



CASIMIR CAPITAL

CRUSADER RESOURCES LIMITED

(ASX: CAS; A\$1.10)

INITIATING COVERAGE

Recommendation: Overweight; Target: A\$1.50

**Near-term Iron Ore Project Allowing for Advancement of
Significant Gold Project**

Eric Allison
(212) 798-1368
eallison@casimircapital.com

Phil Juskowicz, CFA
(212) 798-1309
pjuskowicz@casimircapital.com

James Crosby
(212) 798-1375
jcrosby@casimircapital.com

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CRUSADER RESOURCES LTD (ASX: CAS, \$1.10)

Recommendation: Overweight; Target: \$1.50

Crusader Resources Limited			
ASX: CAS			\$1.10
Rating			Overweight
Risk			Above Average
Target Price			\$1.50
Projected Total Return			36.4%
Market Data			
52-Week Trading Range			\$0.53-\$1.46
Shares Outstanding, Diluted (mm)			93.5
Market Capitalization (mm)			\$102.9
Net debt 4Q11 (mm)			(\$4.7)
Enterprise value (mm)			\$98.2
Forecasts			
<i>FYE: June</i>	2011A	2012E	2013E
Fe Production (k t)	N/A	206.4	546.0
High-grade sales price (US\$/t)	N/A	75.0	75.0
Cash cost (US\$/t)	N/A	20.6	20.6
Capex (mm)	8.4	77.6	139.6
Free cash flow (mm)	(11.2)	(69.8)	(118.9)
Per Share (\$)			
CFPS (fd)	(0.03)	0.08	0.22
FCFPS (fd)	(0.12)	(0.75)	(1.27)
Current Valuation			
P/NAV	0.9		
EV/R&R	0.6		
Target Valuation			
NAV; EV/R&R			
Eric Allison			
Director of Research, Chief Geologist (212) 798-1368 eallison@casimircapital.com			
Philip Juskowicz, CFA			
Managing Director, Supervisory Analyst (212) 798-1309 pjuskowicz@casimircapital.com			
James Crosby			
Equity Analyst (212) 798-1375 jcrosby@casimircapital.com			
<i>All figures in A\$ unless noted otherwise</i>			

Please see back page for important disclosures

Near-term Cash Flow from Iron Ore Project...

We expect **Posse**, Crusader's high grade iron ore project in Brazil, to commence production early next quarter, and generate approx. \$26mm of annual pre-tax cash flow for 6-8 years.

... Allowing for the Advancement of a Significant Gold Project

Cash flow from Posse, in turn, should allow CAS to advance its **Borborema** gold project (also located in Brazil). Borborema has a current resource containing 1.86mm ozs gold, though the company expects to release a revised resource. We anticipate first gold pour at Borborema in 1Q of FY14. A positive pre-feasibility (PFS) on this project was just released.

Resource Potential

The Borborema resource was defined with drilling completed through March 2011 based upon 24.2K meters. However, the deposit is open along strike in both directions and at depth and Crusader has maintained a continuous drill program at Borborema since March with at least 3 rigs running. The upcoming revised resource will be based on an additional 13K meters.

Moreover, we observed a previously unidentified apparently high grade Fe zone at Posse during a recent field visit that we believe could improve the production profile in the early years.

Valuation/Conclusion

Our \$1.50 price target, which is an average of NAV and trading multiple-derived valuations, excludes the above-mentioned upside potential. Moreover, our NAV doesn't even include the full existing resource; we have only used the 1.18 mm oz utilized in the PFS. We are initiating coverage on Crusader with an Overweight rating.

We believe near-term catalysts could include:

- Final license at Posse
- Updated resource at Borborema
- Positive outcome from Borborema bankable FS
- Increasing iron and gold prices

Investment Thesis

Near-Term Cash Flow from Iron Ore Project...

Posse, Crusader's high grade iron ore project located just outside of Bela Horizonte, Brazil, is basically complete and is waiting on final permitting, which the company anticipates to occur prior to year-end. Once fully operational, Posse should produce at an annualized rate of approximately 525K metric tonnes of predominately high grade iron ore (63+% Fe content) to be sold FOB at the mine gate to local pig iron producers. We estimate these sales will generate approximately \$26million (\$0.25 per share) of pre-tax cash flow per year for 6 to 8 years with little additional capital expenditure required (~\$8mm).

...Allowing for Advancement of a Significant Gold Project

The cash flow being generated at Posse, in turn, will allow for the further development of Crusader's 100%-owned **Borborema** gold project, which is located in the state of Rio Grande do Norte of northeastern Brazil. Borborema has a current resource (dated June 2011 and based on a 0.5 g/t cutoff) of 44.6mm t at an average grade of 1.3 g/t containing 1.86mm ozs gold, though CAS will soon release a revised resource (see below). The revised resource will be utilized in an upcoming Bankable Feasibility Study (BFS).

A positive pre-feasibility study on Borborema was recently released. The study considers a 3 million tpa open pit operation with processing through a conventional gravity plus CIL plant (96% metallurgical recovery) producing an average of 131,000 ozs of gold per year for 9 years. Pending a successful outcome of the BFS in early 2012 coupled with an estimated 13 month permitting process, we anticipate a first gold pour from Borborema in 1Q of FY14.

Finally, Crusader has several other exploratory tracts, to which the company is allocating approx. \$4mm a year of exploratory expenditures.

