

September 2010 QUARTERLY ACTIVITIES REPORT

29th October 2010



Posse Iron mine panorama

HIGHLIGHTS;

- **Borborema Gold Project purchased - price paid equivalent to ~A\$3/ resource oz¹**
- **Maiden independent Mineral Resource estimate for Borborema Gold Project returns a total Indicated plus Inferred Resource of:**
 - **728koz @ 1.63 g/t Au (at 0.5 g/t cut off) or**
 - **596koz @ 2.45 g/t Au (at 1g/t cut off)**
- **Aggressive drilling program to increase resource to above 1 million ounces underway with three rigs drilling around the clock.**
- **Posse Iron Project licensing is progressing - beneficiation plant is now fully constructed.**
- **Crusader's Brazilian management team enhanced.**
- **A\$5.78M raised via private placement and SPP.**

Borborema Gold Project (Brazil- CAS: 100%).

Crusader Resources Limited (Crusader) completed due diligence on the Borborema Gold project located in the north-eastern state of Rio Grande do Norte during the quarter and subsequently exercised an option to purchase 100% of the project and acquired three granted mining leases (3,000Ha) as well as the freehold land over the main part of the mineralisation.

Crusader was satisfied after full legal and technical due diligence did not reveal any major issues. Crusader has since announced a significant maiden resource over the area and launched a major exploration and resource expansion program.

The final purchase price for Borborema was ~A\$2.4M representing a price per resource ounce of just¹ ~A\$3.

¹ Cost per resource ounce calculation is based on purchase price of R\$4M cost, 728k oz (as per recent JORC compliant estimate- see below) and exchange rate of R\$:A\$ of 1.6.

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A maiden, independently estimated JORC compliant total Indicated and Inferred Resource of 728koz of gold based on a total of 13.88 million tonnes of ore at a grade of 1.63 grams/tonne gold using a 0.5 g/t cut off grade was prepared and reported by Coffey Mining during the quarter. At a higher cut off grade (1.0 g/t) the estimate is 7.6Mt for 596koz @2.45 g/t (See Table 1 and Table 2). (Full details on the resource estimate are disclosed in the ASX announcement dated 25/8/2010- see [link](#))

Table 1 Borborema Project Mineral Resource (August 2010) Ordinary Kriged Estimate (0.5g/t Au cut off) 25mE x 25mN x 4mRL Parent Cell.										
Category	Cut off	Indicated			Inferred			Total		
		Tonnes (Mt)	Au g/t	Contained Gold (kOz)	Tonnes (Mt)	Au g/t	Contained Gold (kOz)	Tonnes (Mt)	Au g/t	Contained Gold (kOz)
Oxide	0.5				2.01	0.90	58	2.01	0.90	58
Fresh	0.5	2.51	2.37	191	9.35	1.59	479	11.86	1.76	670
Sub Totals		2.51	2.37	191	11.36	1.47	537	13.9	1.63	728
					Total at 0.5 g/t cut off			13.90	1.63	728

Table 2 Borborema Project Mineral Resource (August 2010) Ordinary Kriged Estimate (1.0g/t Au cut off) 25mE x 25mN x 4mRL Parent Cell.										
Category	Cut off g/t	Indicated			Inferred			Total		
		Tonnes (Mt)	Grade Au g/t	Contained Gold (kOz)	Tonnes (Mt)	Grade Au g/t	Contained Gold (kOz)	Tonnes (Mt)	Grade Au g/t	Contained Gold (kOz)
Oxide	1.0				0.36	1.80	20	0.36	1.80	20
Fresh	1.0	2.10	2.71	182	5.14	2.37	391	7.24	2.47	573
Sub Totals		2.10	2.71	182	5.50	2.33	411	7.60	2.44	596
					Total at 1.0 g/t cut off			7.60	2.44	596

Note; Rounding errors may occur in the tables above.

The mineral resource estimate is based on drilling over 1,310 metres of strike along a shear zone. Mineralisation at Borborema consists of quartz-sulphide veining hosted in a shear zone which dips to the east at an angle of ~35°. The mineralisation occurs as multiple zones, ranging up to 30 metres in thickness.

