

## Quarterly Activities Report March 2014



### Highlights:

#### Posse Iron Project

- Full mining licence received
- Quarterly iron ore sales receipts \$6.7M
- Production costs highly efficient at \$9.50 / tonne
- Drilling to recommence focused on high-grade lump

#### Corporate - Potential IFC Funding Secured

- IFC complete due diligence on potential significant investment in Crusader

#### Posse Iron Mine - Minas Gerais, Brazil (100% Crusader)

##### Financials

The first 12 months of iron ore production from Crusader Resources Ltd's Posse Iron Ore Mine in Brazil has now been successfully completed with the March quarter posting the company's best results to date.

Operations continue to focus on the high-grade lump ore whilst final test work and trade-off studies are completed on fines treatment options.

Sales receipts for the March quarter were \$6.7M (inclusive of taxes). The sales receipts were positively influenced by the clearing of stockpiled lump ore in January, as reported in the December quarterly report.

#### Australian Securities Exchange Information

ASX Code: CAS

- Ordinary Shares **126,646,041**
- Options **14,947,000**  
(exercise prices: \$0.3414 to \$1.35)
- Market Capitalisation ~\$32M
- Treasury **\$2.9M** (31 Mar 2014)
- Share price **\$0.255**  
(12 month closing range: \$0.18 to \$0.365)

#### Board of Directors

Non-Executive Chairman  
**Stephen Copulos**

Managing Director  
**Rob Smakman**

Executive Director  
**Paul Stephen**

Non-Executive Directors  
**John Evans**  
**David Netherway**  
**Mauricio Ferreira**

Sales revenue for the quarter was \$5.7M (unaudited - see figure 1) which was 14% above forecast. Gross profit was \$3.1M (unaudited) which was 12% above forecast.

Over the quarter, group cash increased by \$776k and trade debtors increased by \$648k.

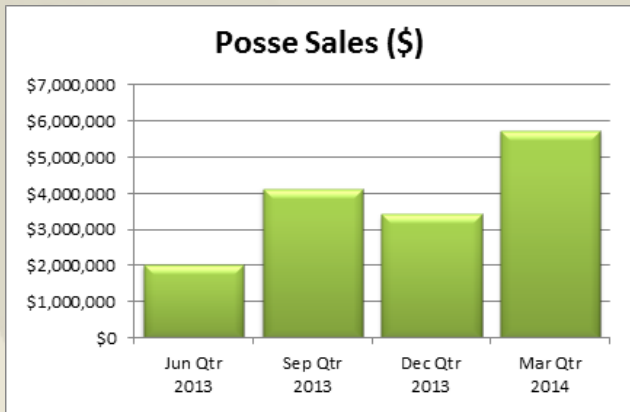


Figure 1: Posse Sales

## Cost Control Initiatives Drive Posse Mine Profitability

A focus on optimisation of mining and processing has contributed to reduced operating costs of just \$9.50/tonne of material processed (see figure 2 below). This represents a saving of 20% on the previous period and is significantly below guidance of \$12/t.

The focus on cost control will remain ongoing with particular attention being paid to safety standards and product quality control.

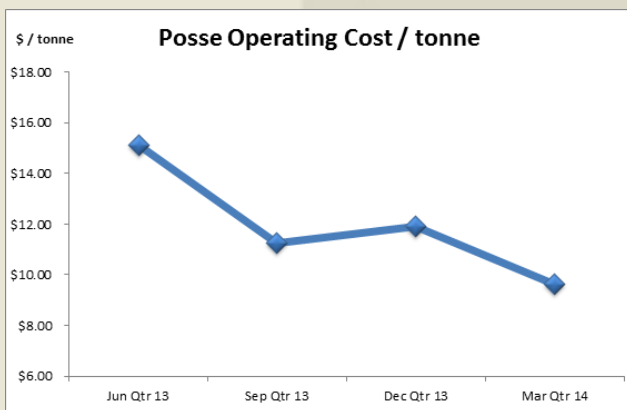


Figure 2: Posse Operating Costs per Tonne

## Licensing

The full Posse mining licence (Portaria de Lavra) was approved and gazetted by the Ministry of Mines and Energy in late January 2014. The new operating licence will allow for greater operational flexibility in managing waste and stockpiling fines, allowing Crusader the potential to increase cash flows in coming months.

