

13 February 2012

## Crusader Resources

CAS

\$0.99/share

Buy

### Impressive gold intersections

Last week CAS reported impressive thick high grade intercepts from infill drilling at the Borborema project (Figs. 1-2). The results confirm the interpretation of the orebody and increase confidence the majority of in-pit resources (2.3Moz) will be lifted to Indicated status or better. An updated resource is due out in Q2, followed by completion of a BFS mid-year. We recommend buying CAS which is trading on forward PEs of 1-2x with 188% upside to NPV of A\$2.85/share.

### Borborema Project (Brazil) – 100%

- All 46 holes (35 RC, 11 diamond) intersected significant widths and grade.
- Results extend from near surface to 265m depth.
- Best results comprise:
  - 17m @ 5.2g/t Au from 64m depth
  - 15m @ 4.9g/t Au from 190m
  - 22m @ 3.2g/t Au from 104m
  - 22m @ 3.0g/t Au from 40m
  - 16m @ 2.1g/t Au from 73m
  - 18m @ 2.0g/t Au from 260m
  - 10m @ 2.1g/t Au from 67m
  - 18m @ 1.3g/t Au from 27m
- Drilling activities have accelerated.
- Six rigs (4 diamond, 2 RC) are currently drilling.
- A seventh rig (diamond) is expected on site soon.

### Indicated resources to rise

- Total resources equate to 2.3Moz (68Mt @ 1.06g/t Au)
- Indicated resources are 1.2Moz (32Mt @ 1.18g/t Au).
- Drilling points to a significant rise in Indicated resources.

### Our View - BUY

- NPV of A\$2.85/share with upside.
- Forward PEs of 1-2x.
- EV/Resource of \$42 vs. peer average ~\$185.
- Cash of \$15M, no debt.

### Key Dates

- Q2 2012 – Resource upgrade Borborema.
- Q2 2012 – Maiden reserve Borborema.
- Q3 2012 – Borborema BFS.
- Q3 2012 – Financing and construction.
- Q2 2014 – Production.

### Company Data

Shares – ordinary (free float)	110.1M
Unlisted Options	4.3M
Total (fully diluted)	114.4M
Market capitalisation (fully diluted)	A\$113.2M
12 month low/high	\$0.70/ \$1.50
Monthly turnover	\$4.1M
Monthly volume	3.5M

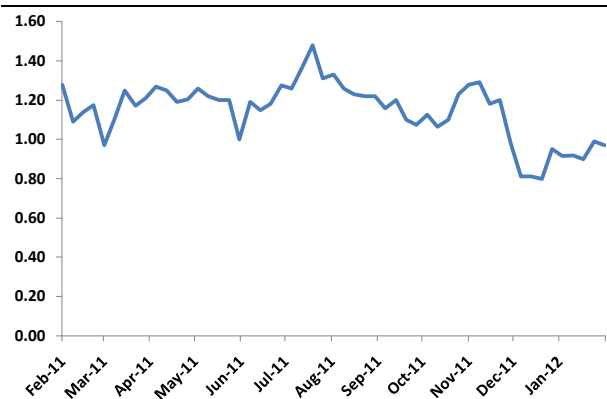
### Financial Summary

Year end June	2011A	2012F	2013F	2014F	2015F
Revenue (\$M)	0.1	5.2	21.2	84.3	222.9
Costs (\$M)	6.9	5.5	12.7	35.2	85.3
EBITDA (\$M)	-6.8	-0.2	8.4	49.1	137.6
NPAT (\$M)	-6.6	-2.4	-0.6	21.6	74.7
EPS (¢ps)	-7.3	-2.2	-0.6	19.6	67.8
PER (x)	na	na	na	5.0	1.5
Cashflow (Gross-\$M)	-2.9	-3.2	1.3	40.3	122.7
CFPS (¢/sh)	-3.2	-2.9	1.2	36.6	111.4
PCFPS (x)	na	na	84.6	2.7	0.9
Enterprise Value (\$M)	102	203	252	217	100
EV / EBITDA (x)	na	na	30.0	4.4	0.7

### Substantial Shareholders (FPO)

Substantial Shareholders (FPO)	Shares (M)	(%)
Dundee	20.5	18.6%
Copulos Group	9.8	9.0%
Goodman and Company	5.9	5.4%
Northcape	5.5	5.0%

### CAS (A\$ps) – performance over one year



### Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was a broker to the issue of 13.5M shares at \$1.20/share in July 2011, raising A\$16.2M. A fee was received.

