as follows:

	Weighted Average Exercise Price 2014	**Number of Options 2014**	Weighted Average Exercise Price 2013	Number of Options 2013
Outstanding at start of period	**$0.809**	**6,950,000**	$0.807	7,356,250
Forfeited during the period	**$0.797**	**(1,212,500)**	$1.040	(37,500)
Expired during the period	**$0.811**	**(5,087,500)**	$0.731	(368,750)
Issued during the period	**$0.125**	**3,000,000**	-	-
Outstanding at balance date	**$0.248**	**3,650,000**	$0.809	6,950,000
Exercisable at balance date	**$0.273**	**925,000**	$0.813	5,587,500

The options outstanding at 31 December 2014 have an exercise price in the range of $0.125 to $1.04 (2013: $0.40 to $1.80) and the weighted average remaining contractual life is 3.13 years (2013: 1.01 years).

There were no ESOP options exercised during the year (2013 nil.)

Details of the ESOP options issued during the year ended 31 December 2014 are as follows:

Grant Date	Number of Options	Vesting Conditions	Option Term
Key Management Personnel			
25/08/14	250,000	-	48 months
25/08/14	250,000	See note 1	48 months
25/08/14	500,000	See note 2	48 months
Sub total	1,000,000		
Employees			
25/08/14	500,000	-	48 months
25/08/14	500,000	See note 1	48 months
25/08/14	1,000,000	See note 2	48 months
Sub total	2,000,000		
Total	3,000,000		

Note 1: Options vest 18 months from the date of issue subject to continued employment.
Note 2: Options vest 36 months from the date of issue subject to continued employment.

Inputs for Measurement of Grant Date Fair Values

The model inputs for 2014 include:

Grant Date	Expiry Date	Exercise Price	Life of option	Share price at grant date	Expected share price volatility	Risk-free interest rate	Fair Value at grant date
25/08/14	31/08/18	$0.125	4.00 years	$0.07	103%	2.97%	$0.0445

Performance Share Plan

A Performance Share Plan (PSP) was adopted by the Board of Directors on 23 July 2012 and was approved by shareholders on 31 August 2012. Under the PSP, the Board may from time to time in its absolute discretion grant performance rights to eligible persons including executives and employees, in the form and subject to terms and conditions determined by the Board. Performance rights are, in effect, options to acquire unissued shares in the Company, the exercise of which is subject to certain performance milestones and remaining in employment during the vesting period. Performance rights are granted under the PSP for no consideration and are granted for a period not exceeding 5 years. The fair value at grant date is measured using the 5 day weighted average share price.

The number of performance rights on issue are as follows:

Reconciliation of Outstanding Performance Rights

	Number of Performance Rights 2014	Number of Performance Rights 2013
Outstanding at start of period	**2,080,000**	3,700,000
Issued during the period	**1,700,000**	-
Forfeited during the period	**(525,000)**	(250,000)
Expired during the period	**(300,000)**	(1,370,000)
Balance at 31 December	**2,955,000**	2,080,000

Details of performance rights granted during the year ended 31 December 2014 are as follows (2013 nil):

Grant Date	Number of Rights	Vesting Conditions	Term
Key Management Personnel			
25/08/14	300,000	See note 1	60 months
25/08/14	200,000	See note 2	60 months
Total	500,000		
Employees			
25/08/14	900,000	See note 1	60 months
25/08/14	300,000	See note 2	60 months
	1,200,000		
Total	1,700,000		

Note 1: Rights vest on first sale of iron ore from any of the Company's projects by 30 April 2015

Note 2: Rights vest on the decision to mine in respect the Jambreiro project by 30 June 2015.

Inputs for Measurement of Grant Date Fair Values

31 December 2014	Valuation Date	Expiry Date	Exercise Price	Vesting Days	Fair Value
1,200,000	25/08/14	31/08/19	Nil	248	$0.0768
500,000	25/08/14	31/08/19	Nil	309	$0.0768

Expenses Arising From Share based Payment Transactions

	2014 $	2013 $
Share options	**(8,899)**	(137,054)
Performance rights	**93,871**	56,641
Total expense recognised as share based payment	**84,972**	(80,413)

During the year a number of options and performance rights were forfeited due to failure to meet vesting conditions. Share based payment expenses in relation to these were reversed during the period.

