

7 June 2012

Crusader Resources

CAS

\$0.80/share

Buy

Drilling highlights resource upside

Yesterday CAS reported further wide intercepts from infill drilling at the Borborema project (Figs. 1-3). 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 this month, followed by a maiden reserve in July. The BFS is considering a 150kozpa operation with results due by end of Q3. We recommend buying CAS which is trading on forward PEs of 1x with 276% upside to NPV of A\$3.01/share.

Borborema Project (Brazil) – 100%

- Results extend from near surface to ~300m depth.
- Most intercepts fit within a potential open pit.
- Underground potential exists at depth.
- Best results comprise :
 - 34m @ 2.8g/t Au from 287m depth
 - 34m @ 1.6g/t Au from 279m
 - 27m @ 1.3g/t Au from 279m
 - 23m @ 1.5g/t Au from 258m
 - 20m @ 2.9g/t Au from 194m
 - 17m @ 2.6g/t Au from 304m
 - 15m @ 3.6g/t Au from 307m
 - 15m @ 3.6g/t Au from 327m
 - 12m @ 2.8g/t Au from 12m
- Grade control drilling (12.5m x 12.5m grid) confirms mineralisation is consistent and extends to surface.

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.

Exploration

- Three rigs (2 diamond, 1 RC) are currently drilling.
- RC drilling is now targeting the north east extension with a strike length of over 1km.
- Regional exploration has also been initiated.

Key Dates

- Q2 2012 – Drill results Borborema.
- Q2 2012 – Resource update Borborema.
- Q3 2012 – Maiden reserve Borborema.
- Q3 2012 – Borborema BFS.
- Q4 2012 – Financing and construction.
- Q1/2 2014 – Production.

Company Data

Shares – ordinary (free float)	110.1M
Unlisted Options	4.5M
Total (fully diluted)	114.6M
Market capitalisation (fully diluted)	A\$91.7M
12 month low/high	\$0.61/ \$1.50
Monthly turnover	\$3.8M
Monthly volume	3.4M

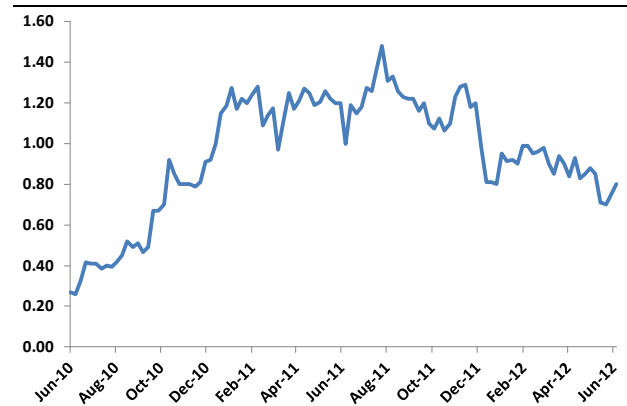
Financial Summary

Year end June	2011A	2012F	2013F	2014F	2015F
Revenue (\$M)	0.1	0.0	6.1	71.2	261.1
Costs (\$M)	6.9	6.3	5.7	35.4	109.0
EBITDA (\$M)	-6.8	-6.3	0.4	35.8	152.1
NPAT (\$M)	-6.6	-6.0	-4.0	12.5	77.8
EPS (¢ps)	-7.3	-5.5	-3.6	11.4	70.7
PER (x)	na	na	na	7.0	1.1
Cashflow (Gross-\$M)	-2.9	-4.5	-3.5	26.4	138.6
CFPS (¢/sh)	-3.2	-4.1	-3.2	23.9	125.8
PCFPS (x)	na	na	na	3.3	0.6
Enterprise Value (\$M)	81	235	279	146	54
EV / EBITDA (x)	na	na	587	7.8	1.0

Substantial Shareholders (FPO)

Substantial Shareholders (FPO)	Shares (M)	(%)
Dundee	20.5	18.6%
Copulos Group	9.9	9.0%
Northcape	6.8	6.2%
Goodman and Company	5.9	5.4%

