

CRUSADER RESOURCES (CAS)

Production Start-up at Posse and Drilling Program at Borborema the Key Drivers

SPECULATIVE

5 November 2010

Share Trading Info

ASX Code	CAS
Current Share Price	\$0.75
Trading Low/High (Rolling Year)	20c - 92c
Mkt Capitalisation (diluted) \$m	64.6
Current Net Cash \$m	2.5
DCF Valuation (Posse)	\$1.20

Issued Capital (m)

Total Ordinary Shares	76.3
Unlisted Options	9.8
Total Diluted Securities	86.1

Board of Directors*

David Archer	Non Executive Chairman
Robert Smakman	Managing Director
Paul Stephen	Executive Director
Murray Hodges	Non Executive Director
Justin Evans	Non Executive Director

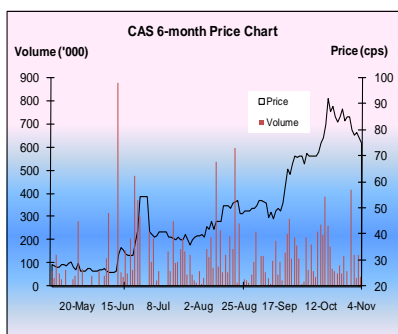
* Further details on Page 19

Major Shareholder

Copulous Group	19.5%
Directors	11.5%
Dundee Resources	8.2%

Resource Summary

Borborema Gold Project	
13.9mt @ 1.63g/t for 728koz (0.5% cut-off)	
7.6mt @ 2.44g/t for 596koz (1.0% cut-off)	
Posse Iron Project	
36mt @ 43%Fe	



SUMMARY

Crusader Resources (ASX Code: CAS) has a portfolio of projects in Australia and Brazil and is one of few ASX listed companies providing exposure to the rapid development of Brazil.

While the company is pursuing a multi-commodity development and exploration strategy in Brazil, the key activities for CAS in Brazil over the next 12 months are the resource upgrade at Borborema and commencement & ramp-up of production at Posse.

Brazil is considered a vastly underexplored country with high potential for the discovery of world class mineral deposits. The very high quality of iron ore in Brazil, coupled with the close proximity of customers to iron ore projects is another factor supporting the rationale for Crusader's presence in Brazil.

In Australia, CAS intend to commence of drilling at its Lake Throssell Uranium project in the 1st quarter of 2011 after successful negotiations were held with the native title holders to obtain an access and exploration agreement. A 179-hole aircore drilling program is planned for ~5,000 metres.

Posse Iron Project: 1st stage production expanded and awaiting start-up

- CAS are ready to commence a two-stage production schedule at the Posse project. Under stage 1, the company will seek to increase the production rate for an initial dry processing project from 300ktpa (as recommended in the Scoping Study) to 1.0mtpa, subject to a new license being granted by the local authorities.
- Beneficiation during stage 1 is by dry sieving only to produce a premium quality lump ore. During stage 2, the beneficiation plant will be upgraded to include a more rigorous crushing and wet screening circuit, with a gravity concentration and/or magnetic separation circuit. CAS have already begun the licensing process for stage 2 and expect to receive approval in July/August 2011.

Continued over page

- The Posse project has excellent infrastructure, with over 100 pig iron smelters¹ (the end customers for iron ore product from Posse) are located within a <180km radius of the project. A LOI with Alterosa (local pig iron smelter located ~80 kilometres from the Posse project) is already in place and product will be sold to Alterosa at the mine gate and as such there are no transport costs to CAS.

Borborema Gold Project: Drilling Underway

CAS has initiated an extensive 10,000 metre drilling program at Borborema. The objectives of the drilling program are to better establish grade and mineralisation control, test the down-dip exploration target (defined by Coffey) of 5-10mt at average grades between 1.0g/t and 2.0g/t to a maximum vertical depth of 180 metres.

In addition, CAS intend to test the remaining 4 kilometres of strike potential that have so far been untested; and upgrade at least 50% of the resource to measured category.

DCF Valuation for Posse Project

Our DCF valuation on the Posse project is \$1.20 per share and uses conservative assumptions. Please refer to page 16 for further details on the assumptions used in the analysis as well as the valuation summary.

A key variable in the valuation is price. Prices for lump product in Brazil currently vary between R\$80/t to R\$140/t. CAS believe it will attract prices at the upper end of the R\$80/t-R\$140/t price range for its lump product based on a >63% Fe grade and very low phosphorous content.

For fine product, CAS are factoring in a sale price of R\$60/t. CAS may choose to sell fine product in stage 1 in order to reduce the need for stockpiling and re-treatment, however the grades for these will be lower than for lump, at ~55-59% Fe and would therefore sell at a discount to the expected selling price for fine product (R\$60/t).

Funding levels adequate for planned 2010/11 activities

The cash balance is currently around \$2.5 million, bolstered by capital raisings totalling \$5.78 million since 30 June 2010. Funding requirements over the medium term include the A\$2 million exploration budget for the drilling program at Borborema in 2011 and estimated CAPEX for Posse stage 2 of ~A\$8.25 million (likely to be required in 2012).

¹ But only ~60 are operating

1. COMPANY OVERVIEW

Crusader Resources Limited (ASX Code: CAS) is a minerals exploration company with a diverse portfolio of projects including iron ore, tin, gold, tungsten and uranium. CAS was listed on the ASX on 6 February 2004. Its head office is in Perth. CAS was renamed to its current name in August 2008.

The company is currently developing two flagship projects in Brazil - the Posse Iron Ore Project and the Borborema Gold Project - through its fully-owned subsidiary Crusader do Brasil Mineração Ltda. In Brazil, CAS also has an exposure to gold, tin, indium and tungsten projects including the Juru Belem Gold Project and Ouro Belo Tin/Gold/Indium Project.

The Posse Iron Project is located in the Iron Quadrangle region of Minas Gerais State, Brazil and contains an Indicated Mineral Resource of 4.83Mt at 47.39% Fe and an Inferred Mineral Resource of 31.18Mt at 42.89% Fe.

CAS has two gold projects in Brazil, Borborema and Jurú-Belem. The Borborema Gold Project, located in Rio Grande do Norte, is the most significant gold mine in Brazil's northeast. The project is aided by established onsite facilities and infrastructure - including grid power, water, roads, and buildings and is in close proximity to major cities. CAS obtained a JORC compliant resource statement in August 2010.