Resource Potential

The Borborema resource was defined with drilling completed through March 2011 (178 CAS holes, plus 75 historicals holes for a total of 24.2K meters) and was within a strike length of about 1 km and down to a depth of approximately 230 meters. However, the deposit is open along strike in both directions and at depth and Crusader has maintained a continuous drill program at Borborema since March with at least 3 rigs running.

To-date, mineralization has been identified through drilling along a strike length exceeding 3 kilometers and to depths of at least 300 meters. Crusader plans to release a revised resource in the coming weeks that will include results from additional drilling of over 13K meters. We believe that this new resource calculation will not only elevate the classification of a substantial portion of the existing resource but also increase the total contained ounces to well over 2 million.

The Posse Iron Ore Project, meanwhile, has a defined resource of 36mm t @ 43.5% Fe. Due to the proximity to a major highway and a national park, there is little potential for areal extension of the resource. However, during a recent field visit, we observed a previously

unidentified apparently high grade Fe zone (Exhibit 1) that we believe could improve the production profile in the early years.

Exhibit 1: Recent Excavation at Posse Exposing Potential New High Grade Fe Ore Zone



Source: Casimir Capital L.P.

Experienced Brazil-based Management

While Crusader is an ASX-listed, Perth based company, its critical operational and technical personnel are based full time in Brazil including Managing Director Rob Smakman. They are all fluent in Portuguese and have several decades of combined experience in the natural resource sector in Brazil. We believe this gives CAS a distinct advantage over many of its other foreign-based competitors in several critical areas including lease acquisition, community relations, permitting and manpower recruitment.

Valuation

Our \$1.50 price target is an average of NAV and trading multiple-derived valuations. The latter methodology excludes the company’s iron ore resource, which accounts for approx. 35% under the NAV approach. Additionally, our NAV only includes 6 years of iron ore production, which we believe is conservative (the company itself forecasts a 6-8 year production life), and just 1.18 mm oz of gold (the resource utilized in the PFS); as previously mentioned, the gold resource has already been revised to 1.86 mm oz, and will soon be revised again to include recent drill results.

Coupled with other reasons mentioned herein, we believe there could be upside potential to our \$1.50 price target. We are initiating coverage on Crusader Resources Limited with an **Overweight** recommendation.

Background

Australia-based Crusader Resources Limited (ASX; CAS) is focused on the exploration and development of mineral projects in Brazil. The company has two core projects, which are depicted on the following page.

Posse. This 100%-owned iron ore project is anticipated to provide cash flow while the Borborema project (page 9) is developed. Posse is near the city of Belo Horizonte, the heart of the country's mining industry, with sufficient access to manpower, roads, water and power (see area map on the following page), and has a 36.02mm t resource grading 43.5% iron.

Exhibit 2: Posse Resource

	Tonnes (mm)	Fe
Indicated	4.83	47.4%
Inferred	31.18	42.9%
Total	36.02	43.5%

As per Jan. 2009 assessment. See June 2011 annual report for additional details

Source: Company reports.

Our NAV model, which is discussed on page 15, assumes sales commence in 1Q of calendar year 2012 (assuming a successful resolution before year end of the licensing issues discussed below). The Stage 1 dry beneficiation plant (Exhibit 3 below) has already been purchased, constructed and commissioned; total outlay (including earthworks) was <\$2mm, though drilling and further engineering for a 2nd stage wet beneficiation process was recently initiated. CAS estimates that stage 2 will cost \$8mm, though we model \$10mm for the sake of conservatism.

Exhibit 3: Posse Stage 1 Beneficiation Plant



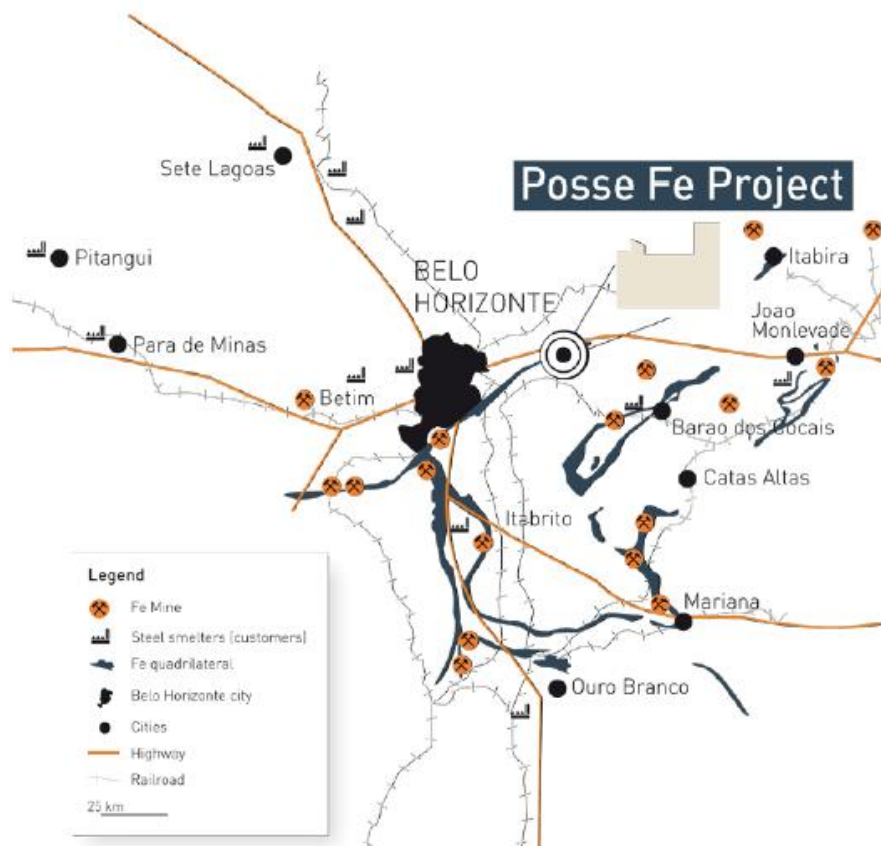
Source: Casimir Capital L.P.