CAS (A\$ps) – performance over two years



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)							Share Price (\$)		0.80						
7-Jun-12							Iss. Shares (M)		110.1						
Year End 30 June A\$							Unlisted Options (M)		4.5						
							Mkt Cap. (\$M)		91.7 Fully diluted for ops						
PROFIT & LOSS							RESERVES & RESOURCES								
	2011A	2012F	2013F	2014F	2015F	2016F	Reserves - Borborema								
Sales Revenue	\$M	0.0	0.0	6.1	71.2	261.1	250.3	Tonnes	Mt	0.0	27.0	36.0	35.0	31.0	27
Other Income	\$M	0.1	0.0	0.0	0.0	0.0	0.0	Grade - Au	g/t	0.00	1.39	1.20	1.20	1.20	1.20
Operating Costs	\$M	4.5	4.8	5.7	35.4	109.0	110.9	Contained Gold	oz	0	1,206,618	1,388,912	1,350,331	1,196,008	1,041,684
Exploration	\$M	2.4	1.5	0.0	0.0	0.0	0.0	Reserves - Posse							
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Tonnes	Mt	7.0	7.0	6.8	6.0	5.2	4.4
EBITDA	\$M	(6.8)	(6.3)	0.4	35.8	152.1	139.4	Grade - Fe	%	46.5	46.5	46.5	46.5	46.5	46.5
Dep. & Amort.	\$M	0.1	0.0	0.4	7.4	27.1	27.8	PRODUCTION (100%)							
EBIT	\$M	(6.9)	(6.3)	(0.0)	28.4	125.0	111.6	Borborema							
Net Interest	\$M	(0.3)	(0.3)	3.9	9.4	7.1	1.0	Ore Milled	Mt	0.00	0.00	0.0	1.0	4.0	4.0
Pre-Tax Profit	\$M	(6.6)	(6.0)	(4.0)	19.0	117.9	110.6	Grade	g/t	0.0	0.0	0.0	1.2	1.2	1.2
Tax	\$M	0.0	0.0	0.0	6.4	40.1	37.6	Recovery	%	0%	0%	95%	95%	96%	96%
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Gold Produced	oz	0	0	0	36,652	148,151	148,151
Net Profit	\$M	(6.6)	(6.0)	(4.0)	12.5	77.8	73.0	Posse							
Abnormal	\$M	(2.2)	0.0	0.0	0.0	0.0	0.0	Sales - Lump	Mt	0.00	0.00	0.20	0.08	0.08	0.08
Reported Profit	\$M	(8.8)	(6.0)	(4.0)	12.5	77.8	73.0	Sales - Fines	Mt	0.00	0.00	0.00	0.48	0.48	0.48
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)							
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Borborema	\$M	0.0	0.0	0.0	60.8	249.0	237.0
Retained Earning	\$M	(19.8)	(25.8)	(29.8)	(17.3)	60.5	133.5	Posse	\$M	0.0	0.0	6.1	10.4	12.1	13.3
CASH FLOW							Other								
Revenue	\$M	0.0	0.0	6.1	71.2	261.1	250.3	Total	\$M	0.1	0.0	6.1	71.2	261.1	250.3
Costs	\$M	(3.2)	(4.8)	(5.7)	(35.4)	(109.0)	(110.9)	COSTS (attributable)							
Net Interest	\$M	0.3	0.3	(3.9)	(9.4)	(7.1)	(1.0)	Cash costs	A\$/oz	0	0	0	575	600	615
Tax Paid	\$M	0.0	0.0	0.0	0.0	(6.4)	(40.1)	Borborema	\$M	0.0	0.0	0.0	22.9	96.4	98.2
Gross Cash Flow	\$M	(2.9)	(4.5)	(3.5)	26.4	138.6	98.3	Posse	\$M	0.0	0.0	2.4	9.0	9.1	9.2
Net Capex	\$M	(1.5)	(8.2)	(150.5)	(70.0)	(6.0)	(6.0)	Other	\$M	4.5	4.8	3.3	3.5	3.5	3.5
Exploration	\$M	(6.9)	0.0	0.0	0.0	0.0	0.0	Total	\$M	4.5	4.8	5.7	35.4	109.0	110.9
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	0.0	CAPEX (attributable)							
Other	\$M	0.1	0.0	0.0	0.0	0.0	0.0	Borborema	\$M	1.3	8.0	150.0	69.5	5.5	5.5
