

Quarterly Activities Report

December 2012

Highlights

- Posse LOP and PAE licenses granted, infrastructure construction progressing on schedule
- Mining and sales of high grade, direct shipping haematite ore from Posse is expected in the March 2013 quarter
- A maiden Proven and Probable Ore Reserve for the Borborema Gold Project of 1.61Moz completed
- Optimisation of the Borborema Bankable Feasibility Study (BFS) is progressing positive updates on key areas including water, power and metallurgy
- Exploration in the Seridó gold belt continues

The final quarter of 2012 was crucial in the transformation of Crusader into a mining company. The approval of several key licenses during November and December for the Posse Iron Ore Project will allow mining to start and sales to commence in the first quarter of 2013.

At the key Borborema Gold Project, the release of a maiden Proven and Probable Ore Reserve as a fundamental part of the Bankable Feasibility Study (BFS), was a significant step forward on this large and potentially company changing project. The BFS continues with several key trade-off studies delaying completion of the study.

Australian Securities Exchange Information

ASX Code: CAS

- Ordinary Shares **126,616,040**
- Options **3,460,000**
(exercise prices: \$0.44 to \$1.30)
- Market Capitalisation **\$44 M**
- Treasury **\$4.5M** (31 December 2012)
- Share price **\$0.35**
(12 month closing range: \$0.34 to \$1.00)

Board of Directors

Non-Executive Chairman

David Archer

Managing Director

Rob Smakman

Executive Director

Paul Stephen

Non-Executive Directors

Justin Evans

David Netherway

CAS Investment Opportunity in Brazilian Projects

- Near term producing DSO asset- Posse
- Large Borborema gold project – BFS underway
- Underexplored and high potential exploration portfolio
- In-country (inc. MD, COO and Exploration Manager)
- Extensive network into new opportunities

Posse Iron Project - Minas Gerais, Brazil (CAS 100%)

A series of licensing milestones were achieved for the Posse Iron Ore Project during the quarter, allowing for mining and sales of the direct shipping haematite ore to start during the first few months of 2013.

A Licence to Operate (LOP) for Posse was granted by the Minas Gerais state environmental council, COPAM, after approval at the monthly meeting in December 2012. The LOP allows Crusader to begin operations at a rate of 300,000tpa of run-of-mine ore using dry beneficiation.

Crusader continues to pursue, in parallel, a full mining licence for the project which could be granted during the first half of 2013.

An updated Plano de Aproveitamento Econõmico (PAE) was approved in November 2012 by the federal mines department (DNPM). This approval is a required step in the full mining licence application process and allows Crusader to present the PAE along with the environmental licence application at a subsequent COPAM meeting. Crusader remains positive the application will be presented during the current quarter.