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## Analysis

### CRUSADER RESOURCES

(CAS)

13-Feb-12

Year End 30 June A\$

PROFIT & LOSS	2010A	2011A	2012F	2013F	2014F	2015F	RESERVES & RESOURCES	2010A	2011A	2012F	2013F	2014F	2015F	
Sales Revenue	\$M 0.0	0.0	5.2	21.2	84.3	222.9	<b>Reserves - Borborema</b>							
Other Income	\$M 0.1	0.1	0.0	0.0	0.0	0.0	Tonnes	Mt	0.0	0.0	27.0	27.0	26.0	22.9
Operating Costs	\$M 0.9	4.5	5.5	12.7	35.2	85.3	Grade - Au	g/t	0.00	0.00	1.39	1.39	1.39	1.39
Exploration	\$M 1.1	2.4	0.0	0.0	0.0	0.0	Contained Gold	oz	0	0	1,206,618	1,206,618	1,161,606	1,022,072
Other	\$M 0.0	0.0	0.0	0.0	0.0	0.0	<b>Reserves - Posse</b>							
<b>EBITDA</b>	<b>\$M (2.0)</b>	<b>(6.8)</b>	<b>(0.2)</b>	<b>8.4</b>	<b>49.1</b>	<b>137.6</b>	Tonnes	Mt	0.0	7.0	6.8	6.0	5.2	4.4
Dep. & Amort.	\$M 0.1	0.1	0.4	1.0	7.2	20.7	Grade - Fe	%	0.0	46.5	46.5	46.5	46.5	46.5
<b>EBIT</b>	<b>\$M (2.1)</b>	<b>(6.9)</b>	<b>(0.6)</b>	<b>7.4</b>	<b>41.9</b>	<b>116.9</b>	<b>PRODUCTION (100%)</b>							
Net Interest	\$M (0.1)	(0.3)	3.0	8.4	9.1	3.8	<b>Borborema</b>							
Pre-Tax Profit	\$M (2.0)	(6.6)	(3.6)	(0.9)	32.8	113.1	Ore Milled	Mt	0.00	0.00	0.00	0.0	1.0	3.1
Tax	\$M 0.0	0.0	(1.2)	(0.3)	11.1	38.5	Grade	g/t	0.0	0.0	0.0	0.0	1.4	1.4
Minorities	\$M 0.0	0.0	0.0	0.0	0.0	0.0	Recovery	%	0%	0%	0%	94%	95%	95%
<b>Net Profit</b>	<b>\$M (2.0)</b>	<b>(6.6)</b>	<b>(2.4)</b>	<b>(0.6)</b>	<b>21.6</b>	<b>74.7</b>	Gold Produced	oz	0	0	0	0	42,760	132,558
Abnormal	\$M 0.2	(2.2)	0.0	0.0	0.0	0.0	<b>Posse</b>							
<b>Reported Profit</b>	<b>\$M (1.7)</b>	<b>(8.8)</b>	<b>(2.4)</b>	<b>(0.6)</b>	<b>21.6</b>	<b>74.7</b>	Sales - Lump	Mt	0.00	0.00	0.08	0.32	0.08	0.08
Dividends Paid	\$M 0.0	0.0	0.0	0.0	0.0	0.0	Sales - Fines	Mt	0.00	0.00	0.10	0.40	0.48	0.48
Adjustments	\$M 0.0	0.0	0.0	0.0	0.0	0.0	<b>REVENUE (attributable)</b>							
<b>Retained Earning</b>	<b>\$M (11.0)</b>	<b>(19.8)</b>	<b>(22.2)</b>	<b>(22.8)</b>	<b>(1.2)</b>	<b>73.5</b>	Borborema	\$M	0.0	0.0	0.0	0.0	70.5	208.3
<b>CASH FLOW</b>							Posse	\$M	0.0	0.0	5.2	21.2	13.8	14.6
Revenue	\$M 0.0	0.0	5.2	21.2	84.3	222.9	Other	\$M	0.1	0.1	0.0	0.0	0.0	0.0
Costs	\$M (1.0)	(3.2)	(5.5)	(12.7)	(35.2)	(85.3)	Total	\$M	0.1	0.1	5.2	21.2	84.3	222.9