Note 12. Income Tax

(a) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	2014 **$**	2013 $
Loss from continuing operations before income tax expense	**(10,460,299)**	(35,921,292)
Tax at the Australian tax rate of 30%	**(3,138,090)**	(10,776,387)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Overseas project generation and review costs	**458,701**	611,414
Share-based payments	**25,492**	(24,124)
Sundry items	**17,603**	23,668
	(2,636,294)	(10,165,429)
Effect of tax rates in foreign jurisdictions	**(42,407)**	(316,128)
Under provision from prior year	**84,725**	-
Deferred tax assets not recognised	**2,593,976**	7,275,252
Income tax benefit, being deferred tax	**-**	3,206,305

(b) Tax Losses

	2014 **$**	2013 $
Tax losses	**48,535,699**	46,094,215
Capital losses	**2,473,264**	2,473,264
	51,008,963	48,567,479
Potential tax benefit (between 30-34%)	**16,083,990**	15,341,391

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit.

(c) Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2014 **$**	2013 $	**2014** **$**	2013 $	**2014** **$**	2013 $
Receivables	**-**	65	**(673)**	(3,790)	**(673)**	(3,725)
Available-for-sale financial assets	**765,636**	802,729	**-**	-	**765,636**	802,729
Exploration	**12,210,508**	11,091,472	**(3,704)**	(3,872)	**12,206,804**	11,087,600
Accrued expenses/provisions	**975,750**	65,041	**-**	-	**975,750**	65,041
Transaction costs relating to issue of capital	**217,635**	361,961	**-**	-	**217,635**	361,961
Tax losses carried forward	**16,083,990**	15,341,391	**-**	-	**16,083,990**	15,341,391
Set off of tax	**(673)**	(3,790)	**673**	3,790	**-**	-
	30,252,846	27,658,869	**(3,704)**	(3,872)	**30,249,142**	27,654,997
Less DTA not recognised	**(30,252,846)**	(27,658,869)	**-**	-	**(30,252,846)**	(27,658,869)
Net tax asset/(liabilities)	**-**	-	**(3,704)**	(3,872)	**(3,704)**	(3,872)

The deferred tax liability relates to Brazil exploration assets acquired through a business combination. During the year ended 31 December 2013 an impairment charge was raised resulting in the reversal of a recognised deferred tax liability of $3,206,305 offset by foreign currency movements of $126,082. Potential deferred tax assets of the same amount in Brazil have not been recognised on the basis that the ability to utilise these losses has not yet been determined probable.

(d) Income Tax Recognised Directly in Equity

Recovery of net tax assets is not considered probable. Accordingly, net deferred tax credited directly to other comprehensive income for changes in the fair value of available-for-sale financial assets is nil: (2013: $nil).

Note 13. Dividends

There were no dividends paid or declared during the period (2013: nil).

Note 14. Earnings / (Loss) Per Share

Basic Loss per Share

The calculation of basic and diluted earnings per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of $10,460,299 (2013: $32,714,987) and a weighted average number of ordinary shares outstanding of 207,963,481 (2013: 195,747,919), calculated as follows:

Loss Attributable to Ordinary Shareholders

	2014 **$**	2013 $
Loss attributable to the shareholders	**(10,460,299)**	(32,714,987)

Weighted Average Number of Ordinary Shares

	2014 **Number**	2013 Number
Issued ordinary shares at beginning of the period	**195,747,919**	195,747,919
Effect of shares issued related to share placement	**12,215,562**	-
Weighted average number of ordinary shares at the end of the period	**207,963,481**	195,747,919

Diluted Earnings per Share

Potential ordinary shares were not considered to be dilutive as the Group made a loss for the year ended 31 December 2014 and the exercise of potential shares would not increase that loss.

Note 15 (a). Cash and Cash Equivalents

	2014 **$**	2013 $
Cash at bank and on hand	**68,843**	321,672
Deposits - short term	**823,147**	4,521,836
	891,990	4,843,508

Deposits

The deposits are bearing floating and fixed interest rates between 2.5% and 11.47% (31 December 2013: between 1.18% and 6.48%).