Exhibit 4: Crusader Projects, Brazil



Source: Crusader Resources

Exhibit 5: Posse- Area Map



Source: Crusader Resources

Nameplate capacity for the processing plant is 1.0mm t/annum, and the project's anticipated life is 6-8 years. Posse will predominately produce a high grade lump and sintered product with lesser amounts of low grade sinter material (See Appendixes II and III for production projections). Metallurgy indicates production of a high quality lump product with Fe>63% and contaminants <.02% (Exhibit 6). Opex costs are estimated by CAS at <\$10 per ton of ROM, or ~\$20 per ton of product. The product will be sold at the mine gate with anticipated prices for the high grade material of \$75/t while the lower grade material should bring ~\$25/t. A customer has been lined up for >50% of sales, although there is substantial demand for the product from the numerous pig iron and steel producers in the area (Exhibit 5 above). Sustained demand for the product is underpinned by Brazil's robust economy (Appendix I).

Exhibit 6: Posse High Grade Lump Product



Source: Casimir Capital L.P.

License issues. In July of 2010, the state environmental agency, (SUPRAM) revoked a trial mining license that Crusader received in 2009, stating that the license had been incorrectly granted. As a result, the company applied for an alternative environmental license which would allow it to mine at an accelerated rate. During a public hearing held in October 2010, a list of further requirements was requested by SUPRAM. At a subsequent hearing earlier this year, the company was made aware of further mines department (DNPM) requirements.

At present, all of the requirements requested by SUPRAM during the October hearing have been met, and the company has addressed the additional DNPM requirements. CAS anticipates its revised environmental license application will be heard at SUPRAM's monthly meeting in November. The Company anticipates a favorable outcome at this meeting and the issuance of the final license within 30 days. The project should in our opinion be able to start production within 3 to 4 weeks of the issuance of the license.

Borborema. The 100% owned Borborema gold project is located in the Rio Grande do Norte state of northeast Brazil in an area covering 85 sq-km (Exhibit 7). It is located approximately 140 km west of the state capital of Natal and about 30 km east of the regional center of Currais Novos. The project enjoys excellent infrastructure, including buildings, grid power, sealed roads and on-site water storage.

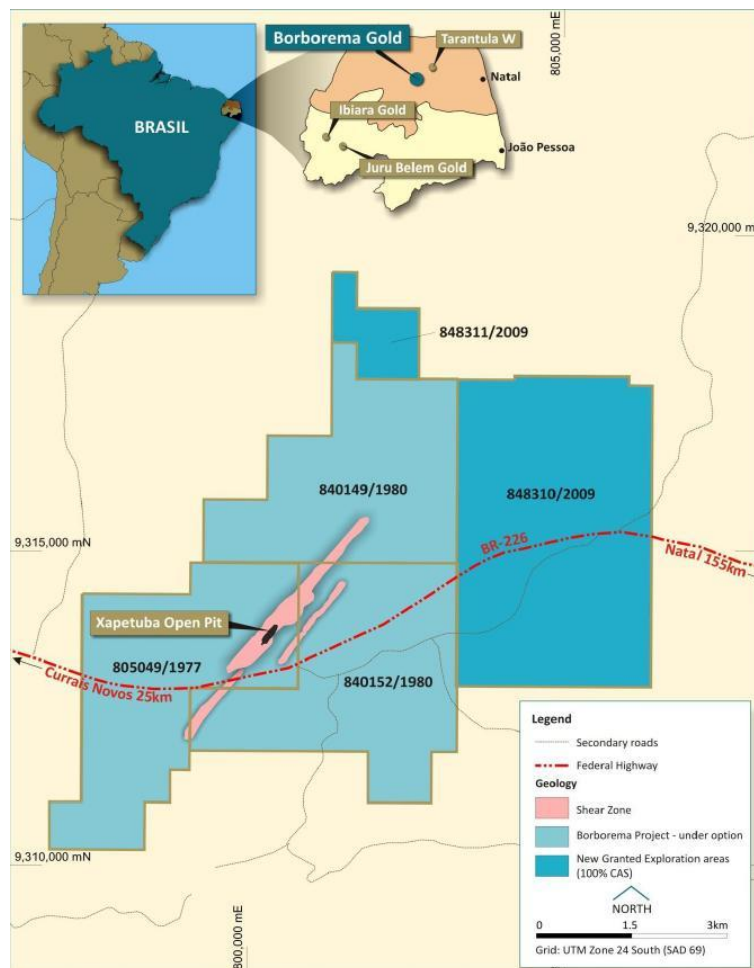
Exhibit 7: Borborema - Area Map



Source: Crusader.