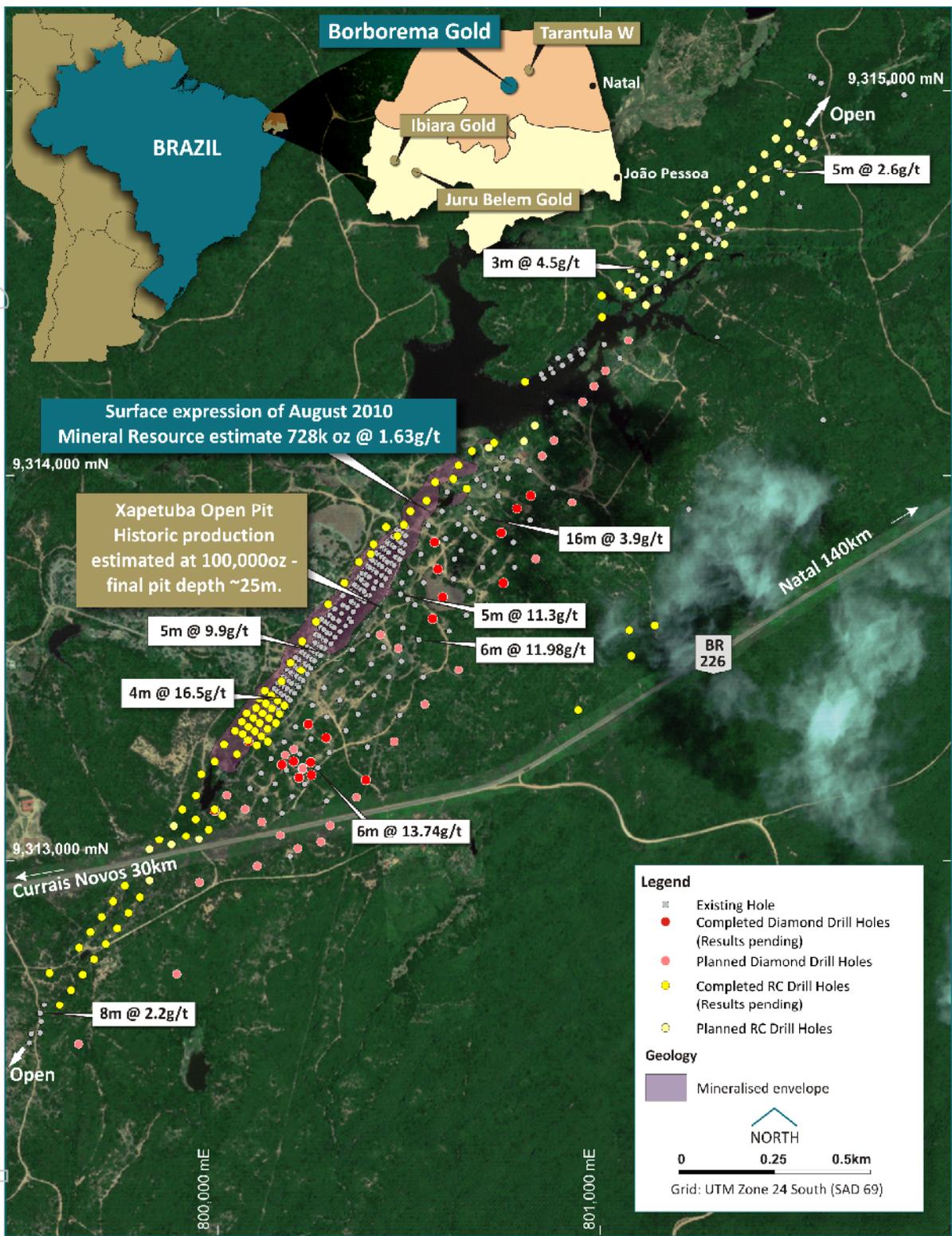
Metallurgical testing completed by Crusader indicates non-refractory mineralisation with recoveries between 93% and 95% under conventional CIL processing. Further testwork is underway.

Following the purchase of the project, Crusader launched an A\$2m exploration program that includes three drill rigs (two diamond and one RC rig) drilling around the clock. The drilling is designed to expand the current resource (both along strike and down dip), infill portions of the current outline and to explore parallel zones which may host replicates of the Borborema mineralised structure.

