

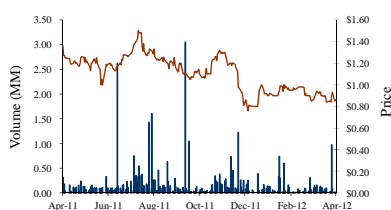
**Crusader Resources**

**Stock Data**

Previous Close (C\$)	\$0.85
Potential Return	NA
52-Week High-Low	\$0.70 / \$1.50
Avg. Daily Volume (3 Month)	104,910
Basic SO (MM)	110
Fully Diluted SO (MM)	115
Major Shareholders: Dundee Corp	19%
Float (MM)	75
Market Cap. (US\$ MM)	\$93
Net Debt (US\$ MM)	(\$12)
Cash (US\$ MM)	\$12
Enterprise Value (US\$ MM)	\$81
Fiscal Year End	June 30

**Company Information**

Flagship Asset	Borborema
Project Location	Brazil
Global Resources (MMoz)	2.3
Total Land Package (km <sup>2</sup> )	3500
US\$AMC/oz Valuation	\$36



Source: Capital IQ

**Top 5 Holders**

	%
Dundee Corp	19%
Copulos Group	9%
Northcape Capital	6%
Bank of Nova Scotia	5%
Blue Bone Enterprises	3%

## A Developer on the Next Leg of Growth

Crusader is an exploration stage company focused on its 100% owned Borborema gold project in North Eastern Brazil. Management is fast-tracking the 2.3MMoz delineated on less than 1% of the 3500km<sup>2</sup> land package towards production by 2014. With significant exploration upside on a 120km strike length of prospective Borborema schist and a proven management team we believe the building blocks are in place to transform Crusader into a near term producer with a growing production profile. **NOT RATED.**

### 1. Project To Be Fully Derisked by H2 2012

Based on the recent pre-feasibility study, project economics are expected to be robust with an estimated IRR of 32.9% (using a 10% discount rate and gold price of US\$1,300/oz). The scoping study suggested an average annual production rate of 131koz/year at total cash costs of USD\$558/oz and an initial capital expenditure of US\$169MM, parameters that will be firmed up in the feasibility study due in H2 2012. Borborema has seen historic production of 250koz at grades of up to 2.3g/t and benefits from excellent infrastructure access; a road runs right through the property and there is potential to access low cost power at \$0.07kWh/hr.

### 2. A Management Team with a Solid Track Record

We are impressed with management's success to date at Borborema. Since acquiring the project in August 2010 for \$2.5MM, it has grown the resource from zero to 2.3MMoz and tripled the market capitalization to the current \$95MM. David Archer, Chairman has over 27 years experience in the resource industry; Mike Schmulian, Chief Operating Officer has extensive in-country experience; Robert Smakman, Managing Director has been associated with a number of gold discoveries and David Netherway, Director was responsible for the construction and development of the Iduapriem, Siguri, and Kiniero gold mines in West Africa.

### 3. Potential to Boost Growth Profile

With five near-mine targets yet to be tested many of them with evidence of artisanal gold workings (garimpos) we see the potential to delineate additional resources which should ultimately grow the projected profile. Six drill rigs are currently turning with an updated resource targeted for delivery in Q2 2012.

Please refer to the final page(s) of this report for required disclosures.

Clarus Securities Inc.

Exchange Tower, 130 King Street, W. Suite 3640, P.O. Box 38 Toronto, ON M5X 1A9 Ph (416) 343-2777 Fax (416) 343-2799

Royal Bank Building, 335 – 8<sup>th</sup> Avenue SW, Suite 1220, Calgary, AB T2P 1C9 Ph (403) 269-5900 Fax (403) 269-8900

Waterfront Centre, Suite 1615, 200 Burrard Street, Vancouver, BC V6C 3L6 (604) 605-5700 (604) 605-5704



**DRILL RESULTS POINT TO GROWTH POTENTIAL**

**Main Resource Open at Depth**

We are encouraged with results from deeper drilling which has returned some bonanza grades at expanding widths pointing to the underground potential of the mine. Some highlights from deeper drilling include:

- CRDD-138: 27m at 8.49g/t Au from 278m (including 5m at 37.10g/t Au )
- CRDD-141: 26m at 3.17g/t Au from 301m (including 3m at 18.46g/t Au from 308m)
- CRRDD-136: 26m at 2.73g/t Au from 294m