Crusader holds three active mining licenses at Borborema plus additional adjacent exploration licenses (see Exhibit 8 on the following page). DNPM License 805049/1977 which covers the central portion of the ore body also has an operating license issued by the environmental department (IDEMA). This OL must be adapted through additional filings to accommodate the new proposed mining and processing plan. The other two mining tenements must undergo the full permitting process. CAS estimates a total of 13 months to achieve all permits.

Exhibit 8: Crusader's Tenements at Borborema



Source: Crusader Resources

The Serido mineral belt which hosts the Borborema project extends for 300km and is up to 70km wide. This belt has a history of tungsten exploration and mining. However, apart from Borborema itself and the Bofim mine (a skarn hosted W/Au/Bi producing mine located ~50 km northwest of Borborema), the region has never been systematically explored for gold. Crusader controls > 1,300 sq-km in the Serido belt.

The Serido Belt consists of a sequence of Archean to Neoproterozoic rocks that have been altered through a complex series of tectonic deformations with abundant thrusts, shears, and intrusions. The Borborema deposit occurs in the uppermost formation of the sequence, the Serido Formation, which has been subjected to regional metamorphism up to an amphibolite grade. The predominate mineral assemblage of plagioclase, k-feldspar and quartz with subordinate amounts of biotite, garnet, sillimanite, cordierite, muscovite and andalusite is indicative of a high temperature and relatively low pressure metamorphic regime.

Locally, Crusader's Borborema deposit lies within a NE-SW trending set of parallel shears where boudinaged quartz veins and disseminated sulphides within the schists host the vast majority of the mineralization (Exhibit 9). The ore zone ranges from 5 to 40 m in thickness, extends for several kilometers along strike and has been identified in drill core at depths exceeding 300 meters.

Exhibit 9: Typical Schist-hosted Quartz Boudinage at Borborema believed to host most of the Higher Grade Mineralization (Approx. scale: 1.0m x 1.3m)



Source: Casimir Capital L.P.

The property was purchased in August 2010 for \$2.4mm based on an analysis of historical exploration, production and drilling data. Borborema had cumulative production of ~250K oz Au commencing in the 1920s with garimpeiros and concluding with approximately 100,000 ozs of production via heap leach conducted by Xapetuba from 1984 until 1991.

Exhibit 10: View of Old Pit at Borborema after Recent Dewatering Looking Eastward. Key mineralized zone is exposed in the far wall of pit where it dips to the SE at approx. 35 degrees.



Source: Casimir Capital L.P.

Between Sept. 2010 and March 2011, Crusader drilled 13,667m via 144 and 34 reverse circulation and diamond holes, respectively. Coupled with 75 historical holes that brought its total up to 24.2K meters, the company updated its JORC-compliant resource in June 2011 as follows:

