

Quarterly Activities Report

December 2015

Highlights

- Juruena licensing progressing on schedule
- Preliminary equipment quotations and Scoping Study advanced for Juruena
- Discussions with Financing Partners for Juruena underway
- \$1.3 million Capital Raising completed

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

Licensing

During the December quarter, applications for trial mining licences ('Guia de Utilização') (GU), over the high-grade Juruena Gold Project, were lodged with Brazilian authorities.

The project development strategy for Juruena is similar to the direction undertaken by Crusader in commissioning the Posse Iron Ore Mine, and has been the path to production for a number of other successful mining companies in Brazil.

In addition to the GU applications, Crusader's licensing team has commenced the process for a full 'Concessão de Lavra' (Mining Concession / Mining Licence). In order to complete the application for a full mining licence, Crusader has engaged several internationally recognised consulting groups to conduct both environmental and social impact assessments for the planned operations, which will comply with the Brazilian mining code and International Finance Corporation (IFC) performance standards.

The full mining licence will remove the tonnage restriction on operations and allow the project to expand to full capacity.

Scoping Study Advances

Denver based international engineering firm Global Resource Engineering (GRE) has progressed preliminary costings for the project. The costings are based on an appropriately sized plant and equipment to mine and process within the tonnage restrictions of the GU licence, and leverages Crusader's existing in-country experience, to source locally manufactured equipment and contractors in the mining focused city of Belo Horizonte.

Preliminary costings support a modular processing facility, the design of which would allow faster erection on a minimalistic footprint, and expansion post the granting of the full mining licence.

In addition to the processing facility, GRE has completed costings on both owner operator and contract development for both the Querosene and Dona Maria ore bodies, allowing access to the current known Inferred Mineral Resources¹.

¹ Refer ASX announcement dated 29 September 2015 – "Juruena Maiden Resources include 178koz at >12 g/t Gold"

Tender documents for contract underground mine development have been issued in January 2016 in line with the company's development schedule and once proposals are received the costings will be updated in the Scoping Study modelling.

Crusader plans to recommence drilling early in 2016 in order to increase the resource confidence level of the mineral resource estimates at Dona Maria and Querosene as well as evaluate a number of close, high-value extensions identified by the 3D resource models that have been built around the current inferred resources (see figures 2 & 3 below).