Net Interest	\$M 0.1	0.3	(3.0)	(8.4)	(9.1)	(3.8)	<b>COSTS (attributable)</b>							
Tax Paid	\$M 0.0	0.0	0.0	1.2	0.3	(11.1)	Cash costs (post credits)	A\$/oz	0	0	0	0	475	500
<b>Gross Cash Flow</b>	<b>\$M (0.8)</b>	<b>(2.9)</b>	<b>(3.2)</b>	<b>1.3</b>	<b>40.3</b>	<b>122.7</b>	Borborema	\$M	0.0	0.0	0.0	0.0	22.4	72.5
Net Capex	\$M (0.8)	(1.5)	(110.6)	(50.6)	(5.1)	(5.1)	Posse	\$M	0.0	0.0	2.4	9.4	9.2	9.3
Exploration	\$M (1.7)	(6.9)	0.0	0.0	0.0	0.0	Other	\$M	0.9	4.5	3.1	3.3	3.5	3.5
Dividends	\$M 0.0	0.0	0.0	0.0	0.0	0.0	Total	\$M	0.9	4.5	5.5	12.7	35.2	85.3
Other	\$M 0.0	0.1	0.0	0.0	0.0	0.0	<b>CAPEX (attributable)</b>							
<b>Free Cashflow</b>	<b>\$M (3.2)</b>	<b>(11.2)</b>	<b>(113.8)</b>	<b>(49.3)</b>	<b>35.2</b>	<b>117.6</b>	Borborema	\$M	0.0	1.3	110.0	50.0	4.5	4.5
Equity Issues	\$M 2.7	15.3	15.2	0.0	0.0	0.0	Posse	\$M	0.0	0.2	0.6	0.6	0.6	0.6
Net Borrowings	\$M 0.0	0.2	110.0	60.0	(50.0)	(100.0)	Other	\$M	0.8	0.0	0.0	0.0	0.0	0.0
Net Investments	\$M 0.0	0.0	0.0	0.0	0.0	0.0	Total	\$M	0.8	1.5	110.6	50.6	5.1	5.1
<b>Surplus Cash Flo</b>	<b>\$M (0.6)</b>	<b>4.2</b>	<b>11.4</b>	<b>10.7</b>	<b>(14.8)</b>	<b>17.6</b>	<b>DEPRECIATION (attributable)</b>							
<b>BALANCE SHEET</b>							Borborema	\$M	0.0	0.0	0.0	0.0	6.1	19.6
Cash	\$M 0.6	4.8	16.2	26.9	12.1	29.6	Posse	\$M	0.0	0.0	0.4	1.0	1.1	1.1
Other Current	\$M 0.1	0.2	2.1	3.2	4.2	11.1	Other	\$M	0.1	0.1	0.0	0.0	0.0	0.0
<b>Total Current</b>	<b>\$M 0.6</b>	<b>5.0</b>	<b>18.3</b>	<b>30.0</b>	<b>16.3</b>	<b>40.8</b>	Total	\$M	0.1	0.1	0.4	1.0	7.2	20.7
Fixed Assets	\$M 1.1	5.5	115.8	165.4	163.3	147.7	<b>EBITDA (attributable)</b>							
Exploration	\$M 4.4	5.5	4.0	3.0	2.0	1.0	Borborema	\$M	0.0	0.0	0.0	0.0	48.1	135.8
Intangibles	\$M 0.0	0.0	0.0	0.0	0.0	0.0	Posse	\$M	0.0	0.0	2.9	11.7	4.6	5.3
Other	\$M 0.2	0.4	0.4	0.4	0.4	0.4	Other (incl. writedowns)	\$M	-2.0	-6.8	0.0	0.0	0.0	0.0
<b>Total NC Assets</b>	<b>\$M 5.7</b>	<b>11.5</b>	<b>120.2</b>	<b>168.8</b>	<b>165.6</b>	<b>149.0</b>	Total	\$M	-2.0	-6.8	2.9	11.7	52.6	141.1
<b>TOTAL ASSETS</b>	<b>\$M 6.4</b>	<b>16.5</b>	<b>138.4</b>	<b>198.8</b>	<b>181.9</b>	<b>189.8</b>	<b>HEDGING (attributable)</b>							