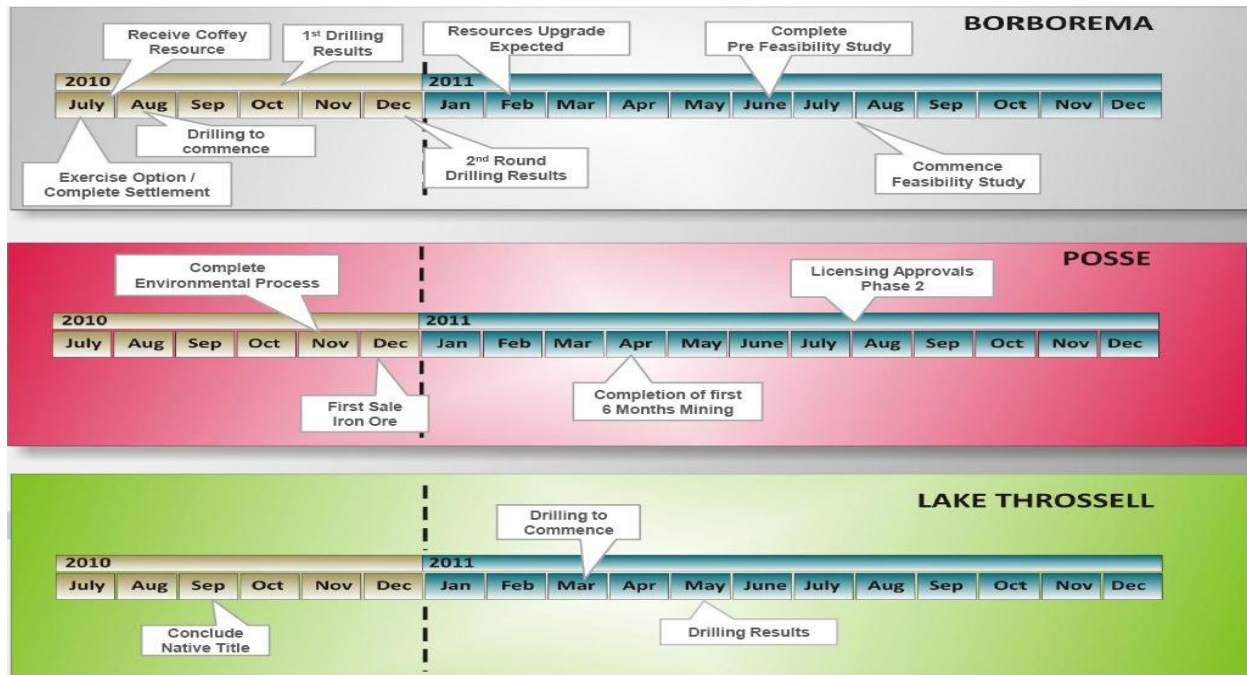
In Australia, the company's portfolio includes prospective uranium, gold and nickel projects including the Southern Cross Gold Project. In WA, the Lake Throssell Uranium Project is 100% owned by CAS. The company holds highly prospective leases over more than 2,500km² located 200km to the north east of Laverton in WA.

Table 1: Crusader Asset Portfolio Summary

Project	Brazil					Australia	
	Borborema	Posse	Juru Belem	Ouro Belo	Tarantula	Lake Throssell	Fair Adelaide
Region	Seridó, Borborema Province	Minas Gerais, Belo Horizonte	NE Brazil	NE of Goais	Seridó Tungsten Province	Great Victorian Desert (WA)	Ora Banda District (WA)
CAS Interest	100%	100%	90-100%	100%	100%	100%	80%
Product/s	Gold	Iron Ore	Gold	Tin, Gold, Indium	Tungsten	Uranium	Gold, Nickel
JORC Resource	13.9mt@1.63g/t for 728koz (0.5g/t cut) (August 2010)	36mt @ 43.5%Fe (January 2009)	-	-	-	-	-
Work Completed/ in progress	Metallurgy, sampling, drilling	Licensing appl, metallurgy, scoping study	Drilling	Drilling	Extensive historical production	Largely unexplored	Soil sampling, RAB drilling
Upcoming Activities	10,000m drilling program (commenced)	Stage 1b production for 1.0mt (imminent)	Exploration planned	Tin exploration to continue	Mapping and soil sampling; acq'ns planned	~5,000m drill program planned in 1Q 2011	Exploration planned

The key activities for CAS over the next 12 months include a resource upgrade at Borborema, commencement & scale up of mining at Posse and commencement of drilling at Lake Throssell. The activities timeline for the key projects are detailed in Figure 1 below².

Figure 1: Activities timeline for Key CAS projects (Source: CAS Presentation, 16 September 2010)



² Note that the first sales of iron ore are subject to CAS receiving a license

2. PROJECTS IN BRAZIL

2.1 Borborema Gold Project (CAS: 100%)

2.1.1 Project Outline

The Borborema project is located in Seridó area of the Borborema mineral province in northeast Brazil and consists of three granted mining leases and the title to the freehold land over the main workings of 752ha. The project infrastructure is excellent. Access to the project is via sealed national highways (two hours by road to the state capital (Natal) and international airport). The project has access to on-site buildings (office camp and storage areas), grid power and water.

The area was first discovered by garimpeiros (an organised group of miners) in 1942 who produced an estimated 200,000oz until 1977. Between 1984 and 2006, the project area was occasionally mined, with production estimated at 100,000 oz. During this period, Brazilian mining company Mineração Xapetuba Ltda undertook diamond & RC drilling, soil sampling and trenching work.

In 2006, Mineração Caraiba S/A (Caraiba) took an option over the area and undertook exploration, metallurgy testwork and regional mapping. As a result of this work, Caraiba estimated total resources of 10.1mt, averaging 1.3g/t gold for a total of 420,000 oz. Exploration by Caraiba during 2007 included 75 diamond drill holes, of which 50 were logged, sampled and assayed.

Figure 2 below shows the geology, drilling and significant intercepts from the Borborema Gold Project. The main mineralised shear zone (Morro Pelada shear) has been mapped over a 6 kilometre shear zone and has drilled to varying degrees over 2.5 kilometres of strike (detailed drilling over 1.2 kilometres). Mineralisation is open to both the NE and SW.