Note 15 (b). Reconciliation of Cash Flows from Operating Activities

	2014 $	2013 $
Loss for the period	**(10,460,299)**	(32,714,987)
Adjustments for:		
Depreciation	**236,704**	341,680
Non-cash employee benefits expense/(reversal) – share based payments	**84,972**	(80,413)
Impairment losses		
Exploration and evaluation assets	**1,397,191**	18,690,780
Available-for-sale financial assets	**302,272**	497,678
Other receivables	**(109,672)**	-
Change in fair value derivative instruments	**-**	2,222
(Profit)/loss on sale of plant and equipment	**12,472**	(8,504)
Income tax expense/(benefit)	**-**	(3,206,305)
Operating loss before changes in working capital and provisions	**(8,536,360)**	(16,447,849)
Change in other receivables	**65,198**	(80,364)
Change in trade creditors and provisions	**(570,777)**	(330,164)
Net cash used in operating activities	**(9,041,939)**	(16,888,377)

Note 16. Other Receivables and Prepayments

	2014 $	2013 $
Current		
Receivable from court settlement	**-**	185,986
Provision for impairment	**-**	(182,009)
Other Receivables	**648,371**	576,247
Security deposits	**30,133**	43,796
Prepayments	**85,127**	98,316
	763,631	722,336
Non – Current		
Prepayments	**328,333**	398,148
Other Receivables	**1,227,391**	1,209,205
Provision for impairment	**(71,601)**	-
	1,484,123	1,607,353

Non-current other receivables includes Brazilian federal VAT ("PIS-Cofins") levied on the Groups purchases. Recoverability of PIS-Cofins assets is dependent upon the Group generating a federal company tax liability, which may be offset against the Groups PIS-Cofins assets if the Group elects to do so. As at balance date its taxable profits are not considered probable in the next 12 months. Information about the Group's exposure to credit and market risk, and impairment losses for other receivables is included in Note 25 (c).

Note 17. Other Investments, Including Derivatives

	2014 $	2013 $
Available-for-sale financial assets [(1)]	**203,792**	483,924
Derivative instruments [(2)]	**39,297**	94,806
	243,089	578,730

During the year ended 31 December 2014 an impairment of $302,272 (2013: $497,678) was recognised.

(1) Consists of listed ordinary shares in ASX listed entities. The available-for sale financial assets have been revalued to the market price at 31 December 2014. Further movement in share prices after 31 December 2014 have not been taken into account.

(2) Consists of unlisted options in ASX listed entities. The fair value of the unlisted options is determined using Black-Scholes methodology taking into account the terms and conditions upon which the instruments were granted.

Note 18. Property, Plant and Equipment

	Software $	Plant & Equipment $	Motor Vehicles $	Furniture & Fixtures $	Leasehold Improvements $	Land $	Total $
Cost							
Balance at 1 January 2014	330,089	458,023	489,336	184,686	445,791	382,368	2,290,293
Additions	26,559	38,356	-	443	-	-	65,358
Disposals	-	(24,869)	(77,674)	(2,081)	(223,594)	(45,094)	(373,312)
Effect of movements in exchange rates	(8,677)	(12,736)	(18,786)	(7,747)	(9,510)	(15,173)	(72,629)
Balance at 31 December 2014	347,971	458,774	392,876	175,301	212,687	322,101	1,909,710
Balance at 1 January 2013	260,386	337,973	346,843	171,639	416,752	58,813	1,592,406
Additions	68,465	119,594	265,699	10,926	26,775	320,430	811,889
Disposals	-	(434)	(126,248)	-	-	-	(126,682)
Effect of movements in exchange rates	1,238	890	3,042	2,121	2,264	3,125	12,680
Balance at 31 December 2013	330,089	458,023	489,336	184,686	445,791	382,368	2,290,293

Note 18. Property, Plant and Equipment (continued)

	Software $	Plant & Equipment $	Motor Vehicles $	Furniture & Fixtures $	Leasehold Improvements $	Land $	Total $
Depreciation							
Balance at 1 January 2014	234,957	212,638	181,989	39,119	208,039	-	876,742
Depreciation for the year	55,122	74,697	36,044	18,809	52,031	-	236,703
Disposals	(14)	(22,860)	(32,148)	(1,621)	(197,208)	-	(253,851)
Effect of movements in exchange rates	(3,094)	(4,910)	(8,049)	(2,093)	(2,344)	-	(20,490)
Balance at 31 December 2014	286,971	259,565	177,836	54,214	60,518		839,104
Balance at 1 January 2013	149,066	139,882	176,449	20,400	141,020	-	626,817
Depreciation for the year	85,674	72,697	96,548	18,688	66,985	-	340,592
Disposals	-	(165)	(91,518)	-	-	-	(91,683)
Effect of movements in exchange rates	217	224	510	31	34	-	1,016
Balance at 31 December 2013	234,957	212,638	181,989	39,119	208,039	-	876,742
Carrying amounts							
At 1 January 2014	95,132	245,385	307,347	145,567	237,752	382,368	1,413,551
At 31 December 2014	61,000	199,209	215,040	121,087	152,169	322,101	1,070,606
At 1 January 2013	111,320	198,091	170,394	151,239	275,732	58,813	965,589
At 31 December 2013	95,132	245,385	307,347	145,567	237,752	382,368	1,413,551

