

SPECULATIVE BUY

7th Mar 2012

Code	CAS.AX
Current share price (\$) (7/3/12)	0.94
Shares on issue (m)	110.1
Cash (\$m) (as at 31/12/11)	15
Market cap (\$m)	103
EV (\$m)	88
Valuation (\$/sh)	1.59
Price Target (12 months) (\$/sh)	1.27
Discount from Price Target (%)	35

Directors:

David Archer	Non-Exec Chairman
Rob Smakman	Managing Director
Paul Stephen	Exec. Director
Justin Evans	Non-Exec. Director
David Netherway	Non-Exec. Director

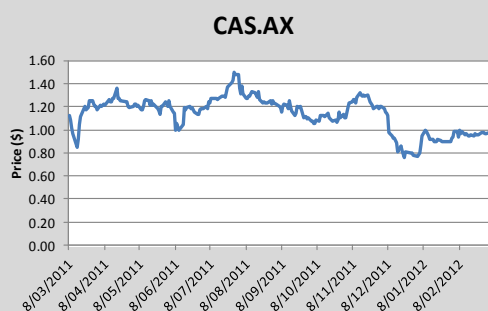
Substantial Holders:

Dundee Corporation	19%
Directors	10%
Copulos Group	10%
Northcape Capital	5%
Bank of Nova Scotia	5%

Projects:

Borborema	Gold
Posse	Iron Ore

Price Graph – Last 12 months



Valuation Summary (\$/sh)		
Posse Iron Ore Project (/sh)	\$	0.28
Borboremba Gold Project (/sh)	\$	1.12
Cash (m)	\$	15
Exploration (m)	\$	5
Corporate (m)	-\$	0
Valuation (/sh)	\$	1.59

Analyst

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Company Strengths

- Moving from explorer to developer/producer in the next 2 years. Gold and Iron Ore exposure.
- Team is experienced at operating in Brazil, with good in country experience – a key to success.

Resource Development Overview

- Recent upgrade to 2.3Moz Gold resource.
- Drilled 48,000m in 2011.
- Early 2014 timeframe for at least 131koz pa Gold production at Borborema.
- Borborema BFS commenced and will consider higher production scenarios
- Deposit is close to existing power and road infrastructure.
- Posse has a 36Mt low impurity hematite ore, with 1Mt high grade hematite lump, and simple stage 1 crush/screen plant, followed by conventional Itabirite 8-10 year operation. Anticipated cash cost less than US\$20/t.
- Results from drilling will be a key driver for 2012.

Our Assessment

Both the Borborema and Posse projects in Brazil are in late stage development with the main risks being licensing timelines. Both projects have defined resources that are amenable to conventional processing. In country management team has vast experience in developing projects in Brazil. With a conservative DCF analysis of both projects we reach a **risked valuation for Crusader of \$1.59/sh**. With the timelines and project execution risk at Borborema, Crusader is rated as a **Speculative Buy with a Price Target of \$1.27/sh**.

Company Overview

Crusader is an exploration company with projects in Brazil and Australia. The company was founded in 2004 and listed in December 2004. Its most advanced and significant project is the Borborema Gold project.



Crusader's projects are focussed in Brazil

Crusader's Brazilian Projects

Source: Crusader

The Borborema project is located within a Neoproterozoic metasediment fold sequence that was formed between the West African, Amazonian and Sao Francisco Archean Cratons. The geological setting has similarities to the Proterozoic Gold deposits of West Africa.

The Borborema Gold project currently has a mineral resource of 31.57Mt @ 1.18g/t for 1.2Moz Au indicated and an inferred resource of 36.10Mt @ 0.96 g/t for 1.1Moz at 0.5g/t cut-off. 52% of the resource sits in the indicated category. The Borborema project, covering 3 mining leases, was purchased in early 2010 for \$2.4M. Management has since acquisition drilled >50,000m and defined a resource in excess of 2Moz within 2 years. The BFS has commenced, with its completion expected in Q3 12 and early 2014 timeframe for production at Borborema.