2.1.2 Work Undertaken by CAS

In December 2009, CAS entered into an option to purchase 100% of the Borborema Gold project (including land and infrastructure) for a total of R\$4.0 million (or A\$2.4 million at the time of purchase). This option was subsequently exercised on 5 August 2010 following a 6-month due diligence period and CAS has paid the full amount due to the former owners.

As part of the due diligence process, CAS undertook metallurgy testing and a sampling program on 25 holes. The results of these are discussed in further detail below.

1. Metallurgy testwork undertaken in the 1st quarter of 2010 indicated gold recoveries of between 93.0% and 94.6% for a variety of processing options, including gravity separation & leaching of tails and direct leaching.
2. CAS undertook a sampling program on the 25 drill holes (60m x 60m drill pattern) not sampled and assayed by Caraiba as part of Caraiba's 75-hole diamond drilling program for its resource estimate.

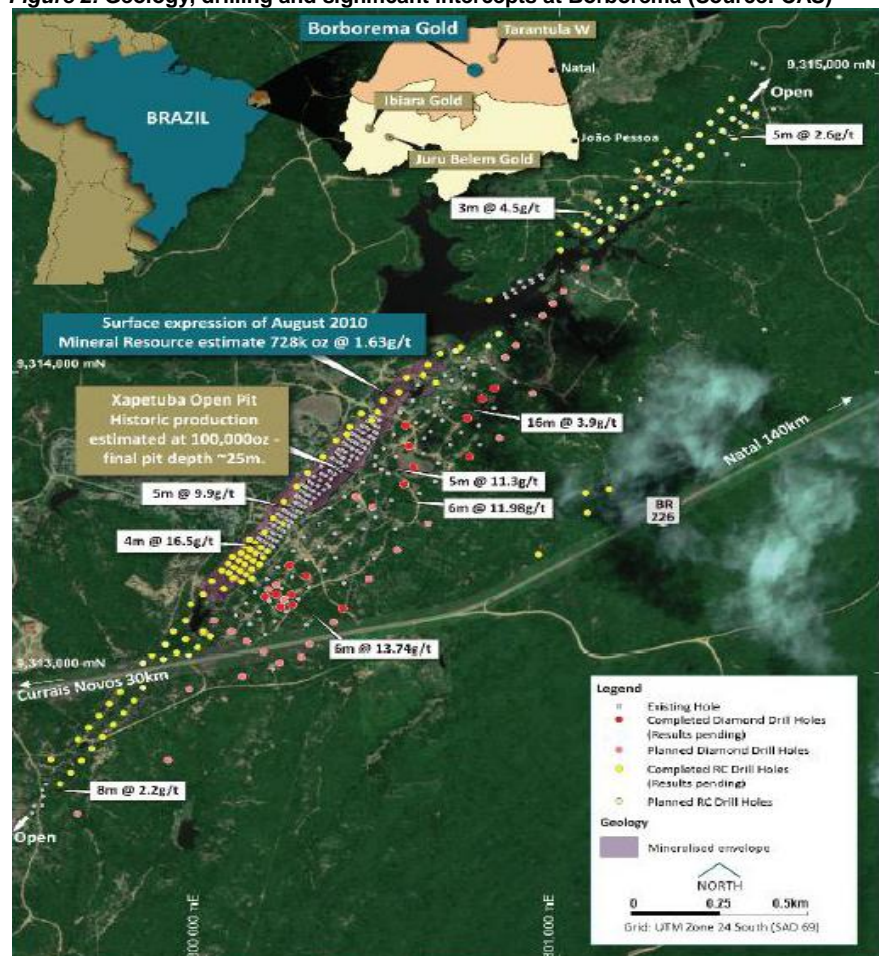
Assay results received in May 2010 for all 25 holes returned significant gold intercepts and have confirmed the grade, continuity

and location of the mineralisation. Some of the better results from the 25-hole sampling program include:

- 5m @ 11.27g/t Au from 40m
- 1m @ 8.76g/t Au from 25m
- 2m @ 7.32g/t Au from 34m
- 4m @ 7.00g/t Au from 69m
- 7m @ 5.37g/t Au from 35m
- 4m @ 4.64g/t Au from 27m

Visible gold is present, being generally fine-grained and associated with sulphides, both within quartz veins and disseminated within a 30m-wide shallow dipping (~35°).

Figure 2: Geology, drilling and significant intercepts at Borborema (Source: CAS)



2.1.3 Maiden JORC Resource Estimate

In August 2010, a maiden resource estimate was prepared by Coffey Mining for the Borborema Gold Project, based on the 25-hole sampling program. The resource stated that Borborema has an indicated and inferred resource of:

- **13.9mt @ 1.63g/t for 728,000oz, at a 0.5g/t cut-off.**
- **7.6mt @ 2.44g/t for 596,000oz, at a 1.0g/t cut-off.**

The resource is based on drilling along a 1310-metre strike on a shear zone, with the remaining 4 kilometres yet to be adequately tested. Mineralisation remains open along strike and in addition to the resource estimate, Coffey outlined an exploration target down-dip of between 5 million and 10 million tonnes at average grades between 1.0g/t and 2.0g/t to a maximum vertical depth of 180 metres.

2.1.4 Drilling Program

CAS has initiated an extensive 10,000 metre drilling program at Borborema. Drilling has already started with one RC and two diamond drill rigs already operating. The company aims to expand the resource beyond 1 million oz, which could support a production rate of 100,000oz p.a.

To date, the RC rig has completed 80 holes (for a total of 4105 metres) and the diamond rigs have completed 2300m in 17 holes. All rigs are drilling 24 hours a day, 5½ days a week. CAS has planned a program of approximately 5,000 metres of RC (in ~110 holes) and 5,000 meters of diamond (in 40 holes).

The drilling program will focus on four main target areas, as detailed in Table 2 below:

Table 2: Focus of Borborema Drilling Program

Target Area	Reason/Activity	Portion of Drilling Program
Oxide Resource	Better establish grade and mineralisation control	~15%
Down Dip Potential	Test exploration target as defined in JORC resource	~20%
Resource Expansion	a) Test NE and SW strike potential	~40%
	b) Geochemical test of other nearby targets	~10%
Resource Upgrade	To upgrade at least 50% of resource to Measured category	~20%

Source: ASX announcement, 7 September 2010

In addition, CAS has expanded the project footprint in the area, from 2,907ha, to 8,510ha, having been granted several new tenements with others currently under application.