To date, ~4,000m of RC (80 holes) and ~2,300m of diamond drilling (18 holes) have been completed. Results are expected to be received and reported from early November. A total of 10,000m has been budgeted, however Crusader may expand this program on positive results.

A drill plan is included below. Drilling is expected to be completed in December and a new resource estimate prepared during the first quarter of 2011.

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BORBOREMA GOLD PROJECT

Completed and planned drill hole locations



Figure 1: Borborema drill hole locations

Crusader has also expanded the project footprint in the area, with new applications extending the area to 8,510 Ha (85km²).

Posse Iron Project (Brazil- CAS: 100%).

The licensing process for expanded production for the Posse Iron Ore Project in Minas Gerais state is now well underway. A public meeting was held in October which evidenced strong local public and commercial support for the project. Crusader presented a simple development project at the Posse site which has little or no environmental impact as the site was largely disturbed before Crusader arrived.

The meeting identified the requirement for Crusader to provide additional information and to seek governmental clearances from several departments. SUPRAM (the licensing authority) has taken those questions on board and it is expected that they will formally request Crusader to seek further governmental sign-offs before the project will be licensed.

The beneficiation plant has now been fully installed and tested on site. The plant will have a throughput of 800k-1Mtpa and will dry crush and screen high grade iron ore. Posse will produce ~ 500k tpa of lump ore and sell into the domestic Brazilian market. The fines produced may provide an additional revenue stream or may be stockpiled for re-treatment in the planned Stage 2 expansion.



Figure 1: Company Secretary, Andrew Beigel inspecting the Posse Beneficiation plant.

Lake Throssell Uranium Project (Australia- CAS 100%).

An agreement with the Central Desert Native Title Services (CDNTS) was reached during the quarter and the agreement was subsequently approved by the Minister for Indigenous Affairs. Crusader is now able to initiate on ground activities at Lake Throssell, a large paleodrainage in the western desert of Western Australia, prospective for calcrete hosted uranium.

Crusader plans to initiate exploration at Lake Throssell in March 2011, with a 200 hole, aircore drilling program to test extensive areas of the prospective drainage channels.

Corporate.

During the quarter the roles of Chief Operating Office (COO) and Exploration Manger (EM) were filled by expatriate Australians living in Brazil.

Mr Michael Schmulian will assume the role of COO after a long and successful international career in exploration and mining. Mike has held significant management roles with WMC, AngloGold Ashanti and more recently the ASX listed Mundo Minerals. Mr Schmulian is a Fellow of the AusIMM and was on the executive council of ADIMB (the Brazilian mining industry body). Mr Schmulian will be responsible for the development and management of the Posse Iron mine in Minas Gerais.

Mr Aidan Platel has been selected as the new EM for the company. Aidan has been based in Brazil for over six years with ASX listed Mirabela Nickel integrally involved with the definition and development of the Santa Rita nickel project. With over 10 years' experience in commodities including gold and base metals as well as time in open pit and underground mines, Aidan's primary role will be to manage the aggressive exploration planned for the Borborema gold project.

Both Mike and Aidan are fluent in Portuguese and have the experience of working within the Brazilian system. They will help Crusader transition from explorer to producer and major mine developer over the coming years.

Treasury

Crusader completed a private placement (A\$3.93M in two tranches) and a shareholder purchase plan (A\$1.857M) raising a total of A\$5.79m (before expenses) during the quarter. The SPP was strongly supported by the company's shareholders and other new investors.

The money has allowed Crusader to exercise the Borborema purchase option and start the aggressive drilling and exploration program.

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About Crusader

Crusader Resources Limited (ASX: CAS) is a minerals exploration company focussed on the identification, acquisition and development of projects in Brazil and Australia. The company has a diverse portfolio of projects including iron ore, gold, uranium, tungsten and tin. Crusader applies leading edge exploration skills to the discovery of new assets and utilises its strong networks in Brazil, Australia and around the world to identify new opportunities.

Crusader is set to become Australia's latest iron ore production company when production begins at the Posse Iron project (100%). The project is located in the Iron Quadrilateral region of Minas Gerais state, Brazil and is a low capital cost project with no infrastructure bottlenecks and simple logistics. Posse contains an Indicated Mineral Resource of 4.83Mt at 47.39% Fe and an Inferred Mineral Resource of 31.18Mt at 42.89% Fe. (Refer to announcement made 11 May 2009).