Total Debt	\$M 0.0	0.2	110.2	170.2	120.2	20.2	Gold hedged	oz	0	0	0	0	0	0
Current Liab	\$M 0.5	1.4	0.2	1.1	12.5	39.9	Hedged price	US\$/oz	0	0	0	0	0	0
Non Current Liab	\$M 0.0	0.2	0.5	0.6	0.6	6.6	Hedged price	A\$/oz	0	0	0	0	0	0
<b>TOTAL LIAB</b>	<b>\$M 0.5</b>	<b>1.8</b>	<b>110.8</b>	<b>171.8</b>	<b>133.3</b>	<b>66.6</b>	Sales hedged	%	0%	0%	0%	0%	0%	0%
<b>NET ASSETS</b>	<b>\$M 5.8</b>	<b>14.7</b>	<b>27.6</b>	<b>27.0</b>	<b>48.6</b>	<b>123.2</b>	Ave. deliverable price	US\$/oz	1093	1373	1745	1675	1525	1375
<b>SH/HLDRS FUND</b>	<b>\$M 5.8</b>	<b>14.7</b>	<b>27.6</b>	<b>27.0</b>	<b>48.6</b>	<b>123.2</b>	Ave. deliverable price	A\$/oz	1,238	1,386	1,682	1,701	1,649	1,571
<b>RATIO ANALYSIS</b>							<b>ASSUMPTIONS</b>							
EPS	¢ (3.3)	(7.3)	(2.2)	(0.6)	19.6	67.8	Exchange Rate	A\$/US\$	0.88	0.99	1.04	0.99	0.93	0.88
PER	x na	na	na	na	5.0	1.5	Gold Price	US\$/oz	1093	1373	1745	1675	1525	1375
EPS Growth	% (24.7)	119	(70.5)	(74.0)	(3,608.5)	245.3	Gold Price	A\$/oz	1238	1386	1682	1701	1649	1571
EBITDA per share	¢ -3.4	-7.6	-0.2	7.6	44.6	124.9	Silver price	US\$/oz	16.91	28.94	40.01	37.50	32.50	28.50
EBITDA Multiple	x -16.2	-15.6	-472.5	12.9	2.2	0.8	Iron ore - lump	JS\$/dmtr	144.00	258.75	281.25	286.25	280.00	250.00
EV/EBITDA	x -15.9	-15.0	-879.8	30.0	4.4	0.7	Iron ore - fines	JS\$/dmtr	121.25	232.50	247.50	255.00	253.75	225.00
CFPS	¢ (1.4)	(3.2)	(2.9)	1.2	36.6	111.4	90 day Bank Bills	%	4.06	4.91	4.97	5.13	5.25	5.25
PCFR	x na	na	na	84.6	2.7	0.9	10 Yr Bond rate	%	5.55	5.32	4.90	5.25	5.50	5.50
DPS	¢ 0.0	0.0	0.0	0.0	0.0	0.0	Interest Rate Charged	%	6.05	5.82	5.40	5.75	6.00	6.00
Yield	% 0.0	0.0	0.0	0.0	0.0	0.0	<b>VALUATION (fully diluted)</b>							
Franking	% 0	0	0	0	0	0	Borborema						269.6	\$ 2.45
Payout Ratio	% 0%	0%	0%	0%	0%	0%	Posse						19.7	\$ 0.18
Gearing D/E	% na	na	340.7	531.3	222.5	na	Other						10.0	\$ 0.09
Interest Cover	x 25.5	20.8	na	0.9	4.6	30.6	Net Cash (Debt)						15.0	\$ 0.14
EBITDA Margin	% na	na	(4.4)	39.8	58.3	61.7	<b>Total</b>						<b>314.3</b>	<b>\$ 2.85</b>
EBIT Margin	% na	na	(11.3)	35.1	49.7	52.5								
Return On Assets	% na	(628.4)	(0.4)	3.7	23.0	61.6								
Return On Equity	% na	na	(8.6)	(2.3)	44.5	60.6								
Eff Tax rate	% 0	0	34	34	34	34								