Note 19. Exploration and Evaluation Assets

	2014 $	2013 $
Net book value as at 1 July	**4,523,348**	22,446,311
Additions	**137,040**	-
Impairment of capitalised exploration expenditure	**(1,397,191)**	(18,690,780)
Effect of movements in exchange rate	**(189,811)**	767,817
	3,073,386	4,523,348

During the year ended 31 December 2014 the Group recognised an impairment loss on the carrying value of its Passabém Iron Ore Project. The project was assessed for impairment as a result of the decline in market conditions and due to the Group's intent to focus on the Candonga project. In assessing the recoverable amount of Passabem the Group considered that in the current market and with the Group's intent to focus on its other projects that the assets value was nil.

During the year ended 31 December 2013 the Group recognised an impairment loss on the carrying values of two of its Iron Ore Projects, Itambe and Passabem. The projects were assessed for impairment as a result of the Group's intent to focus on the Jambreiro project. The Group engaged the services of valuation experts both in Brazil and Australia to assist in the calculation of the recoverable amount of these underlying assets. The method applied to calculate the recoverable amount (being the fair value less cost to sell) was the Enterprise Value method. This method incorporates the entity's current market value and allocates the value on a reasonable basis to the underlying assets. This resulted in the recognition of an impairment loss as follows:

Project	Carrying Amount	31 December 2013 Recoverable Amount	Impairment Charge
Passabém	12,330,973	1,570,000	10,760,973
Itambé	8,409,807	480,000	7,929,807
Total	20,740,780	2,050,000	18,690,780

The impairment charge resulted in a reversal of a recognised deferred tax liability of $3,206,305 resulting in a net impact on the Consolidated Statement of Profit or Loss of $15,484,475.

These assets form part of the Brazil geographical reporting segment.

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

Note 20. Trade and Other Payables

	2014 $	2013 $
Trade and other creditors	**213,869**	998,728
Accrued expenses	**36,952**	208,573
	250,821	1,207,301

Note 21. Employee Benefits

	2014 $	2013 $
Liability for annual leave	**314,224**	469,385

Note 22. Provisions

	2014 **$**	2013 $
Balance at beginning of the period	**-**	-
Provisions made during the year	**450,554**	-
Balance at end of the period	**450,554**	-
Current	**63,866**	-
Non Current	**386,688**	-
	450,554	-

A provision has been raised for tax obligations, the timing and amount of which are uncertain.

Note 23. Capital and Reserves

	2014 Number of Shares	2013 Number of Shares
On issue at beginning of period	**195,747,919**	195,747,919
Issue of ordinary shares for share placement at $0.125 per share	**44,240,000**	-
On issue at the end of the period – Fully paid	**239,987,919**	195,747,919

Ordinary Shares

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

Employee Share Options and Performance Rights

Information relating to the Employee Share Option Plan and Performance Share Plan, including details of options and rights issued, exercised, lapsed during the financial year and outstanding at the end of the financial year are set out in Note 11.

Option Reserve

The option reserve is used to recognise the fair value of options issued in the year ended 30 June 2010 in exchange of the Centaurus existing Bid and Replacement Options.

Share-based Payments Reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights issued but not exercised.

Available-for-sale Investments Revaluation Reserve

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve as described above. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Options

During the year ended 31 December 2014 in addition to the unissued shares under options and performance rights disclosed in Note 11, the Company had the following options on issue.

Number options	Exercise Price	Expiry
3,750,000	exercisable at $1.20	Expiring 31 August 2014

No share options were exercised during the year.