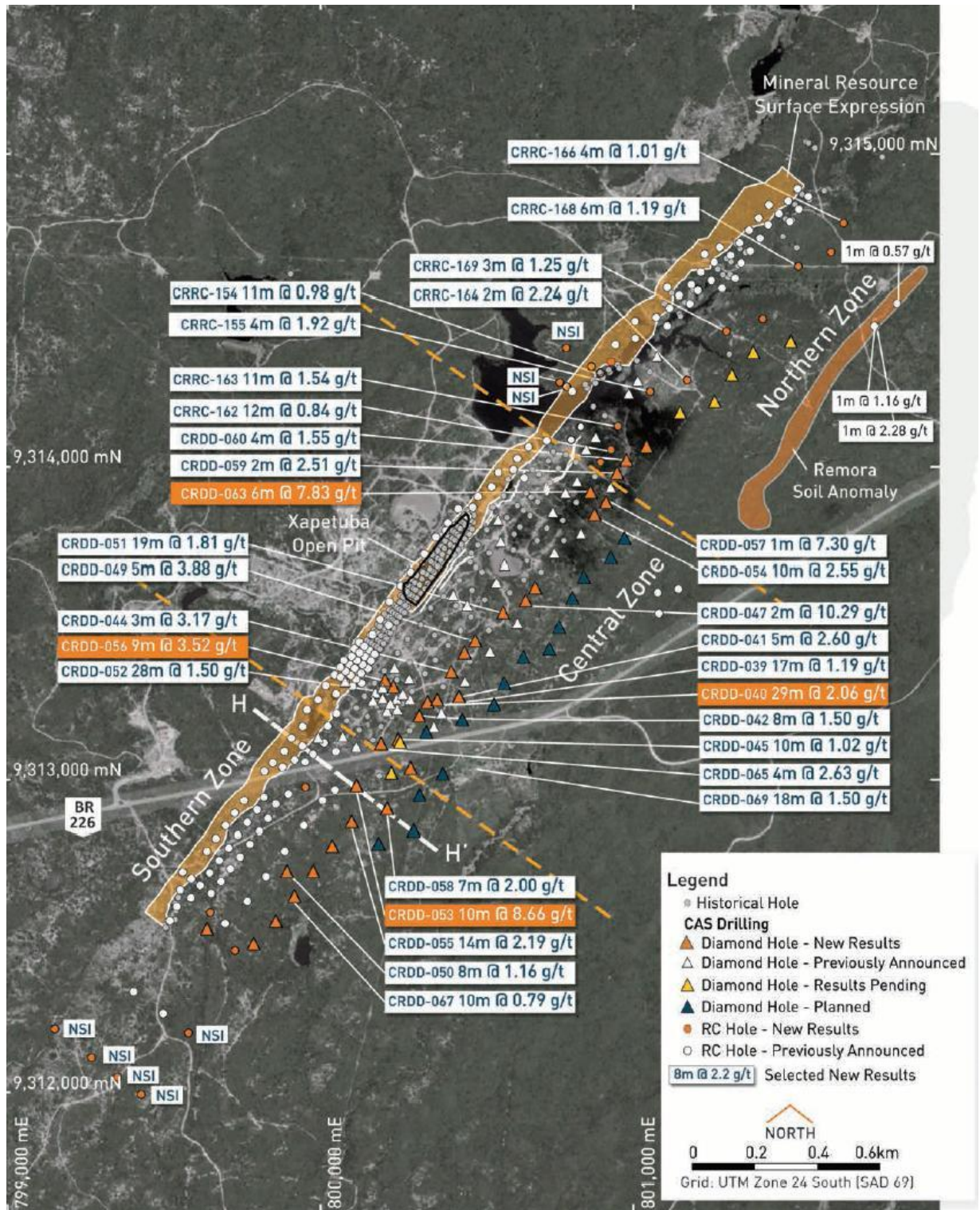
Exhibit 11: Borborema Resource

Cut-off Grade (g/t)	Indicated			Inferred			Total		
	Tonnes (Mt)	Average Grade (g/t)	Contained Gold (Moz)	Tonnes (Mt)	Average Grade (g/t)	Contained Gold (Moz)	Tonnes (Mt)	Average Grade (g/t)	Contained Gold (Moz)
0.5	21.49	1.32	0.91	23.16	1.28	0.95	44.64	1.30	1.86
1.0	12.51	1.75	0.70	12.40	1.75	0.69	24.91	1.75	1.40

Source: Company report

The company is still drilling, with multiple rigs on site to extend the resource envelope both along strike and at depth (see Exhibits 12 and 13 on the following pages); *Crusader expects to release another resource update shortly utilizing an additional 13,000 m of new drilling.* The company hopes to increase the resource to "well above" 2mm oz, and commence a bankable feasibility study immediately thereafter.

Exhibit 12: Historical and Recent Drilling at Borborema



Source: Crusader Resources

Exhibit 13: Drill Rig on the NW Edge of the Old Borborema Pit


Source: Casimir Capital L.P.

Moreover, a pre-feasibility study (PFS) was completed in September, highlighting the project's access to grid power, conventional metallurgy with high gold recoveries, and modest strip ratio and cash operating costs. Specific findings of the PFS are presented in Exhibit 14. The study evaluated a 3mm tonnes per annum (tpa) open cut mining operation with a standard combined gravity and Carbon-In-Leach beneficiation circuit producing an average of 131,000 ounces per year (180K oz maximum in year 8). The proposed open pit was optimized at an US\$1,150/oz gold price.

Exhibit 14: Borborema PFS Results

In-pit recoverable resource ⁽¹⁾	27mm t @ 1.39 g/t for 1.18mm oz
Mining throughput	3mm tons/annum
Mine life	9 years
Strip ratio (LOM)	4.23:1
Metallurgical recovery	96%
Annual production ⁽²⁾	Up to 180K oz (avg. 131K oz)
Capex ⁽³⁾	US\$169mm
Opex	US\$558/oz
Pre-tax NPV ⁽⁴⁾	US\$250mm
IRR ⁽⁴⁾	32.9%

(1) Includes indicated resources of 17.6mm t @ 1.33 g/t for 750K oz, and inferred resources of 9.4mm t @ 1.56 g/t for 475K oz

(2) Utilized in the PFS (i.e. is not CAS's own forecast)

(3) Excludes sustaining capex. Assumes is owner-operated. Includes 15% contingency

(4) Utilizes US\$1,300 gold price and USD/BRL fx rate of 1.6. NPV utilizes 10% discount rate

Source: Company reports.

Valuation

NAV. As demonstrated in Appendix II, we calculate CAS's NAV per share as \$1.12. This model utilizes LOM prices for Au and high-grade Fe ore of US\$1,150/oz and \$75/t, respectively (\$25/t for low-grade fines; Posse ore will be sold "at the mine gate"). Appendix III shows other key assumptions utilized in the NAV model.

Exhibit 15 demonstrates the NAV per share for various gold LOMs; other model inputs (i.e. Appendix III) are held constant.

Exhibit 15: NAV Sensitivities

Crusader Resources NAV calculation (\$ in mm)	Gold price				
	\$950	\$1,050	\$1,150	\$1,250	\$1,350
Borborema	\$59.6	\$117.2	\$174.7	\$232.3	\$289.9
Posse	94.9	94.9	94.9	94.9	94.9
Exploration Projects	0.0	0.0	0.0	0.0	0.0
Less: Taxes	(63.1)	(80.4)	(97.7)	(114.9)	(132.2)
Less: Corporate SG&A	(49.2)	(49.2)	(49.2)	(49.2)	(49.2)
Less: Exploration expenses	(24.6)	(24.6)	(24.6)	(24.6)	(24.6)
Less: Debt	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Plus: Cash from warrants/options	1.7	1.7	1.7	1.7	1.7
Plus: Cash on hand	4.8	4.8	4.8	4.8	4.8
Corporate NAV	\$24.1	\$64.4	\$104.7	\$145.0	\$185.3
NAVPS	\$0.26	\$0.69	\$1.12	\$1.55	\$1.98
Share price	1.10	1.10	1.10	1.10	1.10
Multiple to NAV	4.27x	1.60x	0.98x	0.71x	0.56x

Source: Casimir Capital L.P.