### Posse Fines Update

A number of alternative treatment processes and opportunities have been evaluated and advanced over the March quarter with several new options becoming available to Crusader to complete stage 2 of the Posse mine development. These options are being investigated via a series of trade-off studies that will allow for the best possible result for the project going forward.

The capacity to negotiate third-party fines sales agreements has been reviewed in detail as a potentially viable option to financially underwrite the expansion of stage 2.

In addition, Crusader has been conducting further test work to evaluate the marketability of the potential end products using different screening and beneficiation processes. In this regard, Crusader has been approached by a number of Brazilian firms currently operating in close proximity to the Posse mine. The different alternatives available to further process the fines generated from the project require careful comparison in order to ensure the project's viability in the longer term.

Negotiations are ongoing, and may present a potentially attractive alternative to developing additional infrastructure on a standalone basis. The potential for third party treatment of fines using a wet beneficiation process also provides a comparably attractive option to those considered previously.

### Posse Drilling

Crusader is planning additional drilling at Posse targeting more detailed distribution of the high-grade zones at depth. The drilling program will commence in early May 2014. This program is aimed at better defining the distribution of the massive haematite lenses which generate the high value lump products and will assist in maximising the potential mine life of the project.



Once completed and interpreted, an updated mine plan will flow from this work, improving the understanding of the deposit for short, medium and long-term mine planning purposes. The program has been designed following the interpretation of the in-pit mapping gathered through the last 12 months of mining, along with a new combined geological map.

An added benefit of the recent mapping and the upcoming drilling program will be the detailed knowledge gained of the geology in the area, which will in turn enable better assessment on near-mine opportunities.

### Borborema Development & Seridó Exploration, Rio Grande do Norte, Brazil (100% Crusader)

Both brownfields and greenfields exploration in the Seridó Belt continued during the quarter, with soil sampling, mapping and rock chip sampling ongoing. The rationalisation of the workforce completed in recent months at Borborema has led to a more focused exploration program, targeting near-mine areas as well as exploration areas associated with garimpeiro workings.



The Seridó Belt remains largely untouched by modern exploration techniques. Crusader's regional exploration team continues to evaluate new and previously unidentified opportunities.

A current schedule of the Group's tenements is included at the end of this report.

## **Environment and Social**

Crusader is awaiting a final evaluation by the state environmental agency (IDEMA) of the EIA/RIMA (EIS) following the public hearing held late last year.

## **Health and Safety**

Crusader operated in the March quarter with zero lost time accidents. The company has a comprehensive health and safety program which has been strongly supported by all staff and contractors resulting in the low reportable incident rate. Crusader aims for a long term zero reportable incident record.

## **Corporate**

Crusader has recently agreed terms with the International Finance Corporation (IFC) regarding a potential significant investment in Crusader.

The IFC proposes to make an equity investment of up to A\$7 million (US\$6.3 million) in Crusader, comprised of:

- an initial upfront investment of up to A\$4 million (US\$3.6 million) to acquire approximately 9% of the ordinary shares of the company and;
- up to A\$3 million (US\$2.7 million) for the subsequent exercise of share warrants or follow-on investments.

Using the current VWAP and market conditions this would represent an investment of 12.3M shares at \$0.29 for \$3.56M and 6,150,000 options exercisable over 4 years at \$0.41 per share.

The terms of the agreement are subject to successful completion of IFC's mandatory 30 day disclosure period and approval by IFC's Board. Approval is expected later in the current quarter.