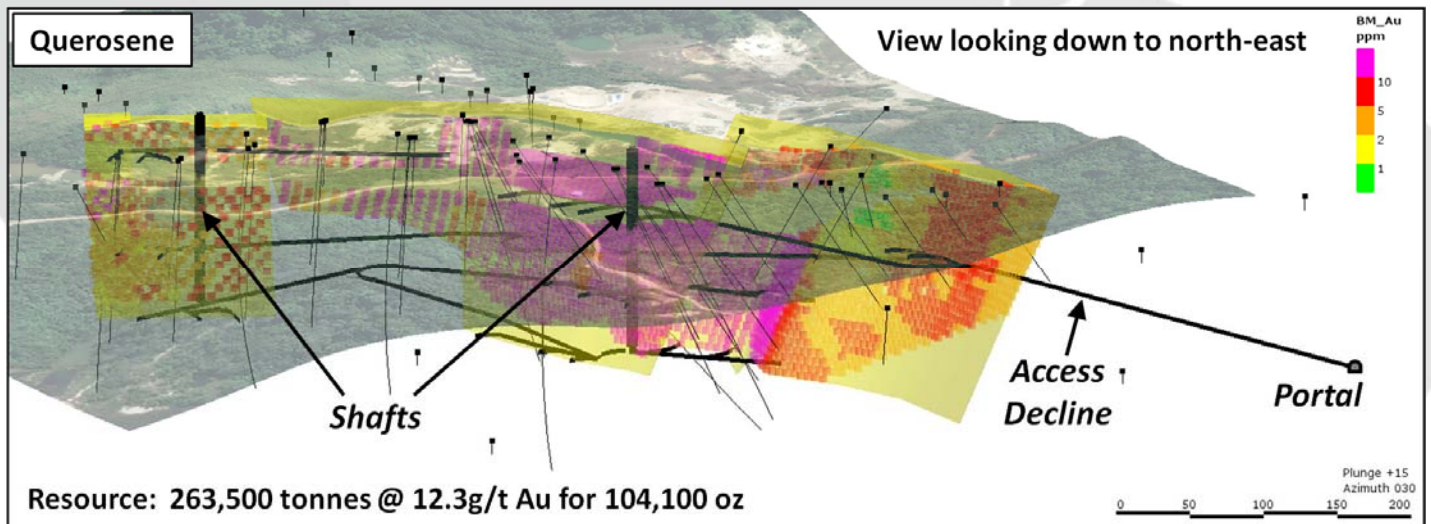


Figure 1: Querosene resource model showing preliminary mine plan - looking to north-east

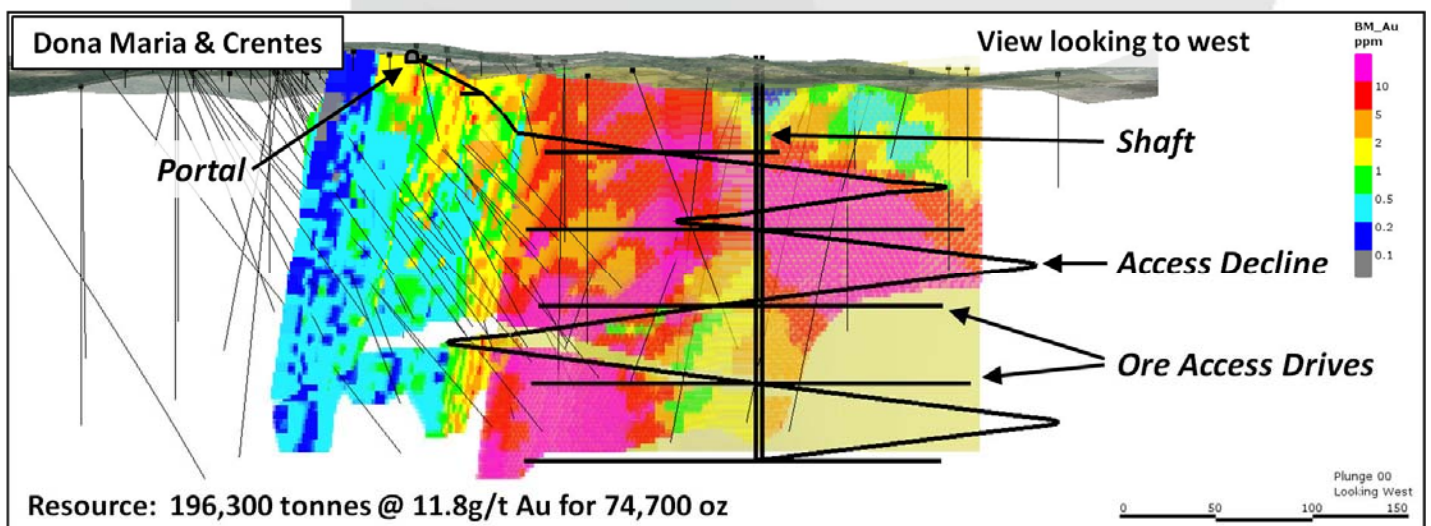


Figure 2: Dona Maria & Crentes resource model showing preliminary mine plan - looking to the west

Project Funding

Crusader has commenced preliminary discussions with potential financing partners to provide a debt facility to develop the Juruena Gold Project. These discussions are ongoing with a final firm agreement likely to be linked to the completion of the Scoping Study and a new resource statement scheduled for the second quarter of 2016.

The weakening Brazilian currency and recent strength in the gold price continues to have a positive effect on the economics for gold production in Brazil in a similar dynamic to that being experienced by Australian gold producers. Crusader intends to fast-track the development of Juruena to take advantage of this favourable commodity environment.