Note 24. Related Parties

(a) Key Management Personnel

(i) Key management personnel compensation is comprised of the following:

	31 December 2014 $	31 December 2013 $
Short term employee-benefits	**1,277,953**	1,418,281
Redundancy benefits	**182,649**	-
Long term employee benefits	**53,260**	-
Post – employment benefits	**78,717**	80,233
Share-based payments expense/ (reversals)	**108,289**	(84,340)
	1,700,868	1,414,174

Individual Directors and Executives Compensation Disclosures

Information regarding individual directors' and executives' compensation and equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Key Management Personnel and Director Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Transaction Value		**Balance Outstanding As At**	
Key Management Person	**Transaction**	**2014 $**	2013 $	**2014 $**	2013 $
Mr D M Murcia[(1)]	Legal fees	**25,335**	28,691	**-**	-
Total and current liabilities				**-**	-

(1) Payable to MPH Lawyers, a firm in which Mr D Murcia is a partner

(b) Transactions With Related Parties

Transactions between the parent company and its subsidiaries which are related parties of that company are eliminated on consolidation and are not disclosed in this note.

Note 25. Financial Instruments – Fair Values and Risk Management

(a) Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair Value			
31 December 2014	**Note**	**Held for Trading**	**Loans and Receivables**	**Available-for-sale**	**Other Financial Liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Equity securities		-	-	203,792	-	203,792	203,792	-	-	203,792
Derivative instruments (i)		39,297	-	-	-	39,297	-	39,297	-	39,297
		39,297	**-**	**203,792**	**-**	**243,089**	**203,792**	**39,297**		**243,089**
Financial assets not measured at fair value										
Trade and other receivables (ii)		-	2,247,754	-	-	2,247,754	-	2,138,696	-	2,138,696
Cash and cash equivalents		-	891,990	-	-	891,990	-	-	-	-
		-	**3,139,744**	**-**	**-**	**3,139,744**	**-**	**2,138,696**	**-**	**2,138,696**
Financial liabilities not measured at fair value										
Trade and other payables		-	-	-	250,821	250,821				
		-	**-**	**-**	**250,821**	**250,821**				

There have been no transfers of assets from Levels during the year ended 31 December 2014

(i) Valuation technique used in measuring Level 2 fair values is Black Scholes Options Price Model.

(ii) Fair value relates to non current receivables which have been discounted at a rate of 11% for all other receivables the carrying amount is deemed to approximate fair value.

		Carrying amount					Fair Value			
31 December 2013	**Note**	**Held for Trading**	**Loans and Receivables**	**Available-for-sale**	**Other Financial Liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Equity securities		-	-	483,924	-	483,924	483,924	-	-	483,924
Derivative instruments (i)		94,806	-	-	-	94,806	-	94,806	-	94,806
		94,806	**-**	**483,924**	**-**	**578,730**	**483,924**	**94,806**	**-**	**578,730**
Financial assets not measured at fair value										
Trade and other receivables (ii)		-	2,329,689	-	-	2,329,689	-	2,209,858	-	2,209,858
Cash and cash equivalents		-	4,843,508	-	-	4,843,508	-	-	-	-
		-	**7,173,197**	**-**	**-**	**7,173,197**	**-**	**2,209,858**	**-**	**2,209,858**
Financial liabilities not measured at fair value										
Trade and other payables		-	-	-	1,207,301	1,207,301				
		-	**-**	**-**	**1,207,301**	**1,207,301**				

There have been no transfers of assets from Levels during the period ended 31 December 2013.

(i) Valuation technique used in measuring Level 2 fair values is Black Scholes Options Price Model.

(ii) Fair value relates to non current receivables which have been discounted at a rate of 11% for all other receivables the carrying amount is deemed to approximate fair value

(b) Measurement of Fair Values

The following table shows the valuation technique used in measuring Level 2 fair values as well as significant unobservable inputs used.

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement
Derivative instruments	Black-Scholes	Volatility	The estimated fair value would increase (decrease) if there was an increase (decrease) in the volatility rate used, as well as movements in the underlying security price.

(c) Financial Risk Management

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

- Credit Risk (see (c)(ii))
- Liquidity Risk (see (c)(iii))
- Market Risk (see (c)(iv)).

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 their management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

(ii) Credit Risk

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 other receivables and investment securities.

Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the default risk of the industry and country in which counterparties operate, as these factors may have an influence on credit risk.