Crusader believes that the investment and any future contributions by IFC will bring significant strategic value to the company in developing its Brazilian projects.

Commenting on the March quarter, Crusader's Executive Director, Paul Stephen said:

"The March quarter has seen a remarkable start to the year for Crusader with the team at the Posse iron ore mine performing exceptionally well. Demand for our lump products from the domestic Brazilian smelters has been strong and our team has successfully lowered unit costs by over 20%. With the full Posse mining licence now in place we can focus on building our iron ore business in Brazil with the delivery of Posse stage 2."

**Schedule of Mining Tenements**

Location	Description	Ownership
Brazil - Borborema	805.049/1977	100%
Brazil - Borborema	840.149/1980	100%
Brazil - Borborema	840.152/1980	100%
Brazil - Espinharas	846.128/2005	100%
Brazil - Espinharas	846.134/2005	100%
Brazil - Espinharas	846.136/2005	100%
Brazil - Espinharas	846.140/2005	100%
Brazil - Faixa Seridó	846.130/2012	100%
Brazil - Faixa Seridó	846.131/2012	100%
Brazil - Faixa Seridó	846.132/2012	100%
Brazil - Faixa Seridó	846.158/2011	100%
Brazil - Faixa Seridó	846.159/2011	100%
Brazil - Faixa Seridó	846.160/2011	100%
Brazil - Faixa Seridó	846.215/2011	100%
Brazil - Faixa Seridó	846.216/2011	100%
Brazil - Faixa Seridó	846.217/2011	100%
Brazil - Faixa Seridó	846.218/2011	100%
Brazil - Faixa Seridó	846.219/2011	100%
Brazil - Faixa Seridó	846.220/2011	100%
Brazil - Faixa Seridó	846.221/2011	100%
Brazil - Faixa Seridó	846.222/2011	100%
Brazil - Faixa Seridó	846.223/2011	100%
Brazil - Faixa Seridó	846.224/2011	100%
Brazil - Faixa Seridó	846.225/2011	100%
Brazil - Faixa Seridó	846.226/2011	100%
Brazil - Faixa Seridó	846.227/2011	100%
Brazil - Faixa Seridó	846.228/2011	100%
Brazil - Faixa Seridó	846.229/2011	100%
Brazil - Faixa Seridó	846.285/2012	100%
Brazil - Faixa Seridó	846.313/2012	100%
Brazil - Faixa Seridó	846.314/2012	100%
Brazil - Faixa Seridó	846.315/2012	100%
Brazil - Faixa Seridó	846.316/2012	100%
Brazil - Faixa Seridó	846.317/2012	100%
Brazil - Faixa Seridó	846.444/2012	100%
Brazil - Faixa Seridó	846.447/2012	100%
Brazil - Faixa Seridó	846.448/2012	100%
Brazil - Faixa Seridó	846.449/2012	100%
Brazil - Faixa Seridó	846.450/2012	100%
Brazil - Faixa Seridó	846.451/2012	100%
Brazil - Faixa Seridó	846.502/2011	100%
Brazil - Faixa Seridó	846.503/2011	100%

Location	Description	Ownership
Brazil - Faixa Seridó	846.504/2011	100%
Brazil - Faixa Seridó	846.505/2011	100%
Brazil - Faixa Seridó	846.506/2011	100%
Brazil - Faixa Seridó	846.604/2011	100%
Brazil - Faixa Seridó	846.632/2011	100%
Brazil - Faixa Seridó	846.633/2011	100%
Brazil - Faixa Seridó	846.634/2011	100%
Brazil - Faixa Seridó	846.635/2011	100%
Brazil - Faixa Seridó	846.636/2011	100%
Brazil - Faixa Seridó	846.637/2011	100%
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Brazil - Faixa Seridó	848.007/2013	100%
Brazil - Faixa Seridó	848.093/2013	100%
Brazil - Faixa Seridó	848.093/2013	100%
Brazil - Faixa Seridó	848.127/2012	100%
Brazil - Faixa Seridó	848.128/2012	100%
Brazil - Faixa Seridó	848.129/2012	100%
Brazil - Faixa Seridó	848.130/2012	100%