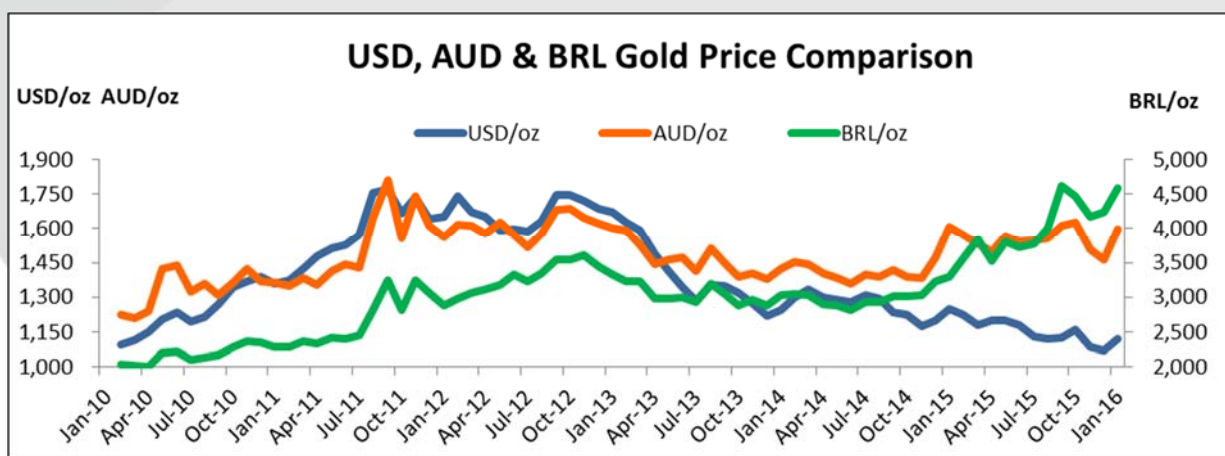


Figure 3: Comparison of USD, AUD and BRL gold prices

Posse Iron Ore Mine – Minas Gerais, Brazil (100% Crusader)

Crusader remains positive for 2016 and anticipates the mine will operate profitably with conditions improving as the year progresses. Improving sales orders with both new and existing customers and a noted stabilising of business confidence with our customers, is pointing to a better outlook for the domestic Pig Iron industry in Brazil.

Crusader’s sales team has worked hard to develop new customers and continues to develop opportunities to deliver high quality products into the Brazilian domestic market. Crusader’s ability to produce a variety of different ore grades and specifications continues to generate new customer enquiries.

Over the December quarter Crusader’s sales team negotiated and sold three new products represented as:

- HTT1 - product of 56-58% Fe with higher silica grade in the product
 - Allows Crusader to increase the recovery in mine
- NES – High-grade lump silica for ‘specialty metals’ producer
- High grade Fe lump material to produce iron oxide for use in the chemical industry (in Minas Gerais and Sao Paulo)

During the period additional costs were incurred in relation to removal of waste relating to a scheduled cut back in the Posse pit, as well as water management relating to heavy rains during the Brazilian wet season. Average production costs for the quarter were \$16.16/t (on lower overall throughput volumes), although unit costs over the 2015 year remained at a respectable \$12.76/t. Note that there was also a one off capital cost of ~ BRL150,000 incurred to improve the state road adjacent to the mine.

The operational cost for Posse in the month of December was the second lowest month for the year at BRL1.3 million. Crusader remains vigilant over the costs at the mine during this challenging period.

The first Posse mine SIPAT (Week of Occupational Health, Safety and Accident Prevention) occurred over the quarter with Posse Mine collaborators participating in lectures about safety and environment with rich discussions about related themes.



Figure 4: Posse Mine SIPAT

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

The currency effect on the BRL denominated gold price has continued to assist with the economic evaluation of Crusader's 100% owned Borborema Gold Project, located in the northeast of Brazil. Borborema has a JORC reserve of 42.4mt @ 1.18 g/t Au for 1.61Moz comprised of two ore lenses, with the shallow lens containing the bulk of the reserve (26mt @ 1.14 g/t Au for 970koz). Crusader is evaluating a smaller operation than what was contemplated earlier.