Trading multiple. Exhibit 16 demonstrates that peer gold developers are trading at an enterprise value/resource of \$63.80/oz (median). On this measure, CAS which is currently trading at \$53.60/oz (on its 1.86mm oz of gold resource), should be valued at ~\$120mm, or \$1.28 a share.

Exhibit 16: Enterprise Value/Resource Valuation

Company	Price	% of 52-week high	Enterprise value	EV/ Reserves & Resources
Allied Gold	\$2.72	56.7%	\$527.15	\$60.66
La Mancha Resources	2.18	73.4%	239.1	48.9
St. Andrew Goldfields	0.46	28.6%	164.5	41.5
Timmins Gold	2.88	83.5%	432.5	362.9
Red 5	0.21	85.4%	195.7	140.3
Mean				\$130.8
Median				\$60.7
Crusader Resources Limited	\$1.14	76.0%	\$99.7	\$53.6

Source: Casimir Capital L.P.

Price target. The derivation of our \$1.50 price target per share is shown in Exhibit 17. We utilize a 60% and 40% weighting for the NAV and trading multiple methodologies, respectively.

Exhibit 17: Crusader Resources- Price Target
Crusader Resources- Price Target

	<u>Equity Value</u>	<u>Weighting</u>	<u>Premium</u>	<u>Equity Value Contribution</u>
NAV	\$1.12	60%	1.50	\$1.01
Enterprise value/Resources	\$1.28	40%	N/A	\$0.51
Price Target				\$1.52

Source: Casimir Capital L.P.

We see this price target as conservative for the following reasons:

1. Iron resources, which accounts for roughly 35% of our estimated NAV, is ignored under the trading multiple methodology;
2. The NAV only includes six years of iron ore production despite CAS's estimate of 6-8 years, and our own observation of another potential mine area (see pages 4-5);
3. The NAV only includes 1.18 mm oz of gold, which was the resource utilized in the PFS. The gold resource has already been revised to 1.86 mm oz, and the company plans to issue another update including recent drill results in the near future;
4. Despite Crusader primarily valued, in our opinion, for its gold resource, we utilize a 1.5x NAV multiple (gold companies typically receive 1.75x NAV multiples, in our observations);
5. Our NAV is net of ~\$4mm of annual exploratory expenditures that are discretionary, yet we attribute no value for CAS's existing exploration properties. Additionally, our NAV includes a \$2mm cost overrun for Posse's stage 2.

Risks

In addition to standard **commodity price risk** associated with all mineral producers (on unhedged volumes), investment in CAS entails other risks, including:

- **Permitting.** As evidenced by SUPRAM rescinding the environmental license for Posse, permitting risk is high, and the various regulatory authorities may be unpredictable. We do, however, believe that the issues at Posse will be resolved imminently, and that Borborema will proceed as scheduled. We also note that the mining industry in general is vibrant throughout Brazil's various states.

Management/Directors

David Archer, B.Ec., Dip.Laws (BAB), F. Aus IMM. - Chairman

Mr. Archer has held executive and non-executive roles in a number of Australian and international companies. He founded Savage Resources Limited in 1985. Savage's portfolio included the Ernest Henry copper gold mine in North West Queensland, the Liddell coal mine in the Hunter Valley in NSW and zinc mining and smelting operations in the United States. He founded and was executive Chairman of PowerTel Limited until 1998. More recently, Mr. Archer was a director of Eastern Star Gas Limited, a coal seam gas developer, and Managing Director of Hillgrove Resources Limited, an Australian copper producer, from 2003 to 2010. He is a barrister (non-practicing) of the Supreme Court of New South Wales and a Fellow of the Australasian Institute of Mining and Metallurgy.

Robert Smakman, BSc (Hons)(Geol), ASIA, M.Ausl.M.M. FFIN – Managing Director

Mr. Smakman is an honors graduate of Monash University and has worked in Australia, Africa, South America and Europe as a geologist and manager over the past 18 years. Rob is experienced in gold, silver, copper, uranium, tin and iron. Mineral discoveries he has been associated with include: the Southern Star gold deposit in Western Australia; the Dikulushi Copper/Silver deposit (DRC Africa), which is now being mined as the highest grade copper deposit in the world; and the Certej Gold deposit in Romania. Mr. Smakman is based in João Pessoa, Brazil.

Paul Stephen, BComm- Executive Director

Mr. Stephen holds a Bachelor of Commerce degree from the University of Western Australia. He has more than 17 years' experience in the financial services industry, starting as a portfolio manager at Perpetual Trustees in 1992 and working subsequently as private client advisor with Porter Western and Macquarie Bank. He was a significant shareholder and Senior Client Advisor at Montagu Stockbrokers prior to its merger with Paterson Securities Ltd. Mr. Stephen is a non-executive director of Integrated Fuel Solutions Pty Ltd and Kings Park Capital.

Justin Evans, BBus- Non- Executive Director

Mr. Evans is the Managing Director of Sigma Companies Group, manufacturing chemists and suppliers, a wholly Western Australian owned company. Prior to joining Sigma Companies Group in 1999 Justin worked as a stockbroker for 12 years. He has a wide range of experience in client financial advice and corporate capital raisings. He was a founding share holder of Montagu Stockbrokers Pty Ltd.