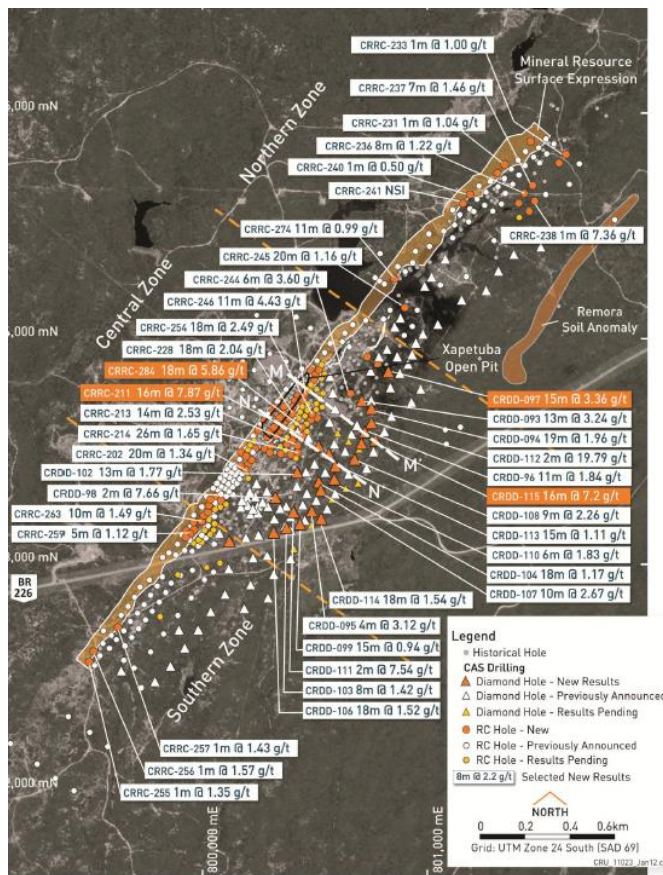
Borborema Gold resource now exceeds 2.3Moz

	Tonnes (Mt)	Grade (g/t)	Contained (koz)
Indicated	31.57	1.18	1,201
Inferred	36.10	0.96	1,110
Total	67.68	1.06	2,311

Borborema Gold Resource (Nov 2011)

Source: Crusader

The existing historic pit is 50m x 350m x 30m deep. Crusader has extended the resource up to 10 times its original length.



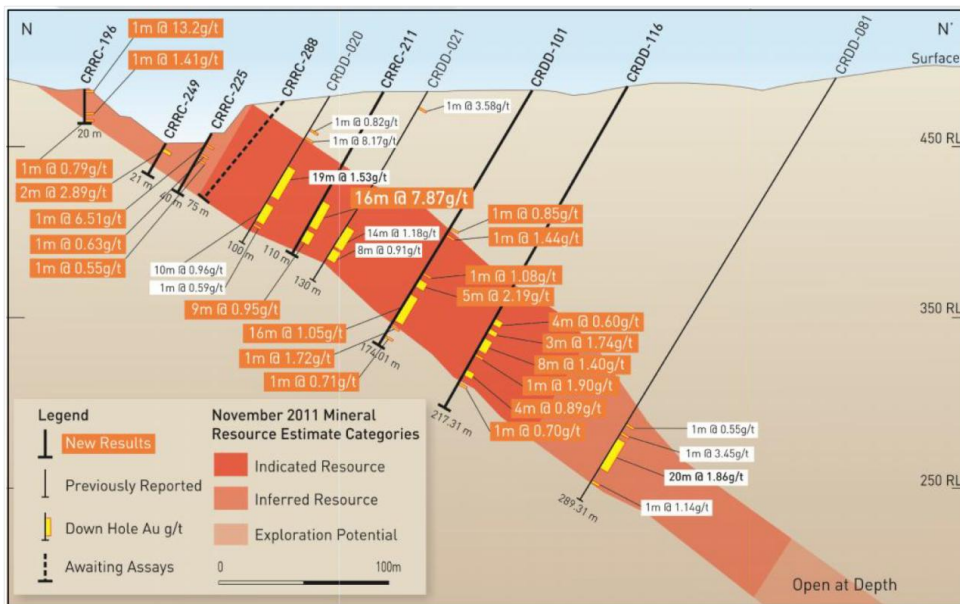
Drilling has extended the resource to 3.5km along strike