Over the period, work at Borborema focused on two related areas, tailings disposal and licensing. Samples of Borborema tailings have been sent to various filtration equipment manufacturers to test the tailings for the applicability to be 'dry stacked' (the tails are filtered and stacked rather than contained in a tailings dam). The potential benefits of this option include:

- Remove the requirement for a tailings dam - the tailings will have most of the water recovered (sample achieved a final moisture content of ~ 12-17% a consistency similar to a compressed cake) and be 'stackable' in a waste pile
- Potentially reduced capital and operational costs – tailings dam and associated infrastructure
- In line with local government and IFC requirements regarding environmental responsibility
- Optimised licensing- the local environmental authorities are more likely to accept the development proposal without a tailings dam.

The testwork was considered a success with cake moisture contents of 12-17% achieved. Preliminary costings of dry stacking appears to enhance the value of the project (as well as potentially accelerating the licensing) and as such, Crusader has taken the decision to alter its development proposal at the mines department and the environmental agency to dry stacking route.

Health & Safety / OHS

No lost time incidents (LTI) at Borborema, Seridó, Juruena or Posse during the period. We maintain our LTI-free record at Posse, to date now 973 days (end December 2015).

Corporate

During the quarter the Company announced a share placement with Institutions and Sophisticated Investors to raise \$1.3 million.

The funds will enable the scoping study on the Juruena Gold Project to be completed in the first quarter of 2016, in line with the company's schedule to develop and construct a modular gold plant targeting the multiple high-grade gold resources identified on Crusaders 100% owned Juruena Gold Project.

Crusader is focused on developing a cashflow from the Juruena Project in the near term to allow the much larger potential of this landholding to be properly evaluated.

The issue price under the placement was \$0.12 per share with a free 1 for 2 unlisted \$0.15 option, expiring 31 December 2017.

The Placement was strongly supported by existing key shareholders and Directors including Chairman, Stephen Copulos. The Company regards this as a strong endorsement of the quality of its projects. The Copulos group advanced \$500,000 in funding which will convert to ordinary shares and options on the same terms as Tranche 1 of the Placement, subject to shareholder approval.

The placement is to be completed in two tranches. Tranche 1 (6,300,998 shares and 3,150,449 options) was completed on 31 December 2015. Tranche 2 (4,666,666 shares and 2,333,333 options) includes Director participation and is subject to shareholder approval which will be sought at a General Meeting anticipated in March 2016. Completion of tranche 2 will occur as soon as practicable after shareholder approval is obtained.

-ENDS-

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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 has three key assets:

Posse Iron Ore

The Posse Iron Ore Mine is located 30km from Belo Horizonte, a city acknowledged as the mining capital of Brazil and the capital of Minas Gerais state. The project had an indicated and inferred Mineral Resource estimate of 36Mt @ 43.5% Fe when mining began in March 2013. Posse is currently selling DSO into the domestic market. With an experienced mining workforce amongst a population of over 2.5 million people, the infrastructure and access to the domestic steel market around the Posse Project is excellent.

Borborema Gold

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 @ 1.18g/t (0.4 & 0.5g/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

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.

The Juruena Project has been worked extensively by artisanal miners (garimpeiros) since the 1980s, producing ~500koz in that time. Historically there is a database of more than 30,000 meters of drilling and extensive geological data.

Competent Person Statement

The information in this report that relates to Juruena Gold Project exploration results, Posse Iron Ore Project exploration results and Borborema Gold Project exploration results released after 1 December 2013, is based on information compiled or reviewed by Mr. Robert Smakman who is a full time employee of the company and is a Fellow of the Australasian Institute of Mining and Metallurgy. The information in this report that relates to Mineral Resources at the Juruena Gold Project is based on information compiled or reviewed by Mr. Lauritz Barnes and Mr. Aidan Platel who are independent consultants to the company and Members of the Australasian Institute of Mining and Metallurgy. Each of Mr. Smakman, Mr. Barnes and Mr. Platel have sufficient experience that is relevant to the type of mineralisation and type of deposits under consideration 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. Mr. Smakman, Mr. Barnes and Mr. Platel consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to:

- a) Borborema Gold Project and Posse Iron Ore Project Exploration Results released prior to 1 December 2013 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, 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 was a full time employee of Coffey Mining Pty Ltd,

and who are all Members of the Australasian 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. Barnes, Mr. Kirk, Mr. Viana, and Mr. Gossage consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The 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.