2.2 Posse Iron Project (CAS: 100%)

2.2.1 Project Background

CAS finalised the 100% purchase of the Posse Iron project in September 2007. The project is located approximately 30 kilometres NE from the mining city of Belo Horizonte, in the Minas Gerais (General Mines) state in south central Brazil. The project is close to transport and several major smelters and smaller operators. Belo Horizonte has a population of over 4 million, an experienced mining workforce, contract mine operators and excellent infrastructure including an international airport and over 100 pig iron smelters within less than 180km radius of the project.

When CAS first encountered the project, there was no mapping or drilling data and little sampling data was available. The company has since completed mapping, drilling, topographical surveying and extensive sampling and the project is now based around a revised total resource estimate of 36mt @ 43.5% Fe obtained in January 2009. This estimate is >4½ times the initial resource estimate of 7.7mt @ 45% Fe obtained in May 2008 and was achieved without a significant change in the resource grade.

The revised estimate resulted from re-modeling of the Posse Project's geology by Coffey Mining (Crusader's consultant) and involved extending the mineralisation to the south to include high-grade near-surface mineralisation of hematite and itabirite that will be available during the initial production period.

Table 3: Resource for Posse Project (no cut-off applied)

Classification	Tonnes (Mt)	Grade (%)					
		Fe	SiO ₃	Al ₂ O ₃	Mn	P	LOI
Indicated	4.83	47.39	27.56	1.82	0.25	0.020	1.38
Inferred	31.18	42.89	36.17	0.61	0.17	0.026	0.73
Total	36.02	43.50	35.02	0.77	0.18	0.024	0.82

Key: SiO₂: Silica; Al₂O₃: Alumina; Mn: Manganese; P: Phosphorous; LOI: Loss on Ignition

2.2.2 Scoping Study and Metallurgy

A scoping study undertaken by Coffey Mining proposed a two-stage development for the Posse project to allow for a rapid start-up and to lower project risk.

Stage 1 planned for contract mining for up to three years at a production rate of between 300ktpa and 600ktpa run of mine (ROM). Beneficiation during stage 1 is by dry sieving only to produce a premium quality lump ore. Coffey estimated the stage 1 capital cost to be \$1.64 million (already spent) in order to minimise project risk. Estimated CAPEX for stage 2 is ~A\$8.25 million. An application for a new license has allowed CAS to revise stage 1, which will see the production rate increase to 1.0mt. (See section 2.2.4 below)

The medium and high grade -6.25mm fractions will be stockpiled for treatment through a wet beneficiation plant in stage 2. Low grade ore will also be stockpiled during stage 1 and treated during stage 2.

The treatment circuit proposed for the revised first stage (stage 1b) includes primary and secondary crushing and dry screening. The product for the first stage of production is +6.25mm lump fraction and

according to testing is expected to target high-grade hematite product (+62% Fe) with low contaminants.

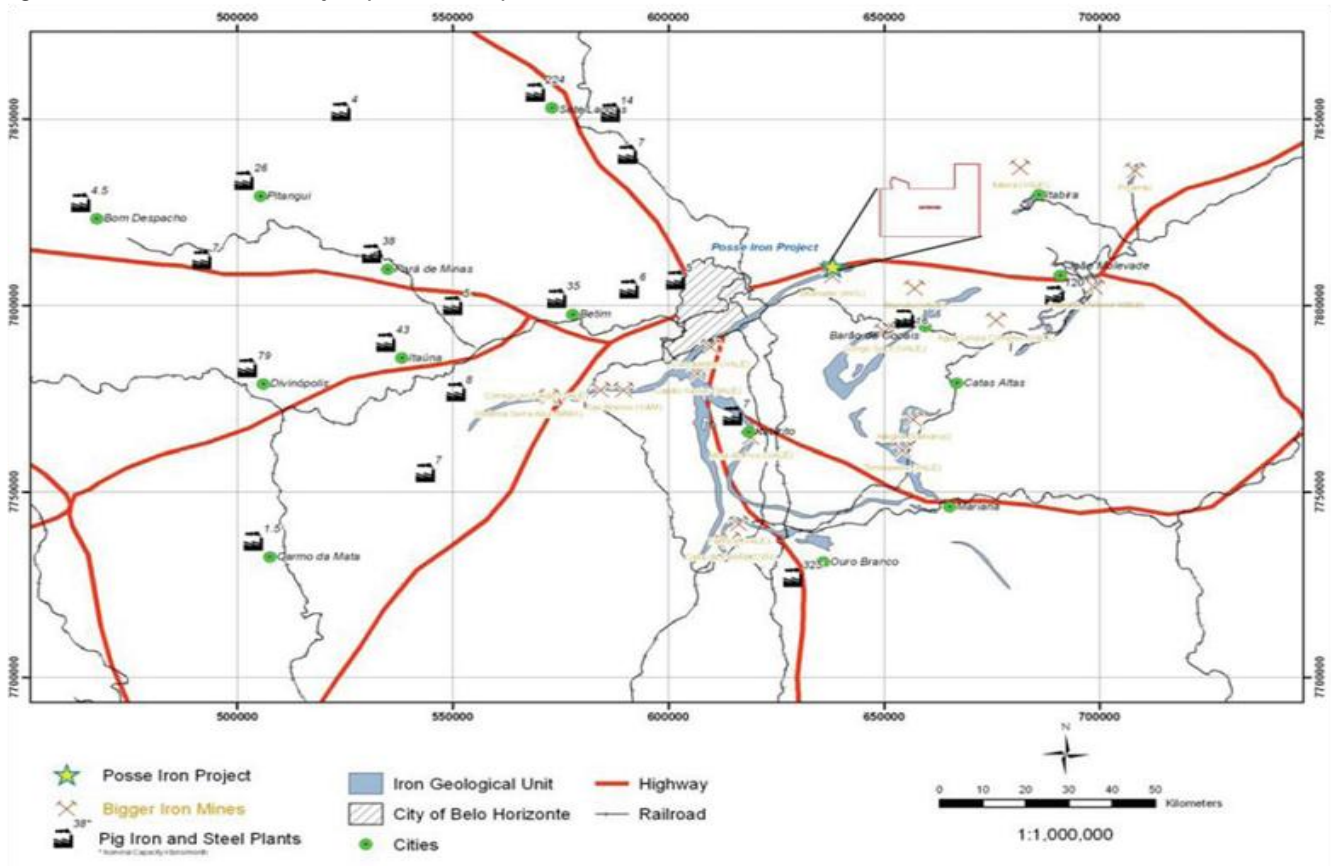
The estimated mining cost structure for stage 1 is detailed below in Table 4. At the current exchange rate³, this equates to R\$20.7/t. The strip ratio for stage 1 is low, at an estimated 0.9:1 (1.4:1 Life of Mine)