Source: Petra Capital

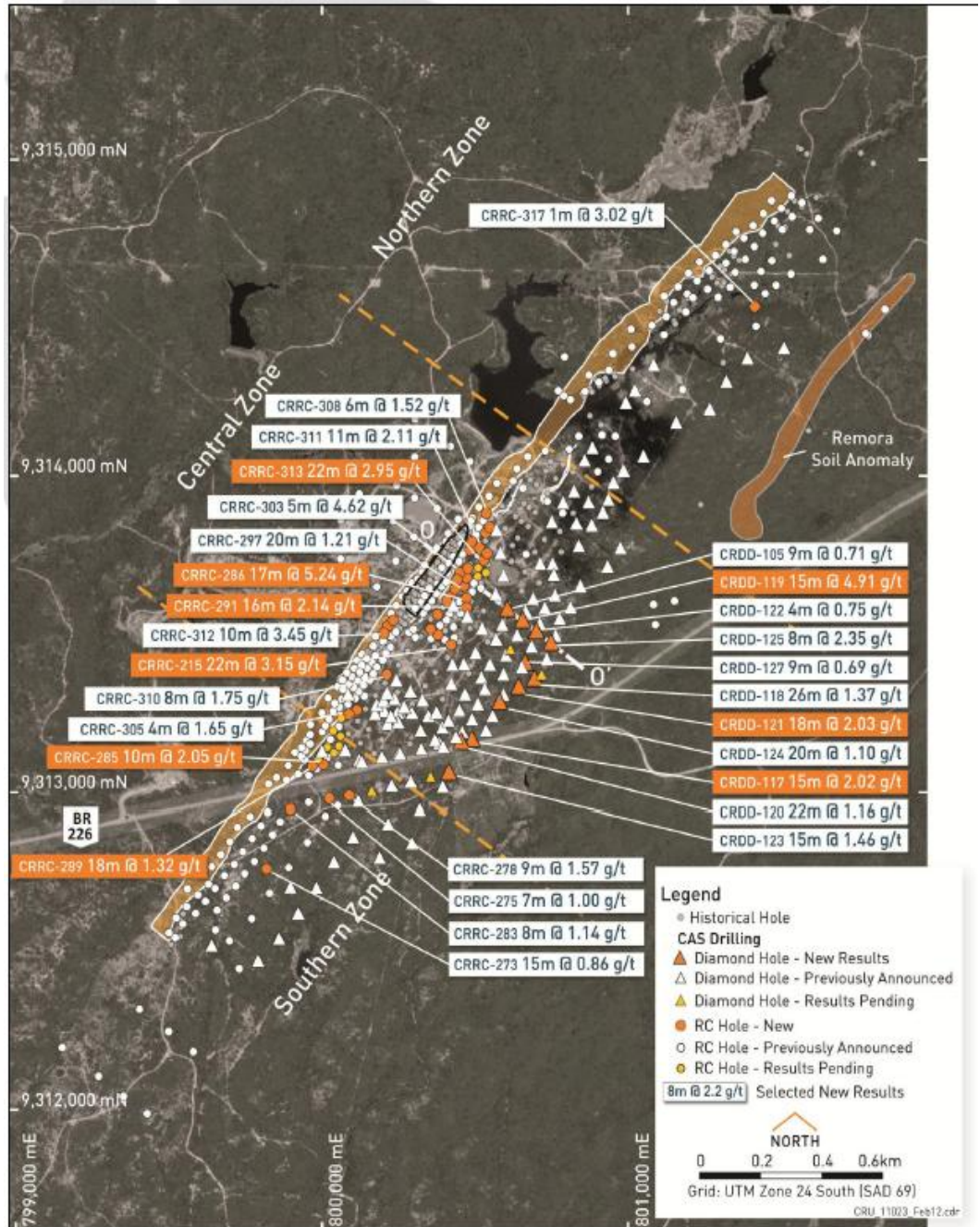
## Borborema Project

Figure 1: Borborema - latest drill results

CAS has released results from a further 46 infill holes.

Thick high grade intercepts were achieved from multiple holes.

These results are expected to lift the resource category to Indicated or better.

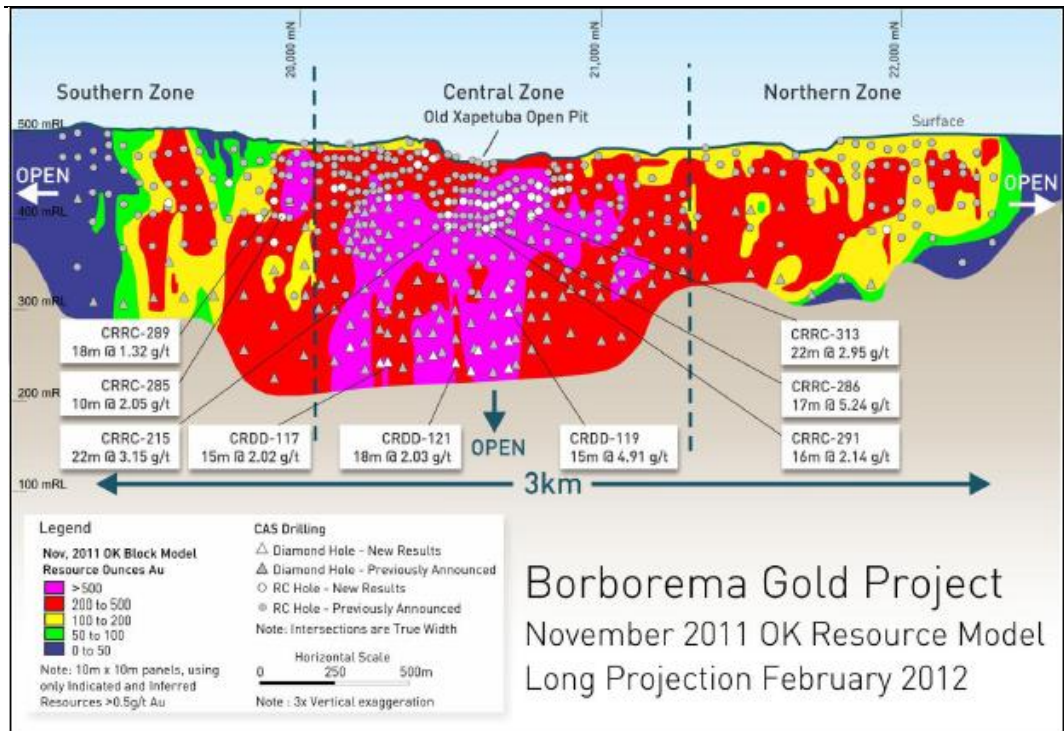


Source: CAS

**Figure 2: Borborema Long Section**

The long section indicates a higher grade core within the central zone.

Mineralisation remains open at depth.



Borborema Gold Project  
November 2011 OK Resource Model  
Long Projection February 2012

Source: CAS

**Figure 3: Borborema Location Map**

The project lies within a regional mining centre and is located 140km west of the State capital, Natal.



Source: CAS

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