David Netherway- Non- Executive Director

Mr. Netherway is a mining engineer with 35 years experience in the mining industry. Until its takeover in 2010, he served as CEO of Shield Mining Limited, an Australian listed company exploring for gold and base metals in Mauritania. Prior to this, he served as CEO of Toronto-listed Afcan Mining Corporation, a China focused gold mining company which was taken over by

Eldorado Gold. He has also held senior management positions in a number of mining companies including Golden Shamrock Mines, Ashanti Goldfields and Semafo Inc.

Mr Netherway is the Chairman of Afferro Mining Inc.(AFF-TSX-V & AIM), Aureus Mining Inc.(AUE:TSX & AIM) and GMA Resources plc(GMA-AIM) and a non-executive director of Gryphon Minerals Limited (GRY-ASX) and Altus Resource Capital Limited(ARCL-LSE/SFM & CISX).

Aidan Patel – Exporation Manager

Mr Platel is a geologist with more than 10 years experience in the exploration for and development of gold and base metals. Formerly in Brazil with ASX listed Mirabella nickel, he is fluent in Portuguese and lives in João Pessoa.

Mike Schmulian – Chief Operating Officer

Mr Schmulian has over 40 years experience in mining and exploration around the world with over 15 years based in Brazil and South America.

Mr Schmulian, until recently an Executive Director of ASX listed Mundo Minerals Ltd, managed the development of Mundo's Engenho gold project. The Engenho mine is close to Belo Horizonte, where Crusader's Posse Iron Project is located and as a result many of the experiences, government agencies and consultants in the local industry are familiar to Mr Schmulian.

Mr Schmulian is a Fellow of the Australian Institute of Mining and Metallurgy (F.Aus.IMM) and a former vice-president of ADIMB, the Brazilian Agency for Technological Development of the Mining Industry.

Valerio Fernandes Jardim de Oliveira – Borborema Project Geology Manager

Valério is a Brazilian exploration geologist with over 18 years experience. He has worked throughout Brazil exploring in both brown field and green field environments for a range of commodities including gold, copper, nickel, base metals, and PGEs. Valério has worked for a number of foreign mining companies and has an excellent understanding of the standard techniques of international explorers and developers. Valério coordinates the on-site geology team, undertakes near-mine exploration and continues to define and expand the Mineral Resources of the Borborema Gold Project.

APPENDIX I BRAZIL'S ECONOMY

Brazil's economy is the largest in South America and the fifth largest in the world. The country has steadily improved its macroeconomic stability since 2003, building up foreign reserves and reducing its debt profile, and became a net external creditor in 2008. It has only experienced two quarters of negative GDP growth since the onset of the global financial crisis. Export recovery ultimately brought back positive GDP growth in 2010.

Despite Brazil's inflation rate rising to 7.31% in September, the yield on its government's 9-Year bonds remains at 11.67%, resulting in a 4.3% return in real terms. Coupled with the IMF's forecasted annualized GDP growth for 2011 of 3.8% (see table below), Brazil has become an attractive destination for foreign investors.

The increased capital inflows, in turn, have catalyzed the appreciation of the real. The government remains committed to using monetary policy to target inflation, maintain a floating exchange rate, and to continue to exercise fiscal restraint.

As a result, we would expect communities and customers surrounding Crusader's projects- especially as they relate to iron- to support demand and pricing.

Moreover, we see the relevant regulatory bodies as generally supportive of Brazil's mining industry, which is the 6th largest in the world (in terms of mining production). The country is the largest "pig iron" producer in the world, the number 2 producer of manganese and bauxite and among the largest steel producers. Steel alone accounted for approx. 20% of Brazil's trade surplus in 2009 (latest available info.).

Finally, we believe that Brazil may have substantial upside to its resource base. The country contains the 5th largest landmass. However, just \$2.7 per hectare has been spent on exploration compared with \$28 and \$20 for Australia and Peru, respectively.

Selected Economic Measures- U.S., Brazil

	Real GDP ⁽¹⁾			Consumer Prices ⁽¹⁾			Current Account Balance ⁽²⁾			Unemployment ⁽³⁾		
	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E
U.S.	3.0	1.5	1.8	1.6	3.0	1.2	(3.2)	(3.1)	(2.1)	9.6	9.1	9.0
Brazil	7.5	3.8	3.6	5.0	6.6	5.2	(2.3)	(2.3)	(2.5)	6.7	6.7	7.5

(1) Annual % change;

(2) as a % of GDP;

(3) Percent (absolute)