Table 4: Estimated Operating Costs (mining) from Coffey for Posse Stage 1

	A\$/t ROM
Mining: Ore	\$2.64
Mining: Waste and Low Grade	\$2.56
Processing	\$3.91
Other (Transport, administration)	\$1.99
Taxes and royalties	\$1.40
TOTAL	\$12.50

Stage 2 recommended an increase in production to 1mtpa ROM for up to a further 13 years and for material to be treated through an expanded wet beneficiation plant. CAS have already begun the licensing process for stage 2 and expect to receive approval in July/August 2011. During stage 2, the beneficiation plant will be upgraded to include a more rigorous crushing and wet screening circuit, with a gravity concentration and/or magnetic separation circuit. Product during this process has been modeled as pellet feed only (<0.15mm - >0.034mm) although planned testwork may extend the range of sale products.

Figure 3: Location of Posse Project (Source: CAS)



³ Brazilian Real (BRL) = 0.604445 AUD

2.2.3 Quality of Iron Ore at Posse

At Posse, most of the ore is itabirite, although the 1st stage of production will focus on the dry treatment (>6.25mm) of high-grade hematite veins (~59-61% Fe).

In the 2nd stage of production, CAS is expected to mine and treat the itabirite through gravity or magnetic separation in order to separate the itabirite, thereby improved the Fe grade, to ~65-68%.
The

2.2.4 New Application License Pending

The Posse plant and site works are largely complete and mining operations are ready to commence once environment approval has been granted, although the process of obtaining environmental approval has been delayed for reasons beyond the company's control.

CAS received notice in July 2010 that its initial environmental license, lodged in 2008, had been withdrawn by Supram (the state environmental agency in Brazil) on the basis that it had been mistakenly granted. As the Posse project is situated within a buffer zone around a national park, an alternative licensing process is required⁴ and CAS have lodged an application for a new license and a determination on this application is due imminently, with the company receiving strong indication that the new license application is likely to be considered favourably.

Prior to the application for the new license, production at the Posse iron project was due to commence at an annual rate of 300ktpa dry volume. Under the new license application, the company will seek to increase the production rate for the initial dry processing project (the 1st phase of production) to 1.0mtpa.

Pending a positive outcome from the new license application, an immediate start-up is expected. Two ore crushers, electric motors, screens and conveyor belts have all been installed and the processing circuit is working well based on small quantities of ore used in testing. In addition, earthworks for drainage ahead of the November wet season have been allowed to continue while the new license application is in progress.

Expansion of the beneficiation plant, to accommodate the additional production, is not required, as the beneficiation plant has a capacity of 1.0mtpa and management expect the plant to cope with the increased production without a significant increase to its planned operating costs. Further, the initial 300ktpa was set to operate on a single 8-hour shift. Instead, two further shifts are planned to cater for the increase throughput.

2.2.5 Sales Agreement in Place

In November 2009, CAS signed a Letter of Intent (LOI) to sell iron ore from its Posse project to Alterosa, a pig iron smelter. Alterosa is based in Minas Gerais state, approximately 80 kilometres from the Posse project. Alterosa sells iron both domestically and internationally and is one of the smaller smelters in Brazil accredited with the internationally recognised ISO 9001:2000 standard.

⁴ The project lies approximately 4 kilometres outside the park boundary and the Brazilian government does not believe that a basic environmental license is appropriate for this region.

Under the terms of the LOI, Alterosa may purchase 5,000 tonnes of lump ore per month (or 50% of initial product) from Posse at the prevailing market price. Alterosa can increase purchases up to 100% of lump production at Posse subject to the product meeting Alterosa's specifications. Should Alterosa not purchase 100% of product, CAS are confident that its product will be sold to other parties, as the company is seeing strong demand for its lump product from other parties.

Product will be sold to Alterosa at the mine gate and as such there are no transport costs to CAS. In stage 1 (revised), CAS will sell lump product only, but there is potential to significantly increase cashflows by also selling fine product.

2.2.6 Pricing Assumptions

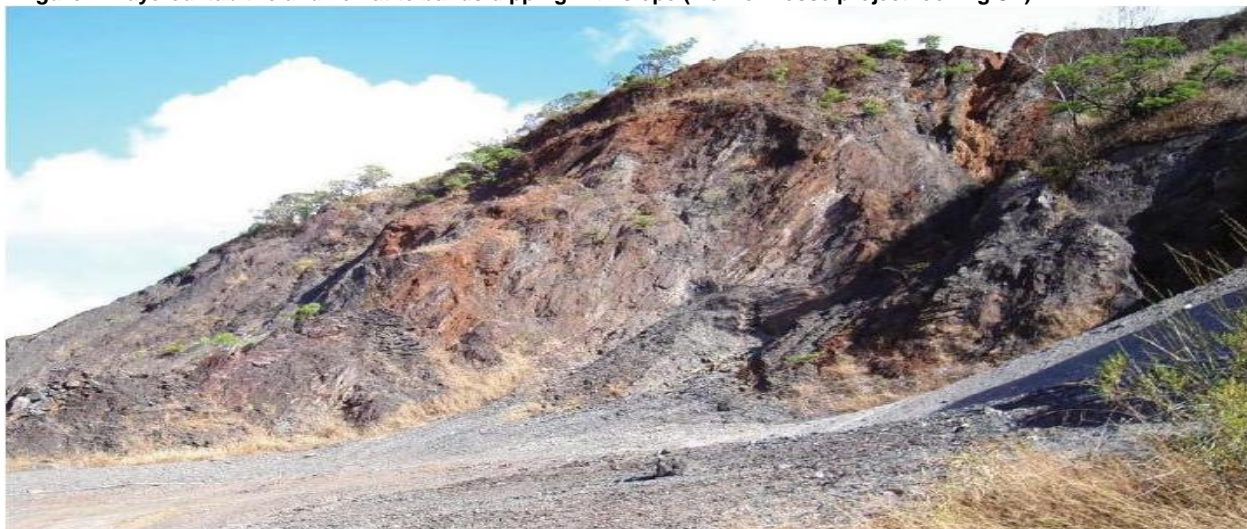
The Coffey scoping study generates a positive outcome, assuming a mine-gate sale price of ~A\$42/t for lump ore (at current exchange rate) and A\$32.1/t for pellet feed. These assumptions were modeled under a scenario incorporating a 40% drop in price compared to 2008 Brazilian domestic prices.