## Schedule of Mining Tenements (continued)

Location	Description	Ownership
Brazil - Faixa Seridó	848.898/2011	100%
Brazil - Faixa Seridó	848.899/2011	100%
Brazil - Manga	860.274/2007	100%
Brazil - Manga	860.563/2011	100%
Brazil - Manga	860.564/2011	100%
Brazil - Manga	860.565/2011	100%
Brazil - Manga	860.566/2011	100%
Brazil - Manga	860.567/2011	100%
Brazil - Mara Rosa	860.957/2012	100%
Brazil - Mara Rosa	860.958/2012	100%
Brazil - Mara Rosa	860.959/2012	100%
Brazil - Posse	834.705/1993	100%
Brazil - Tarântula	848.099/2006	100%

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**About Crusader**

Crusader Resources Limited (ASX:CAS) is a minerals exploration and mining company listed on the Australian Securities Exchange. Its major focus is Brazil; a country Crusader believes is vastly underexplored and which offers high potential for the discovery of world class mineral deposits.

Crusader's key assets include the Borborema Gold Project in north eastern Brazil. The company has >4,500 km<sup>2</sup> of exploration tenements in the Seridó Belt, a highly prospective geological structure which hosts the Borborema Gold Project. This region is under explored and could provide Crusader with a pipeline of high growth, greenfields gold discoveries.

Crusader also owns the Posse Iron Ore Project near Belo Horizonte which produces high-quality iron ore for consumption in the Brazilian domestic iron industry.

**About Borborema**

The Borborema gold project is in the Seridó area of the Borborema province in north-eastern Brazil.

It is 100% owned by Crusader Resources Ltd and consists of three mining leases covering a total area of 29 km<sup>2</sup> including freehold title over the main prospect area.

The Borborema Gold Project benefits from existing on-site facilities and excellent infrastructure, such as buildings, grid power, water, sealed roads and is close to major cities and regional centres. The Project's Maiden Ore Reserve was announced in November 2012. Proven and Probable Ore Reserves of 1.61Moz of mineable gold from 42.4Mt @ 1.18g/t (0.4 & 0.5g/t cut-offs for oxide & fresh). The Mineral Resource remains open in all directions.

A Pre-Feasibility Study (PFS), completed in September 2011, into the economic and technical merits of the Borborema Gold Project, revealed a robust investment case based on an open cut mine development of 3Mtpa.

A Bankable Feasibility Study is underway.

**About Posse**

The Posse Iron Ore Project is located 30km from Belo Horizonte, a city acknowledged as the mining capital of Brazil and the capital of Minas Gerais state. The project has a Mineral Resource of 36Mt @ 43.5% Fe.

With an experienced mining workforce amongst a population of over 2.3 million people, the infrastructure and access to the domestic steel market around the Posse Project is excellent.

Sales commenced in March 2013.

**Competency Statement**

The information in this report that relates to:

- a) Exploration Results is based on information compiled or reviewed by Mr Robert Smakman who is a full time employee of the company;
- b) Borborema gold Mineral Resources is based on information compiled by Mr Lauritz Barnes and Mr Brett Gossage and independent consultants to the company;
- c) Borborema gold Ore Reserves is based on information compiled by Mr Linton Kirk, independent consultant to the company;
- d) Posse Fe Mineral Resources is based on and accurately reflects, information compiled by Mr Bernardo Viana who is a full time employee of Coffey Mining Pty Ltd,

and who are all Members of the Australian Institute of Mining and Metallurgy (Rob Smakman and Linton Kirk being Fellows), and who all have sufficient experience that is relevant to the type of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Each of Mr Smakman, Mr Lauritz Barnes, Mr Kirk, Mr Viana and Mr Brett Gossage consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

This information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.