



**Stock:** Crusader Resources (CAS)  
**Recommendation:** SPECULATIVE BUY  
**Current Price:** \$0.97

**EVENT:** Borborema Resource update

Crusader Resources has increased its inventory at Borborema to 2.3Moz @ 1.1g/t (previous 1.9Moz @ 1.3g/t).

The updated independent Resource includes the results from 15,982m of drilling (26 RC holes and 58 diamond holes) undertaken between March and September, 2011. To date, an additional 17,000m of drilling has been completed, results of which were not included in this Resource.

Drilling is ongoing at Borborema with 5 rigs (3 Diamond and 2 RC).

CAS has a cash position of \$19m.

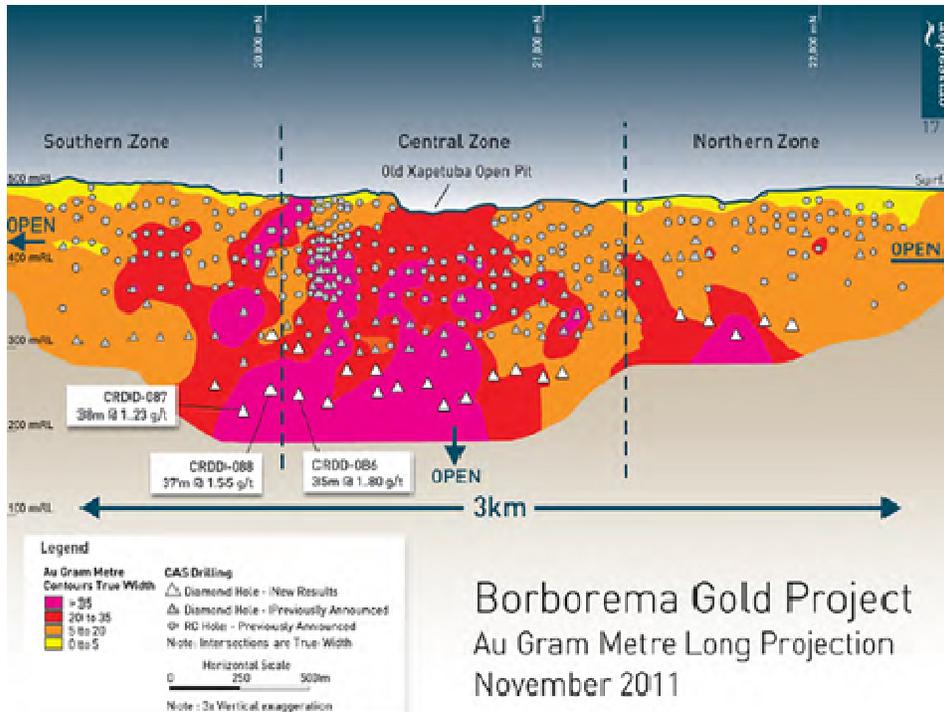
## **IMPACT**

Neutral.

The increase in ounces is counterbalanced by the decline in grade.

Although the drop in overall grade is disappointing, it will not necessarily affect PFS results negatively as the decrease is partially due to the inclusion of lower grade material to the north and south of the higher grade central zone.

Figure 1: Boreborema long section



Source: CAS

Using a 1.0g/t cut-off, the Resource stands at 1.4Moz @ 1.5g/t. Furthermore, only 51% of the updated inventory falls into the PFS "in-pit" Resource (1.2Moz).

The updated Resource will feed into a BFS set to commence imminently. The increase in overall Resource has also highlighted the potential for a higher production rate scenario.

Next steps at Borborema include:

- BFS commencement
- Resource update March Q 2012
- Reinvigorated regional exploration effort
- Ongoing consolidation of tenement package along regional structure

## COMMENT

Argonaut has recently been on site at Borborema and was impressed by the rapid progress of the project and the well established infrastructure.

The BFS and exploration activities will augment tapering news flow as development drilling concludes / reduces.

CAS is managed by an experienced, in country team. The PFS has outlined a base case production

scenario, with scope for mine life and production expansion driven by exploration success at Borborema and the under-explored 1,600km<sup>2</sup> regional tenement package.

Argonaut's updated valuation is \$1.80 (was \$2.10) assuming a 4Mtpa operation, US\$1,100/oz long term gold, 145kozpa production, 1.2g/t diluted head grade, 94% metallurgical recovery, US\$250m capital expenditure, US\$700/oz cash costs and a ten year mine life. First gold is anticipated from 2014.

Key risks include sourcing sufficient water for the operation, permitting and good grade control.

## **SPECULATIVE BUY**

**Patrick Chang**  
Research Analyst



[www.argonaut.com](http://www.argonaut.com)

GPO Box 2553, Perth WA 6001

Level 30, Allendale Square,

77 St Georges Terrace, Perth WA 6000

Direct Line: +61 8 9224 6835

Mobile: +61 04 5041 8080

Email: [pchang@argonaut.com](mailto:pchang@argonaut.com)

Corporate Advisory | Stockbroking & Research | Special Situations

[Click here](#) to access an important electronic communications disclaimer

### **Important Disclosures:**

- Argonaut may receive brokerage income from clients who wish to buy and sell securities subject to this report.
- No assistance has been provided by CAS in writing this report.
- This report was produced by Patrick Chang an employee of Argonaut Securities Pty Limited. Patrick is CFA charter pending and has tertiary qualifications in geology.