CAS are factoring in a sale price of R\$80/t (A\$48.4/t) for lump product, which is a conservative estimate given that prices currently vary between R\$80/t and R\$140/t.

Iron ore pricing in Brazil is spot-based and uses the Vale price as a guide. The Vale prices are generally higher for the bigger smelters, while iron ore sold to smaller pig iron smelters are conducted on a negotiated basis. CAS believe it will attract prices at the upper end of the R\$80/t-R\$140/t price range for its lump product based on a >63% Fe grade and very low phosphorous content.

For fine product, CAS are factoring in a sale price of R\$60/t. CAS may choose to sell fine product in stage 1 in order to reduce the need for stockpiling and re-treatment, however the grades for these will be lower than for lump, at ~55-59% Fe and would therefore sell at a discount to the expected R\$60/t for fine product.

Figure 4: Layered itabirite and hematite bands dipping with slope (view of Posse project looking SE)



2.3 Regional Strategy - Brazil

2.3.1 Strong Economic Fundamentals

Brazil is Latin America's largest economy and the world's 8th largest economy, according to the IMF. In 2008, Brazil became a net external creditor and two ratings agencies awarded investment grade status to its debt. After record growth in 2007 and 2008, the onset of the global financial crisis hit Brazil's currency and its stock market (Bovespa) saw large swings as foreign investors pulled resources out of the country.

Brazil experienced two quarters of recession, as global demand for Brazil's commodity-based exports dwindled and external credit dried up. However, Brazil was one of the first emerging markets to begin a recovery. Consumer and investor confidence revived and GDP growth returned to positive in the 2nd quarter of 2009.

The economy grew 8.8% in the 2nd quarter of 2010, defying forecasts of a steep slowdown as booming investment and strong consumer demand helped it outshine struggling economies in the developed world. Brazil and a number of other economies in South America are growing by more than 7% this year, however Brazil's economic growth is expected to moderate from the hot pace of almost 9% (year-on-year) in the 1st half of 2010 to a more sustainable rate of 4.2% for 2011 (according to the IMF).

The expected deceleration in the growth rate is viewed as a healthy process that should prevent overheating and bring growth in line in Brazil's long-term potential growth rate. Rather than an abrupt slowdown, the deceleration is taking place against a backdrop of high consumer confidence and strong job market conditions.

2.3.2 Market Fundamentals & Quality of Iron Ore

Brazil is a top 10 global steel producer, the world's biggest pig iron producer and the world's 2nd largest exporter of iron ore (300mtpa). A large market for the consumption of iron ore in Brazil is located alongside iron ore project sites.

Iron ore produced in Brazil is considered very high quality. A major source of iron ore production in Brazil is itabirite ore (found in the Iron Quadrangle), which is a metamorphosed oxide iron formation in which the iron is present as thin layers of hematite, magnetite, or martite. Itabirite ore is typically lower ROM grade than other sources of hematite (average grades 30-50% Fe); however the grades can be upgraded to 65-68% Fe via inexpensive gravity or magnetic separation.

Brazilian iron ore is in demand because of rapidly-declining availability and quality of high grade DSO lump worldwide, which has driven steel producers to far greater dependence on prepared feeds. Also, the worldwide push to reduce carbon footprints is driving steel producers to demand higher quality raw materials.

As referred to earlier in the report, there are over 100 pig iron smelters within less than 180km radius of the Posse project. Some of the major steel companies have major capacity upgrades planned to cope with increasing demand. For example, both Gerdau and Arcelor Mittal (the two largest steel producers in Brazil) have expansion commitments of

US\$5 billion to 2014, while Usiminas have expansion commitments of US\$14.1 billion to 2014⁵.

2.3.3 Key Management Appointments in Brazil

CAS has a strong management presence in Brazil. The Managing Director Robert Smakman is locally based and the company recently made two important senior management appointments – Mike Schmulian (Chief Operating Officer) and Aidan Platel (Exploration Manager) - to oversee the development and management of the Posse and Borborema projects.

Both individuals have extensive local experience. Mr Schmulian has had an international career in exploration and mining. His most recent role was Executive Director of ASX-listed Mundo Minerals Ltd, where his responsibility was the management and development of Mundo's Engenho gold project, which is located in close proximity to Belo Horizonte.

Mr Schmulian is a Fellow of the Australian Institute of Mining and Metallurgy (F.Aus.IMM) and the former vice-president of ADIMB - the Brazilian Agency for Technological Development of the Mining Industry. His understanding of the Brazilian mining legislation will be a valuable addition to CAS as it moves towards production.

Mr Platel, who has over 10 years experience in commodities (including gold and base metals), has been, prior to joining CAS, based in Brazil for over six years with ASX-listed company Mirabella, where he has been involved in the definition and development of the Santa Rita Nickel Project. His primary role with CAS will be to manage the exploration plan for the Borborema Gold Project.