Crusader has two gold projects in Brazil, Borborema and Jurú-Belem. The Borborema gold project is the most important gold project in the NE of Brazil with historical production of ~300,000 ounces. In August 2010, Crusader announced a maiden JORC compliant resource estimate at Borborema (at a 0.5g/t cut-off) of 2.51Mt @ 2.37g/t for 191 kozs Indicated and 11.36Mt @ 1.47 g/t for 537 kozs Inferred for a combined Indicated and Inferred resource estimate of 13.88Mt @ 1.63g/t for 728 kozs—(Refer to announcement made 25 August 2010). Crusader is currently aggressively exploring the Borborema project.

Crusader also has an extensive portfolio of gold, tin, indium, REE and tungsten projects within Brazil.

In Australia, Crusader owns 100% of the Lake Throssell uranium project, a highly prospective project covering more than 2,500 km² and located 200km to the north east of Laverton in Western Australia. Exploration is set to begin in early 2011 after successful negotiations were held with the native title holders.

Crusader Resources Ltd has 76,283,514 ordinary shares on issue.

The information in this report that relates to Exploration Results is based on information compiled or reviewed by Mr. Robert Smakman, who is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of the company. Mr. Smakman has sufficient experience in the type of deposits under consideration and the activities being undertaken to qualify as a Competent Person as defined in the December 2004 Edition of the Australasian Code for reporting of Exploration Results, Minerals Resources and Ore Reserves and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to 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 a Member of the Australian Institute of Geoscientists. Mr Viana has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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. Mr Viana consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Crusader Resources Limited

ABN

94 106 641 963

Quarter ended ("current quarter")

30 Sept 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(356)	(356)
(b) development	(371)	(371)
(c) production	-	-
(d) administration	(452)	(452)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(1,164)	(1,164)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) exploration	-	-
(b) mining tenements	(2,042)	(2,042)
(c) other fixed assets	(70)	(70)
1.9 Proceeds from sale of:		
(a) tenements	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2,112)	(2,112)
1.13 Total operating and investing cash flows (carried forward)	(3,276)	(3,276)

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1.13	Total operating and investing cash flows (brought forward)	(3,276)	(3,276)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5,785	5,785
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Capital raising costs	(181)	(181)
	Net financing cash flows	5,604	5,604
	Net increase (decrease) in cash held	2,328	2,328
1.20	Cash at beginning of quarter/year to date	567	567
1.21	Exchange rate adjustments to item 1.20	(10)	(10)
1.22	Cash at end of quarter	2,885	2,885

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	172
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of salary and benefits to managing director, fees to executive director and payment of directors' fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,100
4.2	Development	200
4.3	Production	250
4.4	Administration	400
Total		1,950

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	2,885	567
5.2	Term deposits	-	-
5.3	Bank overdraft	-	-
5.4	Other	-	-
Total: cash at end of quarter (item 1.22)		2,885	567

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements	846186	100%	Nil
	relinquished, reduced or lapsed	846187	100%	Nil
		846188	100%	Nil
		860848	100%	Nil
		860850	100%	Nil
		860855	100%	Nil
		860862	100%	Nil
6.2	Interests in mining tenements acquired or increased	805049	Nil	100%
		840149	Nil	100%
		840152	Nil	100%
		848208	Nil	100%
		848209	Nil	100%
		848284	Nil	100%

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	76,283,514	76,283,514		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	16,526,362	16,526,362		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	6,800,000	-	25 cents	22 August 2011
	1,000,000	-	28 cents	22 August 2011
	45,000	-	82 cents	5 August 2011
	1,000,000	-	65 cents	31 December 2012
	200,000	-	25 cents	1 October 2012
	250,000	-	44 cents	1 August 2015
	500,000	-	56 cents	22 August 2015
7.8 Issued during quarter	250,000 500,000	- -	44 cents 56 cents	1 August 2015 22 August 2015
7.9 Exercised during quarter				
7.10 Expired/lapsed during quarter	4,950,000		\$1.00	12 September 2010
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Company Secretary

Date: 29 October 2010

Print name: Andrew Beigel

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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