The other receivables consist of mainly refundable deposits and tax credits which include Brazilian federal VAT ("PIS-Cofins"). The recoverability of PIS-Cofins assets is dependent upon the Group generating a federal company tax liability, which may be offset against the Groups PIS-Cofins assets. An allowance for impairment has been recognised as at 31 December 2014.

Investments

The Group limits its exposure to credit risk by investing predominantly in liquid securities listed on the Australian Securities Exchange.

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:

	2014	2013
	$	$
Cash and cash equivalents (i)	**891,990**	4,843,508
Other receivables	**1,692,693**	1,833,225
	2,584,683	6,676,733

(i) The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB to AA based on rating agency Standard and Poor's rating.

The Group's maximum exposure to credit risk for other receivables at the reporting date by geographic region was:

	Carrying Amount	
	2014	2013
	$	$
Australia	**32,375**	56,643
Brazil	**1,660,318**	1,776,582
	1,692,693	1,833,225

These balances are net of provision for impairment (refer to Note 16).

Provision for Impairment

The movement in the provision in respect of other receivables during the year was as follows.

	2014	2013
	$	$
Opening balance	**182,009**	541,898
Reversal of provision for impairment	**(181,618)**	-
Provision for impairment	**71,946**	-
Provision used	**-**	(362,332)
Foreign currency exchange	**(736)**	2,443
	71,601	182,009

During the year ended 31 December 2014 proceeds of $512,270 were received from the Liberdade Court Settlement which resulted in the reversal of a provision for impairment of $181,618 resulting in a net gain of $330,652 recorded in other income. During the year $71,946 was provided for in relation to indirect tax credits which was not considered to be recoverable. None of the Company's other receivables are past due (31 December 2013: nil). The Group believes that no impairment allowance is necessary in respect of the other receivables not past due.

(iii) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

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.

As at 31 December 2014, the Group has current trade and other payables of $250,821 (31 December 2013: $1,207,301). The Group believes it will have sufficient cash resources to meet its financial liabilities when due. Refer Note 2 Going Concern.

The following table shows the contractual maturities of financial liabilities, excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 year	More than 5 years
31 December 2014							
Non- derivative financial liabilities							
Trade and other payables	250,821	(250,821)	(250,821)				
31 December 2013							
Non- derivative financial liabilities							
Trade and other payables	1,207,301	(1,207,301)	(1,207,301)				

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risks exposures within acceptable parameters, while optimising the return.

Currency Risk

The Group is exposed to currency risk on purchases that are denominated in currency other than the respective functional currencies of the Group entities, primarily the Australian dollar (AUD) and Brazilian Real (BRL). The currencies in which these transactions primarily are denominated are AUD and BRL.

The Group investment in its Brazilian subsidiary is denominated in AUD and is not hedged as those currency positions are considered to be long term in nature.

Interest Rate Risk Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2014 $	2013 $
Variable rate instruments		
Financial assets	**891,990**	4,843,508
On issue at the end of the period	**891,990**	4,843,508

Cash Flow Sensitivity Analysis For Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or Loss		Equity	
	100bp Increase	100bp Decrease	100bp Increase	100bp Decrease
31 December 2014				
Variable rate instruments	**8,910**	**(8,910)**		
Cash flow sensitivity (net)	**8,910**	**(8,910)**		
31 December 2013				
Variable rate instruments	48,430	(48,430)	-	-
Cash flow sensitivity (net)	48,430	(48,430)		

Commodity Risk

The Group is exposed to commodity price risk. The risk arises from its activities directed at exploration and development of mineral commodities, primarily iron ore. If commodity prices fall, the market for companies exploring for these commodities is affected.

Other Market Price Risk

Equity price risk arises from available-for-sale equity securities held. These financial assets were acquired as a result of the sale of tenements to Clancy Exploration Limited, Southern Crown Resources Limited, Antipa Minerals Limited and Orinoco Gold Ltd.

Capital Management

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Centaurus Metals Limited is an exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

There were no changes in the Group's approach to capital management during the period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 26. Contingent Liabilities

Guarantees

Guarantees given in respect of bank security bonds amounting to $30,133 (2013: $43,377), secured by cash deposits lodged as security with the bank.

No material losses are anticipated in respect of any of the above contingent liabilities.

There are no other contingent liabilities that require disclosure.

Note 27. Operating Leases

Leases as Lessee

The Group leases a number of offices and apartments under operating lease. The leases run for a period of one to four years, with an option to renew the lease after that date.