Plan view of the Borborema Project

Source: Crusader

The central zone is 1.4km-1.5km in strike length. The section N-N' through the centre of this zone shows a continuous SE dipping body with mineralisation to at least 200m from surface, with recent holes reporting results such as:

- 15m at 3.36g/t in hole CRDD-097
- 18m at 5.86g/t in hole CRDD-079
- 46m at 1.7g/t in hole CRDD-079
- 20m at 1.86g/t in hole CRDD-081
- 16m at 7.20g/t in hole CRDD-115
- 16m at 7.20g/t in hole CRDD-115
- 7m at 3.59g/t in hole CRDD-090
- 35m at 1.8g/t in hole CRDD-086
- 35m at 1.6g/t in hole CRDD-088



Simple ore body geometry suited to open pit operation

Cross section N-N' through central zone

Source: Crusader

Twelve holes were drilled in pit, as well as sampling during 2011. These holes were part of a 15,982m drilling program conducted 2011 which formed part of the Q4 2011 resource upgrade, pushing the resource over 2Moz. This resource upgrade increased indicated/inferred ratio slightly from 49% to 52% as well as the tonnages and contained metal up by 52% and 24% respectively. The new resource includes results from the Northern and Southern extensions of the Central zone and is a contributor to the grade reducing to 1.1g/t. Infill drilling from Q4 2011 announced in January 2012 produced high grade intercepts in the central zone, increasing widths and grades as well as confirming high grade deeper mineralisation. Management have stated these results will feed into the 2012 resource upgrade and could likely lead to a future increase in grade. It is worth noting the size and grade currently compares favourably with the Tocantinzinho deposit in Brazil owned by Eldorado Gold (TSX:ELD).

Infrastructure

The project is accessed via sealed Federal highway (BR226) ~150km SW of Natal, the capital of Rio Grande do Norte (population 1.2M). Powerlines cut through the Northern section of the mining leases with potential to utilise for the processing operations, or the company will construct lines from the local authority's substation.

The current dam from the old heap leach operation has only 6-7months supply. With no ground water and a semi arid region, Crusader will need to build a dam, or access alternate water sources. The company has identified a suitable site ~6km from the project in the Sao Francisco dam catchment area that requires negotiating with local land owners for access. Crusader is also consulting with local waste water treatment authorities to use municipal waste water as process water. Crusader will also look at "dry stacking" tailings to allow the reuse of the water after treatment as process water.

Borborema is close to necessary infrastructure

Borborema Economics

The PFS was done for a 3Mtpa mining operation with an initial mine life of 9 years, producing 131,000oz Au pa at a cash cost of US\$558/oz. The project forecasts 96% Au recovery, ~35% recovery from the gravity separation part of the circuit, followed by a conventional CIL, from an open pit operation, with strip ratio ~4:1. Since the PFS, the resource was upgraded to a size sufficient for the BFS to consider a 4Mtpa operation for 10 years.

*3Mtpa operation
9 years mine life
131ktpa Au
US\$558/oz cash cost*

Permits

The Central zone of the ore body is already covered by an active mining license with environmental approvals in place for a heap leach operation. The mining lease requires amendments to operate a CIL process. The company expects the amendment to be approved mid 2012. The Northern and Southern extensions are covered by ML's without environmental approvals. These zones won't be mined until 2016, allowing time for approvals to occur. There has been a delay to the original Borborema start up from late 2013 to early 2014. Management stated the delay is principally around licensing for the project.