⁵ Source: Centaurus Metals Presentation, August 2010

3. EXPLORATION ACTIVITIES

3.1 Lake Throssell Uranium Project (CAS: 100%)

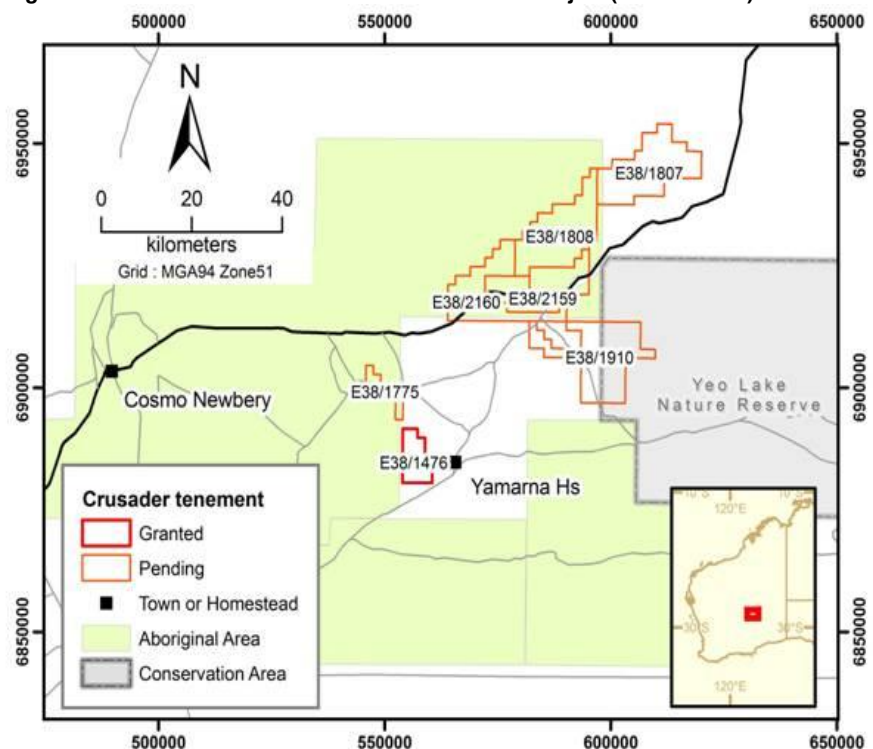
The Lake Throssell project is located 200 kilometres east of Laverton in Western Australia along the Great Central Road (Laverton to Warburton) which passes through the centre of the project. The project area covers in excess of 2,500km² and includes more than 80 linear kilometers of prospective palaeochannels and deltaic environments.

CAS took over the Lake Throssell uranium project in late 2006, when the company acquired one granted tenement E38/1476 and three tenement applications E38/1775, 1807, 1808 (all 100%) from Helix Resources. A further three tenement applications (E38/2159, 2160, 1910) were made by CAS, after due diligence confirmed the presence of carnotite (uranium mineral) mineralisation within a shallow road base pit on E38/2160.

The carnotite mineralisation was discovered within a shallow pit excavated for road base. Other prospective areas of exploration within the Lake Throssell project area are the deltaic areas at the entrances of Lake Yeo and Lake Throssell.

The project area has remained largely unexplored, as it lies within long-standing aboriginal and nature reserves.

Figure 5: Tenements at the Lake Throssell Uranium Project (Source: CAS)

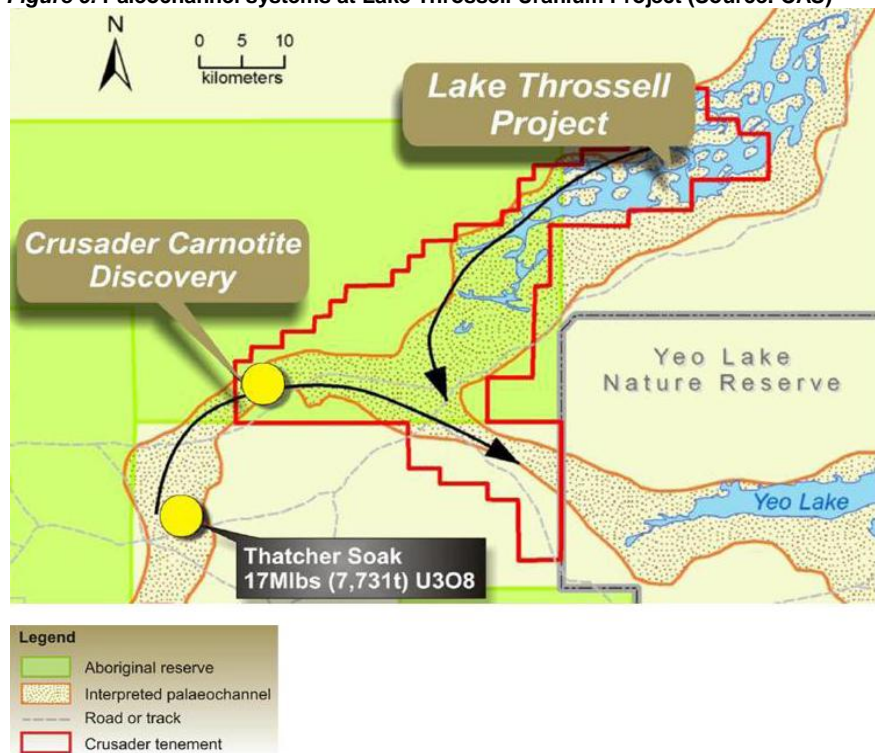


3.1.1 Planned Activities

Exploration is expected to commence in 1st quarter of 2011 after successful negotiations were held with the native title holders (Central Desert Native Title Services) to obtain an access and exploration agreement.

A 179-hole aircore drilling program is planned for ~5,000 metres and will focus on the confluence of two major paleochannel systems, in particular the extensions of palaeochannels (ancient river channels) along from the known Thatcher's Soak uranium deposit⁶, illustrated in Figure 6 below.

Figure 6: Paleochannel systems at Lake Throssell Uranium Project (Source: CAS)



⁶ The flagship project of Uranex NL

4. FINANCIALS

4.1 Discounted Cashflow Model

We have undertaken a DCF analysis on the Posse Iron Ore project, in light of an imminent start-up of stage 1b, and derive a value of \$1.20 per share. Detailed below are the valuation summary and the assumptions used in the analysis.

Table 5: Model Inputs & Assumptions - Posse Iron Project

Fe Price - lump	R\$80/t
Fe Price - fines	R\$60/t
Operating Cost - Stage 1 (lump only)	R\$19.5/t ROM
Operating Cost - Stage 2 (lump + fines)	R\$23.4/t ROM
Exchange Rates: AUD:USD	0.90
Exchange Rates - AUD:BRL	1.65

Model Assumptions:

1. Production of 300ktpa for the first year of production, increasing to 1.0mtpa in the following year as Stage 1b production starts.
2. Stage 2 production also 1mtpa
3. Stage 1b: Lump-only sales; Stage 2: Both lump & fines product.
4. Selling prices of \$R80/t for lump product; R\$60/t for fine product.
5. Operating costs include mining, treatment, administration & 5% contingency.
6. Risk premium of 7.5% above the risk-free rate to reflect potential pricing variability and risks including development, funding and timing.