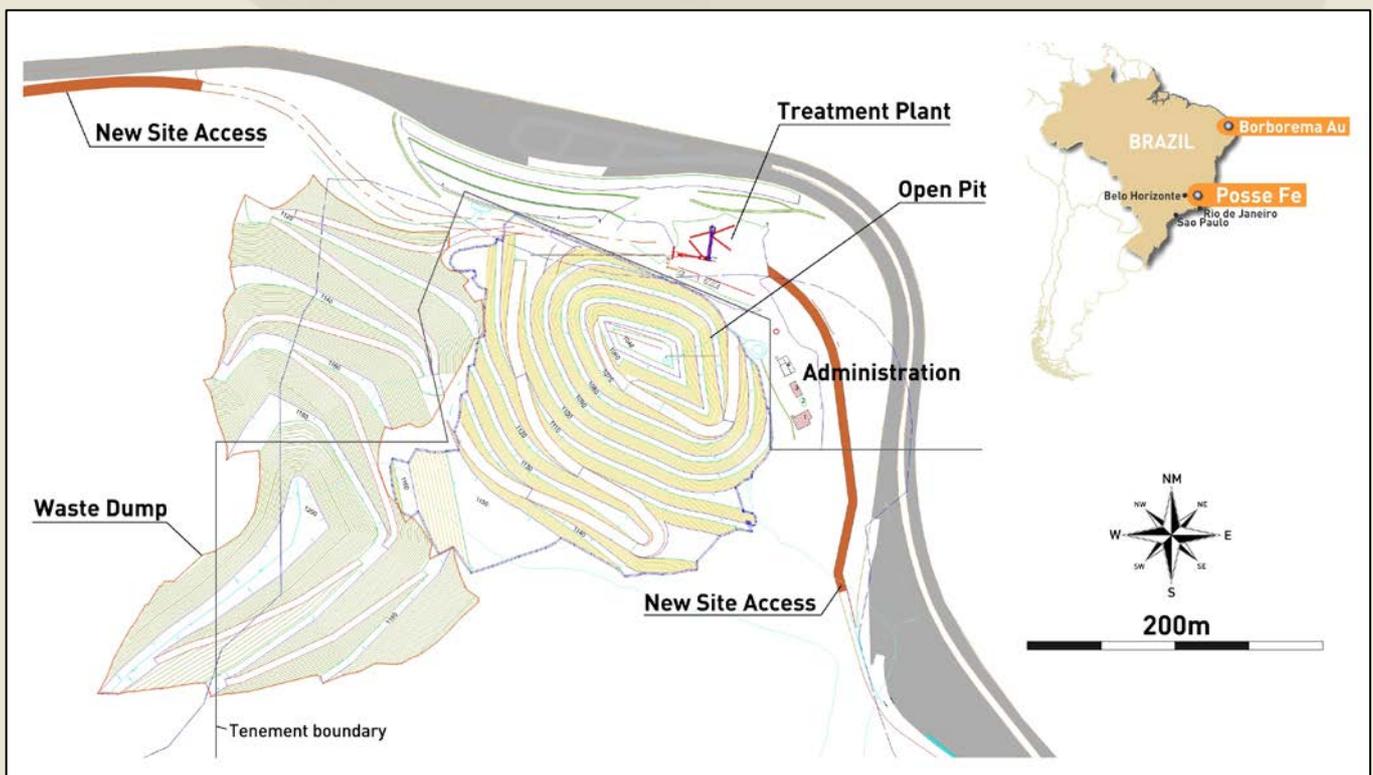


Figure 1: Posse Iron Ore Project Layout

Mining of direct shipping haematite iron ore (DSO) is expected to commence in February with production expanding to a target rate of 50,000 tonnes per month in April-May. Production could be further increased to up to 1.0 Mtpa with the granting of a full mining licence as discussed above.

Iron ore sales will consist primarily of low contaminant, high-grade lump and some lower grade fines, at a time of strong global iron ore prices. Ore will be sold at the mine gate to local customers including pig iron producers and steel mills and then transported by road. Crusader has signed three sales letters of intent with domestic smelters. Demand from the smelter group is in excess of Posse's projected production.

Construction of an access road, additional office facilities and a weighbridge are required for first sales to commence. The construction of these essential infrastructure items is well underway.

Posse background

Posse is 100% Crusader owned and located 30km from Belo Horizonte in the Iron Quadrilateral region of Minas Gerais state, Brazil, one of the most prolific iron ore regions in the world. Posse is a low capital cost project, is close to infrastructure and logistically simple as sales will be made at the mine gate to local customers.

Posse contains an Indicated and Inferred Mineral Resource of 36Mt@ 43.5% Fe. Low strip ratio (0.15:1 in early years), free digging (no blasting) and simple crushing and screening of the ore results in very low operating costs of ~ A\$12 per tonne of ore mined.



Photo 1: Clearing underway for access to Posse Iron Project

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

Activities at Crusader's 100% owned Borborema Gold Project in Brazil have focused on the various aspects of the continuing BFS. The most significant news from the quarter revolved around the release of a Maiden Ore Reserve for the project.

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) were reported in November (see Table 1 below). This represents a significant portion (87%) of the Measured and Indicated Resources previously reported.

Table 1
Borborema Gold Project
Maiden Ore Reserve

Category		Tonnes (Mt)	Grade (Au g/t)	Mineable Gold (Moz)
Proven	Oxide	0.65	0.80	.017
	Fresh	7.26	1.25	.292
Probable	Oxide	1.68	0.70	.038
	Fresh	32.82	1.20	1.26
Total		42.41	1.18	1.61

Table 1: Ore Reserve estimate for the Borborema Gold Project. Reported at a 0.4 g/t cut-off for oxide and 0.5g/t cut-off for fresh material. The cut-off grades have been based on the latest throughput costs, gold price of US\$1350/oz, metallurgical recovery of 95% and then rounded up. Note, appropriate rounding has been applied, subtotals may not equal total figures.

The Ore Reserve is based upon the Mineral Resource estimate for Borborema released in July 2012. Pit design and mine planning has been completed using information and modifying factors detailed in Appendix 1.

The Ore Reserve is an integral part of the BFS which is considering a 4Mtpa, open-pit gold mine which has the potential to deliver average production of 150,000ozpa.

The BFS was due for completion during the quarter, however a series of key trade-off studies have been undertaken which have delayed the finalisation of the report. These studies included:

- tailings dam location and design
- sourcing water for the project
- analysis of various options in sourcing electricity for the project
- investigation treatment of mica in the final flow sheet design

Trade-offs within the flow-sheet design stem from the work in the Pre-Feasibility Study (PFS) which highlighted the presence of mica in the ore. Although soft, mica has a book-like mineral structure and can be difficult to grind. To test various flow-sheet options, including the possibility of a coarser grind than that assumed in the PFS, a large (5 tonne) sample was sent to Sao Paulo for advanced, pilot plant scale, crushing and grinding testwork.