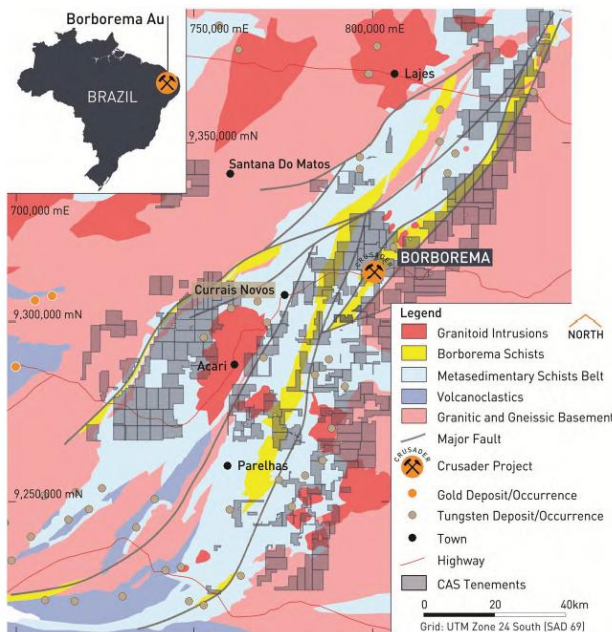
The BFS will evaluate a 4Mtpa operation

Exploration Potential

48,000m of drilling was completed in 2011. Crusader will continue drilling through 2012. The company since January 2012 has 4 diamond rigs and 2 RC rigs on site drilling. The Remora soil anomaly is one a several soil anomalies 500m to the East of the Northern Zone that require testing.

Mining permits are in place, only requiring amendments

From their success at Borborema, Crusader have applied for ~1600km² of exploration ground in the region extending ~350km NE-SW in a ~50km wide corridor, following regional structures. Further exploration will determine if Borborema is an isolated deposit, or sits with additional discoveries. Soil sampling will continue, with 164km of lines completed, 5000 samples currently in for geo-chemistry and 6000 assays completed. Blanket soils, stream sampling, with geo-chemistry and mapping is planned for 2012.



Crusader has a large tenement holding surrounding Borborema

Crusader tenement map and regional geology

Source: Crusader

Posse – Iron Ore

The Posse project in the Brazilian southern state of Minas Gerais, is located in the Iron Ore quadrangle close to Anglo and Vale Iron Ore mines and Brazilian steel mills. The project is only 30km from Belo Horizonte and 400m from a sealed highway. Crusader spent \$2M on a screening gravel plant in stage 1 that will produce 1Mt of high grade lump hematite in a global resource of 36Mt. The project is ready to operate, with the crushing/screening plant commissioned. The project is waiting for regional planning authority approval, which may occur in the authority's early 2012 meetings. The time from approval to production is approximately 6 weeks. Stage 2 is a gravity separation plant processing hematite fines from a free-digging Itabirite ore. Production will commence after high grade hematite depletion. Capex is assumed as \$6-8M. While Posse has the potential to add meaningful value to the company, the main focus is the development of Borborema.

0.5Mtpa hematite operation generating \$12-\$15M pa for eight years

Risks

Permits

The regional regulator of approvals (SUPRAM) for Posse could delay the commencement of production. The risk to not receiving approval is perceived as low. Delay is possible. Licences previously exist over the operation.

Permit risks exist but appear manageable

The Bomborema environmental license amendment is to convert from a heap leach to a CIL. The site has been an operating mine, with a current mining lease and freehold over the much of the mining leases.

Realignment of BR226 Hwy to allow access to the southern extension of Borborema isn't required until 2016 and is currently being discussed with the government authority.

Water

Existing dam is not sufficient to supply the project. A hydrological survey has identified a dam location ~6km from the mine. The project will be reliant on either rainfall or treated waste water from the municipal water treatment plant. The Natal region receives seasonal rain, 150-200mm/month through March-July.