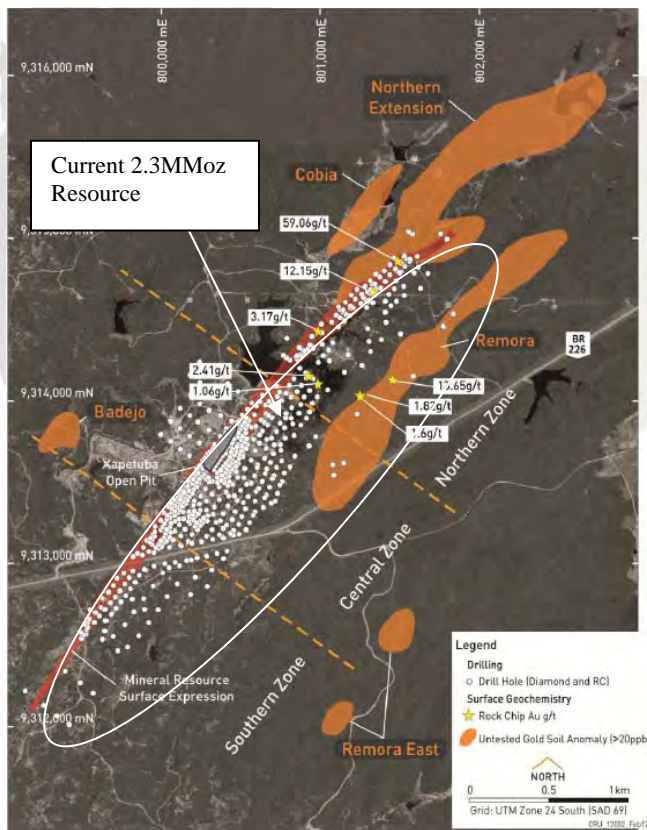
**More Near-Surface Targets to Chase**

Drilling has also commenced at the newly identified Remora target with a 2km strike length. Remora is located 500m to the east of Borborema and parallel to the main mineralized structure. Notable intercepts at Remora include:

- CRRC-321: 1m at 2.75g/t Au from 57m and 1m at 2.75g/t Au from 81m
- CRRC-337: 1m at 1.20g/t Au from 25m

Additional drilling is also expected to commence shortly at the newly identified targets of Borborema North Eastern extension, Remora East, Badejo and Cobia (see Exhibit 1) with a view to grow ounces.

Exhibit 1. Gold in Soil Anomalies



Source: Company Reports

**FEASIBILITY STUDY DUE FOR DELIVERY IN Q2 2012**

Management is targeting delivery of an updated feasibility study in Q2 2012 incorporating drilling to date as well as an expanded plant capacity from the current 3Mtpa to 4Mtpa. This has the potential to further boost project economics barring significant increases in costs.

**Exhibit 2. Pre-Feasibility Study Parameters (Completed September 2011)**

<b>3Mtpa Base Case</b>	
Mining inventory (In-pit Inferred & Indicated Resources, \$1,150 Gold)	1.18MMoz (27Mt @ 1.39g/t)
Mining throughput rate	3Mtpa
Mine life	9 years
Annual production	Up to 180koz (ave 131koz)
Estimated capex	US\$169M
Estimated opex	US\$558/oz
Metallurgical recovery	96%
NPV (10%) pre-tax, \$1,300 Gold	USD\$250M
IRR	32.90%
Strip ratio (life of mine)	4.23:1

Source: Company reports

**UNDERVALUED PLAYER DUE FOR A RE-RATING**

Relative to peers, Crusader is undervalued at an AMC/oz of US\$36/oz vs peer average of US\$41/oz (see Exhibit 1). As the company nears attainment of several key milestones including delivery of a feasibility study, and receipt of environmental permits, we expect to see a re-rating of the stock.