The office leases were combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

(i) Future Minimum Lease Payments

	2014	2013
	$	$
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**308,179**	309,679
Between one and five years	**72,866**	152,407
More than Five years	**-**	-
	381,045	462,086

Note 28. Capital Commitments

The Group had the following capital commitments:

	2014	2013
	$	$
Contract for but not provided and payable		
Less than one year	**526,820**	**-**
Between one and five years	**-**	**-**
More than Five years	**-**	**-**
	526,820	**-**

The agreement to which the commitment relates can be terminated without financial consequence.

Note 29. Group Entities

	Country of Incorporation	Ownership interest 2014	2013
Parent Entity			
Centaurus Metals Limited			
Subsidiaries			
Centaurus Resources Pty Ltd	Australia	**100%**	100%
San Greal Resources Pty Ltd	Australia	**100%**	100%
Centaurus Brasil Mineração Ltda	Brazil	**100%**	100%
Glengarry Sabah Pty Ltd	Australia	**100%**	100%
Mineração Passo das Pedras Ltda	Brazil	**-**	100%
Centaurus Pesquisa Mineral Ltda	Brazil	**100%**	100%
Centaurus Gerenciamento Ltda	Brazil	**100%**	100%

Note 30. Subsequent Events

On 25 February 2015, the Company announced a $1.1M share placement at a price of $0.025 per share together with one free attaching option for every three shares, completed to professional and sophisticated investor clients of Canaccord Genity Ltd and some of the Companys major shareholders.

Other than the matters discussed above there has not arisen in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, has arisen.

Note 31. Remuneration of Auditors

	31 December 2014 $	31 December 2013 $
Audit Services		
Audit and review of the Company – KPMG	**139,240**	129,932
Other Services		
Auditors of the Company		
KPMG Taxation services	**24,775**	42,988

Note 32. Parent Entity Disclosures

As at, and throughout, the financial year ended 31 December 2014 the parent entity of the Group was Centaurus Metals Limited.

	Company 31 December 2014 $	31 December 2013 $
Results of the Parent Entity		
Loss for the period (1)	**(26,863,098)**	(54,558,442)
Other comprehensive income	**(33,368)**	(42,048)
Total comprehensive income for the period	**(26,896,466)**	(54,600,490)

(1) During the year the parent entity provided for an impairment of $18,100,000 (2013:$50,497,498) relating to loans to subsidiaries based on an assessment of recoverability.

	2014 **$**	2013 $
Financial Position of the Parent Entity at Year End		
Current assets	**768,809**	4,049,445
Non-current assets[(1)]	**6,065,814**	24,531,420
Total assets	**6,834,623**	28,580,865
Current liabilities	**332,262**	545,293
Total liabilities	**332,262**	545,293
Net assets	**6,502,361**	28,035,572
Share capital	**104,035,436**	98,766,042
Reserves	**5,776,104**	5,256,981
Accumulated losses	**(103,309,179)**	(75,987,451)
Total equity	**6,502,361**	28,035,572

(1) Included within non-current assets are investments in and loans to subsidiaries net of provision for impairment. Ultimate recoupment is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

Parent Entity Contingencies

The parent entity had no contingent liabilities as at 31 December 2014 (2013: nil).

Parent Entity Capital Commitments

The parent entity had no capital commitments at 31 December 2014 (2013: nil)

Parent Entity Lease Commitments

The parent entity has the following lease commitments:

Leases as Lessee

	2014 **$**	2013 $
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**70,981**	130,914
Between one and five years	**56,899**	-
More than Five years	**-**	-
	127,880	130,914

Directors' Declaration

1. In the opinion of the directors of Centaurus Metals Limited (the "Company"):

   (a) The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report are 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 2014 and of its performance, for the financial year ended on that date; and

      (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the financial year ended 31 December 2014.

3. The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Signed in accordance with a resolution of the directors.

D P Gordon
Managing Director

Perth
25 March 2015

Independent auditor's report to the members of Centaurus Metals Limited
Report on the financial report

We have audited the accompanying financial report of Centaurus Metals Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of 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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion above, we draw attention to note 2 of the financial report. The matters set forth in note 2 indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 4.3 of the directors' report for the year ended 31 December 2014. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Centaurus Metals Limited for the year ended 31 December 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

25 March 2015