Solutions to water supply are being worked on

Price Drivers

- Permit approvals and production at Posse
- Increase in resource Mid 2012
- Outlook for Gold and Iron Ore pricing
- Positive regional exploration updates

Price Risks

- Outlook for Gold and Iron Ore pricing
- Delay to permit approvals at Posse
- Delay to Environmental license amendment at Borborema

Valuation

PCF Securities has performed a sum of the parts DCF valuation on the Posse Iron Ore project and the Borborema Gold project, using operating parameters from the feasibility studies as a basis for evaluation, with adjustments to forward pricing, capex and opex.

Operating Parameter	Unit	Value
Product produced	-	Gold
Production commencement	-	Early 2014
LOM	Y	9
Production rate	kozpa	131 (ave) 1.18Moz (LOM)
Capex	US\$(m)	169 (+3%pa sustaining)
LOM opex	US\$/oz	558
Discount rate	%	10
Tax rate	%	22.5
State royalty	%	1

Borborema Gold Inputs

Source:Crusader,PCF

Operating Parameter	Unit	Value
Product produced	-	Iron Ore
Production commencement	-	Early 2012
LOM	Y	9
Production rate	Mtpa	0.51 (ave)
Capex	\$(m)	17
LOM opex	\$/oz	25
Discount rate	%	10
Tax rate	%	35
State royalty	%	2

Posse Iron Ore Inputs

Source:Crusader,PCF

For the Borborema project, PCF securities has assumed capital raised by a nominal mix of 50:50 debt to equity with equity raised at \$1.05/sh. The post-tax NPV of Borborema is \$274m, or \$1.40/sh after new equity is raised. The model assumed a total of 1.18Moz of Au recovered over the 9 year life. A 4Mtpa operation, as being investigated in the BFS has the potential to add significant value. Preliminary modelling of a production rate at 170koz pa from a larger mine and increasing the capex to US\$210 adds \$0.39/sh to the valuation on the expanded share base. The Posse Iron Ore project generates an NPV of \$73m.

Valuation Summary				
	Value (\$m)	Value (\$/sh)	x Nav	\$/sh (risked)
Posse Iron Ore Project	\$ 73	0.37	75%	\$ 0.28
Borborema Gold Project	\$ 274	1.40	80%	\$ 1.12
Cash (m)	\$ 15	0.14	100%	\$ 0.14
Exploration (m)	\$ 5	0.05	60%	\$ 0.03
Corporate (m)	-\$ 2	- 0.00	100%	-\$ 0.01
Options (m)	\$ 4	0.04	100%	\$ 0.04
Valuation (/sh)	\$ 370	1.99		\$ 1.59

Summary

Crusader is a company that we expect to be producing Iron Ore in 2012. This will provide early cash flow for expansion of the Posse Iron Ore project and assist the funding of Borborema. The main risk to delivery on time will be the regulatory approvals, however, once production commenced, we expect Crusader will be recognised as a producer and valued accordingly. Given that Crusader is not in production, PCF Securities views Crusader as a **Speculative Buy** with a **valuation of \$1.59/sh and Price Target of \$1.27/sh**.

Financial Summary

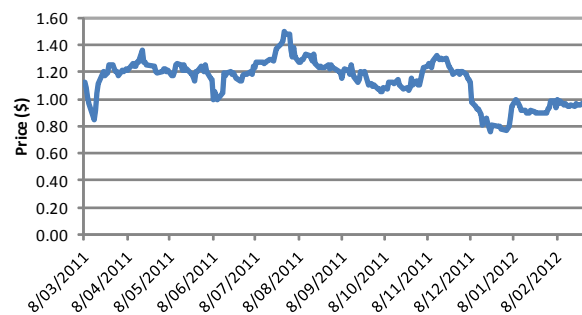
Profit and Loss Statement	2010A	2011A	2012F	2013F	2014F
Revenue	0.4	0.7	26.8	27	234
Operating Expenses	-2.2	-9.4	-13.3	-13.3	-82.3
EBITDA	-1.8	-8.7	13.6	13.8	151.7
Depreciation & Amortisation	0	0	-1.7	-19.7	-18.4
EBIT	-1.8	-8.7	11.9	-5.8	133
Interest			0.0	-5.8	-5.4
PBT	-1.8	-8.7	11.9	-11.7	127.9
NPAT	-1.8	-8.7	7.7	-10.7	98.3