**Exhibit 3. Brazilian Development-Stage Companies**

Company Name	Ticker	Local Price	S/O MM	Market Cap (\$MM)	Adj Mkt Cap (\$MM)	Main Brazilian Assets	Country	Attrib Ounces (MM)	Company Average Grade (g/t)	AMC per Attrib. Ounce (\$/oz)	AMC per Attrib. Ounce (\$/oz)
Aura Minerals Inc.	TSX:ORA	0.88	228	\$201	\$137	Sao Francisco - Sao Vicente	Brazil	4.5	0.63	\$30	\$31
Beadell Resources Ltd	ASX:BDR	0.68	716	\$500	\$518	Tucano Gold	Brazil	4.6	1.47	\$113	\$113
Belo Sun Mining Corp	TSX:BSX	0.90	210	\$189	\$150	Volta Grande	Brazil	3.8	1.69	\$40	\$40
Magellan Minerals Limited	TSXV:MNM	0.28	109	\$30	\$21	Coringa - Cuiu Cuiu	Brazil	1.7	1.5	\$12	\$12
Amarillo Gold Corp.	TSXV:AGC	1.10	64	\$71	\$65	Lavras	Brazil	1.6	1.13	\$41	\$41
Brazilian Gold Corporation	TSXV:BGC	0.40	100	\$40	\$25	Sao Jorge	Brazil	0.8	1.18	\$31	\$31
Rio Novo Gold Inc.	TSX:RN	0.41	113	\$46	\$17	Almas-Guaranta	Brazil	0.9	1.86	\$18	\$18
<b>Average</b>				<b>\$154</b>				<b>2.6</b>	<b>1.3</b>	<b>\$41</b>	<b>\$41</b>
<b>Crusader Resources</b>	<b>ASX:CAS</b>	<b>0.85</b>	<b>110</b>	<b>\$96</b>	<b>\$82</b>	<b>Borborema</b>	<b>Brazil</b>	<b>2.3</b>	<b>1.06</b>	<b>\$36</b>	<b>\$36</b>

Source: Company Reports, Capital IQ, Clarus Securities



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**THERE IS MORE – IRON ORE COULD PROVIDE SUPPLEMENTAL CASH FLOW**

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In addition to the Borborema gold project, Crusader has a 100% interest in the Posse Iron Ore project which hosts a resource of 36MMt at 43.5% Fe. This project is envisioned as a two stage open pit operation of up to 1Mtpa ROM with a mine life of 6-8 years. The beneficiation plant has been built and commissioned at a modest cost of \$2MM and the company is now awaiting licensing in order to commence production (currently scheduled for H1 2012). A letter of intent has also been signed to sell ore to a local consumer. With the current market price of A\$50-80t and operating costs of an estimated A\$10t/run of mine, we see the potential to generate operating cash flow to the tune of \$12-20MM per year that can be used to fund development activities at Borborema.

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**SOLID MANAGEMENT TEAM TO UNLOCK VALUE**

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- **David Archer, Chairman** – Mr. Archer founded Savage Resources Limited in 1985 which owned 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 also 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.
- **Mike Schmulian, Chief Operating Officer** – Mr. Schmulian has over 40 years experience in mining and exploration including 25 years in Brazil and South America. Most recently, he was Executive Director of ASX listed Mundo Minerals where he managed the development of Mundo's Engenho gold project which is in close proximity to Crusader's Iron Ore project. Given Mr. Schmulian's involvement with Mundo's Engenho gold project, he is well known in the local industry.
- **Robert Smakman, Managing Director** – Mr. Smakman is associated with a number of discoveries including: the Southern Star gold deposit near Southern Cross in Western Australia from the discovery hole to completion of the bankable feasibility study; the Dikulushi Copper/Silver deposit for Anvil Mining; and the Certej Gold deposit in Romania for European Goldfields Ltd. He is based in Joao Pessoa in Brazil.
- **Paul Stephen, Executive Director** – Mr. Stephen has more than 17 years' experience in the financial industry. Notable experience includes as a Portfolio Manager at Perpetual Trustees in 1992 and as a Private Client Advisor with Porter Western and Macquarie Bank. Mr. Stephen also currently serves as non-executive director of Integrated Fuel Solutions Pty Ltd and Kings Park Capital.
- **David Netherway – Non-Executive Director** – Mr. Netherway has over 35 years experience in the mining industry. Until the takeover by Gryphon Minerals Limited (GRY-ASX), he served as CEO of Shield Mining Limited. He was also CEO of Afcan Mining Corporation (acquired by Eldorado Gold). Mr. Netherway has also held senior management positions in a number of mining companies including Shamrock Mines, Ashanti Goldfields and SEMAFO Inc. He is currently the Chairman of Afferro Mining, Aureus Mining and a non-executive director of Gryphon Minerals and Altus Resource Capital.
- **Justin Evans, Non-Executive Director** – Mr. Evans currently serves as Managing Director of Sigma Companies Group. Prior to joining Sigma, he worked in stockbroking for 12 years.