Source: IMF- Sept. 2011 report

APPENDIX II

Fiscal Year		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BORBOREMA													
Production	k oz		0	0	83	110	125	140	155	170	180	120	
Revenue	at \$1150 gold		0.0	0.0	95.6	126.7	143.8	160.8	177.8	195.9	206.6	138.4	
Cash cost			0.0	0.0	59.9	68.4	68.4	68.4	68.4	68.4	68.4	68.4	
Operating income			0.0	0.0	35.6	58.3	75.4	92.4	109.5	127.6	138.2	70.1	
Capex			69.6	134.6	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
Pre-tax cash flow			(69.6)	(134.6)	31.6	54.3	71.4	88.4	105.5	123.6	134.2	66.1	
Pre-tax NAV		10%			\$174.75								
POSSE													
Production	mm t		0.206	0.546	0.536	0.520	0.520	0.520	0.323				
Revenue			13.7	36.2	37.2	39.0	39.0	39.0	24.3				
Cash cost			2.5	6.7	6.2	5.3	5.3	5.3	3.7				
Operating income			11.1	29.5	31.1	33.7	33.7	33.7	20.5				
Capex			8.0	5.0	2.0	2.0	2.0	2.0	2.0				
Pre-tax cash flow			3.1	24.5	29.1	31.7	31.7	31.7	18.5				
Pre-tax NAV		15%			\$94.87								
Total operating income													
			11.1	29.5	66.7	92.0	109.1	126.1	130.0	119.6	130.3	62.1	
D&A			0.0	0.0	23.5	31.1	35.3	39.5	43.6	48.1	50.7	34.0	
Taxable income			11.1	29.5	43.2	60.9	73.8	86.6	86.3	71.5	79.6	28.1	
Taxes		30%	3.3	8.8	13.0	18.3	22.1	26.0	25.9	21.5	23.9	8.4	
EBIAT			7.8	20.6	30.3	42.6	51.6	60.6	60.4	50.1	55.7	19.7	
D&A			0.0	0.0	23.5	31.1	35.3	39.5	43.6	48.1	50.7	34.0	
Capex			77.6	139.6	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
Free cash flow			(69.8)	(118.9)	47.7	67.7	80.9	94.1	98.1	92.2	100.4	47.7	
NAV reconciliation													
Pretax asset NAV													
Producing properties				Aggregate	Per share								
Borborema				174.7	1.87								
Posse				94.9	1.01								
Exploration property	mm oz												
n/a			0.00	\$0.0	0.0	0.00							
Tax expenses	10%			(97.7)	(1.04)								
Corporate SG&A				(49.2)	(0.53)								
Exploration expenses				(24.6)	(0.26)								
Debt				(0.1)	(0.00)								
Cash from options/warrant exercise				1.7	0.02								
Cash on hand				4.8	0.05								
Adjusted NAV				104.7	1.12								

APPENDIX III

NAV MODEL ASSUMPTIONS

Crusader Operations Overview		2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Borborema												
Days in operation	days			320	365	365	365	365	365	365	365	365
Tonnes milled	k t			2,630	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Mill usage	tpd			8,219	8,219	8,219	8,219	8,219	8,219	8,219	8,219	8,219
Au grade	g/t			1.19	1.35	1.51	1.67	1.84	1.94	1.30	2.30	
Recovery	%			91.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Au production/sales	k oz			83.1	110.2	125.0	139.8	154.6	170.4	179.6	120.4	
Cash cost	US\$/oz			\$ 721	\$ 620	\$ 547	\$ 489	\$ 442	\$ 401	\$ 381	\$ 568	
Posse												
Days in operation	days	138	365	365	365	365	365	227				
Tonnes milled	k t	246	650	707	800	800	800	498				
Mill usage	tpd	1,781	1,781	1,936	2,192	2,192	2,192	2,192				
Waste %	%	16%	16%	23%	35%	35%	35%	35%				
Waste Tonnes	k t	39.32	104.00	170.54	280.00	280.00	280.00	174.14				
High Grade Lump	k t	170.14	450.00	308.22	75.00	75.00	75.00	46.64				
Low Grade Fines	k t	36.30	96.00	59.70	0.00	0.00	0.00	0.00				
High Grade Sintered	k t	0.00	0.00	168.25	445.00	445.00	445.00	276.75				
Cash cost	US\$/t	\$20.61	20.61	19.04	16.46	16.46	16.46	11.54				

APPENDIX IV

CRUSADER FPO

■ CAS.AX

Oct 17, 2011



Publicly traded companies mentioned in this report (prices as of 10/18/11 close: NR= Not Rated):

N/A

ANALYST CERTIFICATION

All of the views expressed in this report accurately reflect the personal views of the responsible individual(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible individual (s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible individual(s) in this report.

INVESTMENT OPINION RATINGS SYSTEM

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target. Casimir Capital L.P. employs a rating system based on the following:

- **Overweight:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation of outperformance relative to the market by at least 10% over the next 12 months.
- **Equal Weight:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation of a total return relative to the market of between negative 10% and 10% over the next 12 months.
- **Underweight:** A security, which at the time the rating is instituted and or reiterated, indicates that we expect it to underperform the market by at least 10% over the next 12 months.
- **Not Rated:** A security which at the time the rating is instituted and or reiterated, indicates that we have no opinion or expectations as to the price of the security over the next 12 months.
- **Not Covered:** Casimir Capital L.P. does not have an opinion about this security.

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We utilize a three tier risk rating system: High, Average and Low. The system attempts to evaluate risk relative to a company's industrial sector. In addition to sector-specific criteria, quantitative and qualitative criteria are also utilized in choosing a rating. The criteria include predictability of financial results, share price volatility, credit ratings, share liquidity and balance sheet quality. Casimir Capital L.P. employs a risk rating system based on the following:

- **High:** A security, which at the time the rating is instituted and or reiterated, entails above average risk due to some or all of the following: financial leverage, restricted earnings and/or cash flow, high operating leverage or depressed industry fundamentals.
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RECEIPT OF COMPENSATION

Casimir Capital L.P. and its affiliate Casimir Capital Ltd. intend to seek compensation for investment banking services from Crusader Resources Limited during the next 3 months.

PERCENTAGE OF ALL SECURITIES RATED

Overweight: 81.82% (33.33% of which are investment banking clients), Equal Weight: 13.64% (0% of which are investment banking clients), Underweight: 0%, Not Rated: 4.55% (100% of which are investment banking clients).

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