The results of this testwork and subsequent leaching and mineralogical studies of the pilot plant products indicate that some gold may be associated with mica which will require grinding to the previously assumed size. Further optimisation of the grinding circuit is continuing.

Finalising the flow-sheet is a fundamental part of the BFS and needs to be completed to a defensible and logical conclusion. Crusader is confident that once the flowsheet has been finalised the balance of the BFS can be completed in a timely manner.

Sourcing water for the project has been narrowed to two best economic and socially acceptable options- negotiations are significantly advanced with the relevant authorities to secure long term rights to the water.

Borborema has access to three different grid power options and a cost-benefit study has been completed in order to ensure the optimal choice. Power costs are estimated at US 8.3c/kwh- a price which may be further reduced by recent policy changes around electricity costs to small business, suggested by the Brazilian president, Dilma Rouseff.

Crusader is concurrently reviewing *all other areas* of the BFS with a view of optimising the study to the highest level. Significant savings in capital and operating costs are being sought to enhance the economics;- a number of opportunities for savings have been identified to date by specialist consultants.

Crusader is also actively looking to recruit key individuals to the owner's team including an experienced project manager.

Rob Smakman, Crusader's Managing Director, said today:

"We are working diligently through the BFS process and clearly understand that shareholders are eager to see how the project is shaping-up. We were very ambitious in our original timing- believing that 6 months to complete the BFS was achievable- however the number of trade-offs that we have pursued during the study have made the time line difficult to meet.

We firmly believe that taking the time now to complete the extra work will enhance the economics on what we see as Crusader's key asset."

Community Relations

There is strong local community support for the Borborema Project and Crusader is continuing with updated project presentations in surrounding communities, focusing around the key points of interest to the local community including water, jobs, dust and traffic.

Regional Exploration

Crusader has continued regional exploration activities on the Seridó Project that surrounds Borborema. The 100% owned land package is now >4,500km² and covers the extensions of the host unit and important north-east trending structures that host Borborema.

The Seridó region has never been systematically explored for gold and the potential for discovering similar mineralised systems is considered high.

Field mapping and sampling, soil sampling and stream-sediment programs have progressed and results are expected in the current quarter.

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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 with high potential for the discovery of world class mineral deposits.

Crusader's key asset is the Borborema Gold Project in north eastern Brazil. The company has >4,400 km² 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 will produce 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 km² 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 and will consider a larger throughput of 4Mtpa.

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.

Production is expected to commence in early 2013.

Disclaimer

The information in this report that relates to Exploration Results is based on information compiled or reviewed by Mr. Robert Smakman, who is a Fellow 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, Mineral 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. Mr. Smakman accepts responsibility for the accuracy of the statements disclosed in this report.

The information in this report that relates to Borborema Mineral Resources is based on information compiled by Mr. Lauritz Barnes and Mr. Brett Gossage who are both Members of The Australasian Institute of Mining and Metallurgy. Messrs Barnes and Gossage are both independent consultants to Crusader Resources Limited. Both Messrs Barnes and Gossage have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken 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". Messrs Barnes and Gossage consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Borborema Ore Reserves is based on information compiled by Mr. Linton Kirk who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Kirk is an independent consultant to Crusader Resources Limited. Mr. Kirk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken 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. Kirk consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to 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 Member of the Australian Institute of Mining and Metallurgy. 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 1: Pit Optimisation and Modifying Parameters

Pit optimisation of the Borborema Gold Project was completed by Auralia Mining Consultants.

The optimisations were completed on the updated MIK block model containing all Mineral Resources categories using Whittle software. The MIK block model is a recoverable mining model which replicates the grade tonnage likely in mining, but an additional 2% ore loss has been allowed for mining operations. The main optimisation inputs are as per Appendix Table 1 below, as provided by Crusader and the BFS study team.

Appendix Table 1 Borborema BFS Pit Optimisation Inputs	
Gold price	US\$1,350/oz
Government royalty	1% revenue
Discount rate	5%
Mining recovery	98%
Overall Pit slopes	36 FW, 52 HW degrees
Milling rate	4Mtpa
Average processing recovery	95.0%
Average mining cost	US\$2.71/t mined
Average mill throughput cost	US\$14.68/t milled

The pit design parameters used are as per Appendix Table 2 below.

Appendix Table 2 Borborema BFS Pit Design Parameters	
Footwall batter angles (oxides/fresh)	50/55°
Hanging wall batter angles (oxides/fresh)	50/80°
Batter heights (oxides/fresh)	15/20m
Berm Widths (oxides/fresh)	5/8 or 10m
Ramp Width	24m
Maximum Pit Depth	290m