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## CATALYSTS

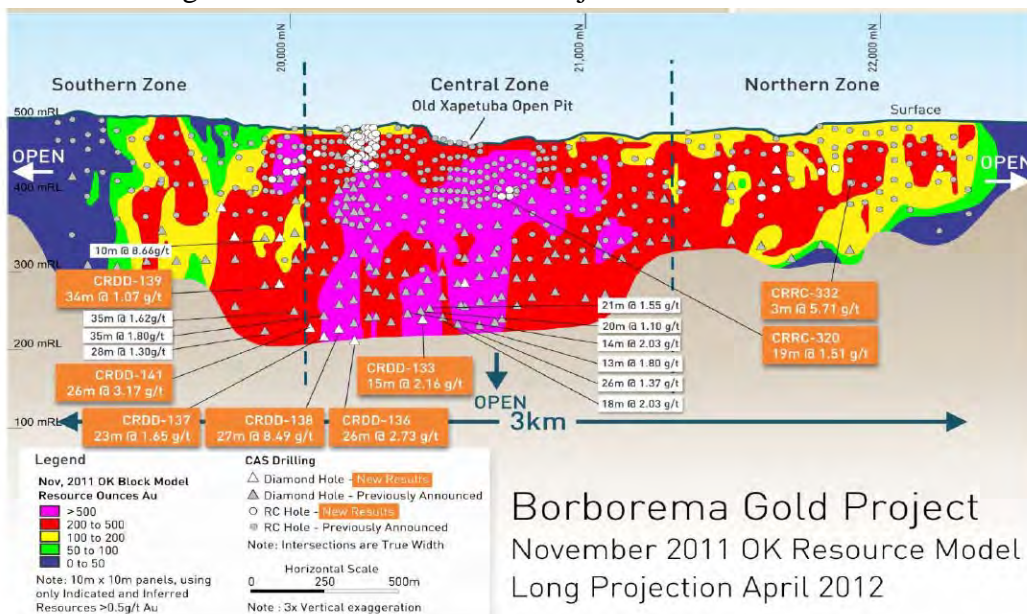
- Environmental Permits at Posse – Q2 2012
- Resource Update Borborema – Q2 2012
- Bankable Feasibility Study at Borborema– H2 2012
- Environmental Permits at Borborema – H2 2012

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## INVESTMENT RISKS

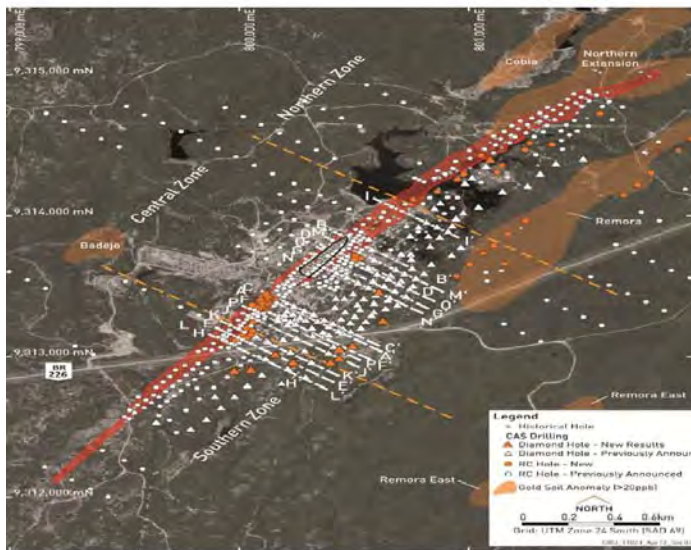
- **Commodity/Currency Risk** – Fluctuations in currency and commodity prices could have an adverse impact on the economic viability of the Borborema project.
- **Financing Risk** – While the current cash on hand of about US\$12MM provides Crusader with sufficient cash through to deliver a feasibility study, additional financing will be required to build the project.
- **Permitting Risk** – The ability to unlock value at the Posse Iron Ore project is dependent on receipt of environmental permits. We note the company has experienced a series of delays with DNPM, the regional body that provides the initial approval suggesting the rejection of Crusader's Mining License. Crusader has rejected DNPM's interpretation and the matter is being considered by the federal office. Also, although the Borborema project has an active mining license, the license is for heap leaching and the company will require an alteration license in order to commence construction.
- **Development Risk** – As a highway runs right through the project site, it will need to be moved. Also, the project is located in a semi-arid region and a pipeline will need to be built to connect to the hydro dam about 100km away.

**Exhibit 4. Long Section Borborema Gold Project**



Source: Company Reports

**Exhibit 5. Cross Sections to April 2012**



Source: Company Reports

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