Balance Sheet	2010A	2011A	2012F	2013F	2014F
Cash	0.5	5	185	7	132
Trade & Receivables	0.1	0.1	0.5	2.2	19.2
Other Financial Assets	0.0	0.1	0.0	0.0	0.0
Total Current Assets	0.6	5.2	185.4	9.4	151.7
Property, Plant & Equipment	1.1	1.5	17	177	159
other	4.5	9.5	2	5	10
Total Non-Current Assets	5.6	11	19	182	169
Total Assets	6.2	16.2	204.4	191.5	320.4
Payables	0.5	1.3	0.4	1.1	6.8
Interest Bearing Liabilities	0	0.1	97.1	95.3	93.5
Other Liabilities	0	0.4	0	0	0
Total Liabilities	0.5	1.4	97	96.4	100.3
Net Assets	5.7	14.8	107.0	95.1	220.1
Equity	5.7	14.8	107.0	95.1	220.1
Other	0	0.0	0.0	0.0	0.0
Shareholder Equity	5.7	14.8	107.0	95.1	220.1

Cashflow Statement	2010A	2011A	2012F	2013F	2014F
Cash flow from operations	-0.9	-3.2	13.6	13.8	151.7
Net Interest	0	0	0	-5.8	-5.4
Other	0	0	-1.7	-5.0	-18
Tax paid	0.0	0.0	0.0	0.0	18.9
Working Cap Adjustment			0	-1	-11
Operating Cashflow	-0.9	-3.2	11.9	2.0	135.5
Capex	-0.8	-1.3	-17	-180	-5
Acquisitions & Investments	0	0	0	0	0
Asset Sales	0	0	0	0	0
Other (exploration)	-1.6	-6.8	-2	0	-5
Investing Cashflow	-2.4	-8.1	-19	-180	-10.2
Dividends Paid	0	0	0	0	0
Equity Raised	2.7	15.5	90	0	0
Borrowings			97	0	0
Other	0	-0.1	0	0	0
Financing Cashflow	2.7	15.4	187.1	0	0
Total Cash Flow for Period	-0.6	4.1	179.9	-177.8	125.3
Cash at start of year	1.1	0.5	4.6	185	7

Company		Crusader Resources		PCF SECURITIES						
Code	CAS.AX									
Share Price	7/03/2012	\$	0.94							
Valuation (DCF, geared)		\$	1.59	Rating	Speculative Buy					
Under Value Margin			69%							
Metrics Summary		2010A	2011A	2012F	2013F	2014F				
EPS	c	-	0.01	-	0.04	-	0.05	0.50		
PER	x		-102.2		-21.1		23.9	-17.2	1.9	
EV/EBIT	x	n/a	n/a	n/a	-		10		1.5	
ROE	%		-32%		-59%		7%		-11%	45%
D/E	%		0%		1%		91%		100%	42%

CAS.AX



12 Month Trading Range \$0.84 - \$1.50
12 Month Return -16%

Crusader Resources is developing the Borboremba Gold project in Brazil. Production is planned for 2014. The project is forecast to produce 131,000tpa of Gold for 9 years. It also has the Posse Iron ore project which could produce 0.5mtpa of Iron ore for 8 years.

Project Input Summary

Product		Gold (Borboremba)	Posse (Iron Ore)
Head Grade	g/t or Fe%	1.06	40
Product Grade	g/t	n/a	n/a
Production rate	kozpa or ktpa	131	510
Capital Cost	\$m	169	17
Opex	\$/oz or t product	558	25
Cost of capital	%	10	10
Tax rate	%	22.5	35
Debt	\$m	85	0
Project life	years	9	8

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