Table 6: DCF Assumptions & Summary - Posse Iron Project

Valuation Assumptions	
Terminal Growth	0.0%
Risk Free Rate (10yr)	4.5%
Risk Premium	7.5%
WACC	15.4%
Gearing	0.0%
Beta	1.5

Valuation (\$m)	
Sum of PV of FCF	28.9
PV of Terminal Cashflows	74.3
Value of Cashflows	103.2
less Book Value of Net Debt	0.0
Value of Equity	103.2
Number of Shares (fully diluted)	86.1
Total DCF Valuation (\$)	1.20

4.2 Funding

The cash balance as at 30 September 2010 was \$2.89 million and currently is around \$2.5 million, bolstered by capital raisings totalling \$5.78 million since 30 June 2010. Table 7 details the capital raisings undertaken during 2010. The estimated cash burn, with drilling currently underway and including administrative cash expenditure, is A\$0.9-A\$1.0 million per quarter.

Table 7: Recent Capital Raisings for CAS

Completion Date	Amount Raised	Comments
February 2010	\$1.78m	Private Placement (7.2m shares issued @ 25c)
August 2010	\$3.93m	Private Placement (11.22m shares issued @ 35c)
August 2010	\$1.86m	Share Purchase Plan (5.3m shares issued @ 35c)
TOTAL	\$7.56m	

The funds raised this year have been used to develop the Posse Iron ore project; assist with the evaluation and subsequent purchase of 100% of the Borborema Gold Project; accelerate the drilling program at Lake Throssell and for general working capital purposes.

Funding requirements over the medium term include the A\$2 million exploration budget for the drilling program at Borborema in 2011 and estimated CAPEX for Posse stage 2 of ~A\$8.25 million (likely to be required in 2012).

4.3 Balance Sheet

The balance sheet below (as at 30 June 2010) does not include acquisition of the mineral rights and freehold land over the Borborema Gold Project. The company presently has no debt.

Table 8: CAS Balance Sheet

Year Ended June (\$m)	2010	2009
Assets		
Cash	0.57	1.12
Receivables & Other current assets	0.08	0.06
Total Current Assets	0.65	1.18
Capitalised Exploration Costs	4.41	3.71
Property, Plant & Equipment	1.11	0.24
Other financial assets	0.21	0.25
Total Non Current Assets	5.73	4.19
TOTAL ASSETS	6.37	5.37
Liabilities		
Payables	0.52	0.20
Current Provisions	0.03	0.03
TOTAL LIABILITIES	0.54	0.23
NET ASSETS	5.83	5.14

4.4 Capital Structure

CAS has a tight capital structure and share register. The major shareholder is the Copolus Group, with 19.5% of the total ordinary shares on issue. Institutional investors comprise ~15%, while ordinary shares held by the Board make up ~11.5%. Further, the majority of unlisted options issued to the Board are in-the-money.

Each of these three investor groups has participated in the capital raisings undertaken during the year, essentially supporting the company's multi-commodity development and exploration strategy in Brazil.

As at 11 October 2010, there were 693 shareholders, with only 13 shareholders holding an unmarketable parcel of shares.

Table 9: CAS Capital Structure

Shares/Options on Issue	Million	Expiry Date
Total Ordinary Shares	76.3	
Unlisted Options		
- Exercise Price 28c	1.0	22-Aug-11
- Exercise Price 25c	6.8	22-Aug-11
- Exercise Price 82c	0.045	05-Aug-11
- Exercise Price 65c	1.0	31-Dec-12
- Exercise Price 25c	0.2	01-Oct-12
- Exercise Price 44c	0.25	08-Aug-11
- Exercise Price 56c	0.5	22-Aug-15
Total Unlisted Options	9.8	
Total Issued Securities	86.1	

5. BOARD OF DIRECTORS

DIRECTOR	INTEREST IN CAS	BACKGROUND
David Archer <i>Non Executive Chairman</i>	50,000 ord shares 3.3m unlisted options @ 25c, exp 22 Aug 2011	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 US. He founded and was executive Chairman of PowerTel Limited until 1998.
Robert Smakman <i>Managing Director</i>	~2.67m ord shares; unlisted options: 1m @ 25c, exp 22 Aug 2011 1m @ 28c, exp 22 Aug 2011 1m @ 35c, exp 31 Dec 2012	Mr Smakman has had a successful international career (Australia, Africa, South America and Europe) as a geologist and manager over the past 16 years over a wide range of commodities, including gold, silver, copper, uranium, tin and iron. Mineral discoveries he has been associated with include the Southern Star gold deposit near Southern Cross (WA), the Dikulushi Copper/Silver deposit for Anvil Mining NL (DRC Africa) and the Certej Gold deposit in Romania for the TSX listed European Goldfields Ltd.
Paul Stephen <i>Executive Director</i>	~3.5m ord shares; 1m unlisted options	Mr Stephen was appointed to the board as an Executive Director on 17 November 2009. 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 a private client advisor with Porter Western and Macquarie Bank. He was a significant shareholder and Senior Client Advisor at Montagu Stockbrokers prior to their merger with Paterson Securities Ltd. Mr Stephen is a non-executive director of Integrated Fuel Solutions Pty Ltd, Kings Park Capital and Associate Director at Patersons Securities.
Murray Hodges <i>Non Executive Director</i>	~1.45m ord shares; 1m unlisted options: @ 25c, exp 22 Aug 2011	Mr Hodges was involved for 15 years in his early working life exclusively in the mineral exploration industry, initially working as an exploration geologist for major companies, then in a consultancy capacity. His primary experience is in base metal and gold exploration. His general business experience is mainly in the Fuel Distribution Industry, where as a major beneficial shareholder and strategic planner he was involved in the development and operation of Link Energy P/L. He was also a founding director of Silver Swan Group.
Justin Evans <i>Non Executive Director</i>	~1.2m ord shares; 1m @ 25c, exp 22 Aug 2011	Mr Evans currently holds the position of 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 in stockbroking 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 P/L but no longer has any interest in Montagu Stockbrokers.

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