

Quarterly Activities Report September 2018

Highlights

- Metallurgical testwork underway as part of ongoing technical and financial optimisation of the 2.0Mtpa Borborema Gold Project (“Borborema”)
- Ausenco do Brasil Engenharia Ltda (“Ausenco”) engaged to assist Crusader in completing and reviewing the final documentation required to submit the application for the Installation Licence for Borborema
- Favourable ruling on debt outstanding from Posse Iron Ore Mine sale

Operational Updates

Borborema Gold Project

Bankable Feasibility Study (BFS) - Metallurgical Test Work

During the September quarter, Crusader Resources Limited (ASX:CAS, AIM:CAS) (“Company” or “Crusader”) announced it was undertaking ongoing technical and financial optimisation of the 2.0Mtpa Borborema Gold Project. This optimisation work includes detailed metallurgical test work utilising samples originating from eight large diameter (PQ) diamond drill holes which have provided approximately 6 tonnes of sample from 1,200m of core. The holes are deemed representative of the larger ore body, both along strike and down dip, and reflect the various lithologies present at Borborema. Finalisation of the metallurgical test work and subsequent processing plant flowsheet design is a critical path item for the completion of the BFS for Borborema.

An opportunity has been identified in minimising the usage of grinding media via optimisation of the grinding circuit. Work is ongoing, with Orway Mineral Consultants (OMC) embarking on assessment of operating cost criteria for the comminution circuit options. Options under evaluation are:

- Single stage SAG (lowest capex option) recently shown suited to achieving the nominal 106µm grind
- A SAG/ball mill flowsheet (SAB)
- A multiple stage crush/ball mill flowsheet, as previously proposed in the PFS
- A hybrid coarse fed ball mill/SAG which includes primary crushing, and open circuit secondary crushing feeding a high ball charge SAG mill

Work completed indicates the optimal grind size of 80% material passing 106µm and a leach residence time of 24 hours. The 106µm grind size provides a positive impact on the project’s NPV over both finer and coarser grinds and residence time considerations. Final grind size selection is expected to be confirmed post the completion of the OMC operating cost criteria determinations.

Ongoing metallurgical testing is focusing on variability testing where some 40 composites along strike and down dip will be subjected to a matrix of gravity-leaching test work encompassing variables of grind size, cyanidation conditions and residence time. Short range variability testing will also be undertaken to populate a geo-metallurgical model to forecast process recovery. Bulk test work will generate the key design parameters needed to take the BFS forward by providing the basis for capital and operating cost estimation as well as revenue estimates. This data will also ultimately support detailed design of the facility as the project is taken forward to production.

Crusader confirms that the optimisation work undertaken to date and disclosed in this announcement does not materially change any of the material assumptions and technical parameters underpinning the Company's previously announced mineral resource and ore reserve estimates. Following completion of the Company's optimisation work and BFS, if there are any material changes to these material assumptions or technical parameters, the Company will release all information required under the Listing Rules, the AIM Rules and the JORC Code 2012.

Licensing

During the quarter, the Company engaged Ausenco do Brasil Engenharia Ltda ("Ausenco") to assist Crusader in completing and reviewing the plant design required to submit the application for the Installation Licence for Borborema.

Crusader has commenced the application process for the full Installation Licence required for mine construction. Ausenco's contribution will be highly valuable in enabling Crusader to present an attractive and cost-effective solution in its application for the Installation Licence. Ausenco will focus initially on the design of the metallurgical processing plant.

Ausenco has significant experience working with some of the leading international mining companies, with experience, in particular, in Brazil and has demonstrated success in delivering engineering outcomes at the project level.

The Installation Licence will allow the commencement of engineering work in accordance with the already approved environmental control plan and is the only major outstanding permit required to commence mine construction at Borborema.

Crusader has already received the Pre-Licence (Licença Previa or 'LP') from the Rio Grande do Norte State Governmental Department (IDEMA) in Brazil, which approved the Environmental Impact Assessment for Borborema.

The Company has submitted to IDEMA all studies related to kinetics of the rocks in relation to drainage generation and lodged an authorisation request for clearing the vegetation in the area of the project for the pit and infrastructure.

Critically, Crusader has significant positive support from IDEMA, the local government and communities for the project.

Crusader currently expects to receive the Installation Licence in Q1 2019 and will provide an update on progression of the work streams in due course.

Posse Iron Ore Mine

As previously announced, Crusader entered into a sale agreement to divest its 100% interest in the Posse Iron Ore Mine ("Posse") to Inter Invest B.P. S/A on 28 July 2017 via an SPV, CNS Empreendimentos Em Transportes E Minerios Eireli (together, the "Buying Company").

Under the agreement, a consideration of R\$8m (8 million Brazilian Real) was to be paid by an initial payment of R\$1m with the balance payable in 15 equal monthly instalments until November 2018. The Company has received approximately R\$1m to date.

Crusader commenced legal proceedings in June 2018 to recover the outstanding monies. Post the period end, following the judgement passed by the Brazilian courts on 26 October 2018, the Buying Company is obliged to make payments totalling R\$9.5m (US\$2.6m), including fines, interests and penalties.

An initial payment was received in October 2018 of R\$0.2m (US\$0.05m) with the agreement requiring monthly payments of between R\$0.2m (US\$0.05m) and R\$0.25m (US\$0.06m) between November 2018 and March 2019 followed by 8 monthly payments of approximately R\$1m (US\$0.27m) between April 2019 and November 2019.

In case of non-payment, the debt will return to the value of the current enforcement action being approximately R\$14.5m (US\$4.0m).

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About Crusader

Crusader Resources Limited (ASX:CAS, AIM:CAS) is a minerals exploration and development company listed on the Australian Securities Exchange and the AIM Market of the London Stock 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 has two key gold assets:

Borborema Gold Project

The Borborema Gold Project is in the Seridó area of the Borborema province in north-eastern Brazil. It is 100% owned by Crusader and consists of three mining leases covering a total area of 29 km² including freehold title over the main prospect area.

The Borborema Gold Project benefits from a favourable taxation regime, 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 Ore Reserve includes Proven and Probable Ore Reserves of 1.61Moz of mineable gold from 42.4Mt @ 1.18 g/t (0.4 & 0.5 g/t cut-offs for oxide & fresh). The measured, indicated and inferred Mineral Resource Estimate of 2.43Moz @ 1.10 g/t gold, remains open in all directions.

Juruena Gold Project

The Juruena Gold Project is located in the highly prospective Juruena-Alta Floresta Gold Belt, which stretches east-west for >400km and has historically produced more than 7Moz of gold from 40 known gold deposits. Historically there is a database of more than 30,000 meters of drilling and extensive geological data.