Free Cashflow	\$M	(11.2)	(12.7)	(154.0)	(43.6)	132.6	92.3	Posse	\$M	0.2	0.2	0.5	0.5	0.5	0.5
Equity Issues	\$M	15.3	15.2	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0
Net Borrowings	\$M	0.2	0.0	160.0	45.0	(110.0)	(90.0)	Total	\$M	1.5	8.2	150.5	70.0	6.0	6.0
Net Investments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	DEPRECIATION (attributable)							
Surplus Cash Flow	\$M	4.2	2.5	6.0	1.4	22.6	2.3	Borborema	\$M	0.0	0.0	0.0	6.4	26.1	26.8
BALANCE SHEET							Posse								
Cash	\$M	4.8	7.3	13.2	14.6	37.2	39.5	Other	\$M	0.1	0.0	0.0	0.0	0.0	0.0
Other Current	\$M	0.2	2.0	3.1	3.6	13.1	25.0	Total	\$M	0.1	0.0	0.4	7.4	27.1	27.8
Total Current	\$M	5.0	9.3	16.3	18.2	50.2	64.5	EBITDA (attributable)							
Fixed Assets	\$M	5.5	13.7	163.8	226.4	205.3	183.5	Borborema	\$M	0.0	0.0	0.0	37.9	152.6	138.8
Exploration	\$M	5.5	4.0	3.0	2.0	1.0	7.0	Posse	\$M	0.0	0.0	3.7	1.4	3.0	4.1
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Other (incl. writedowns)	\$M	-6.8	0.0	0.0	0.0	0.0	0.0
Other	\$M	0.4	0.4	0.4	0.4	0.4	0.4	Total	\$M	-6.8	0.0	3.7	39.3	155.6	142.9
Total NC Assets	\$M	11.5	18.1	167.2	228.8	206.7	190.9	HEDGING (attributable)							
TOTAL ASSETS	\$M	16.5	27.4	183.5	246.9	256.9	255.4	Gold hedged	oz	0	0	0	0	0	0
Total Debt	\$M	0.2	0.2	160.2	205.2	95.2	5.2	Hedged price	US\$/oz	0	0	0	0	0	0
Current Liab	\$M	1.4	1.4	1.4	7.8	41.5	39.0	Hedged price	A\$/oz	0	1.0	0	0	0	0
Non Current Liab	\$M	0.2	1.9	2.0	1.5	10.0	27.9	Sales hedged	%	0%	0%	0%	0%	0%	0%
TOTAL LIAB	\$M	1.8	3.5	163.5	214.5	146.6	72.1	Ave. deliverable price	US\$/oz	1373	1698	1663	1575	1513	1400
NET ASSETS	\$M	14.7	23.9	20.0	32.5	110.3	183.3	Ave. deliverable price	A\$/oz	1,386	1,626	1,634	1,658	1,681	1,600
SH/HLDRS FUND	\$M	14.7	23.9	20.0	32.5	110.3	183.3	ASSUMPTIONS							
RATIO ANALYSIS							Exchange Rate								
EPS	¢	(7.3)	(5.5)	(3.6)	11.4	70.7	66.2	Exchange Rate	A\$/US\$	0.99	1.04	1.02	0.95	0.90	0.88
PER	x	na	na	na	7.0	1.1	1.2	Gold Price	US\$/oz	1373	1698	1663	1575	1513	1400
EPS Growth	%	119	(25.0)	(34.1)	(415)	522.3	(6.3)	Gold Price	A\$/oz	1386	1626	1634	1658	1681	1600
EBITDA per share	¢	-7.6	-5.7	0.4	32.5	138.1	126.6	Silver price	US\$/oz	28.94	33.45	30.00	30.00	29.00	27.50
EBITDA Multiple	x	-15.6	-14.0	220.2	2.5	0.6	0.6	Iron ore - lump	JS¢/dmtr	258.75	246.20	222.75	217.25	211.75	204.88
EV/EBITDA	x	-15.0	-12.9	587.4	7.8	1.0	0.4	Iron ore - fines	JS¢/dmtr	245.75	221.50	202.50	197.50	192.50	186.25
CFPS	¢	(3.2)	(4.1)	(3.2)	23.9	125.8	89.2	90 day Bank Bills	%	4.91	4.60	4.50	4.50	4.50	4.50
PCFR	x	na	na	na	3.3	0.6	0.9	10 Yr Bond rate	%	5.32	4.17	4.00	4.00	4.00	4.00
DPS	¢	0.0	0.0	0.0	0.0	0.0	0.0	Interest Rate Charged	%	5.82	4.67	4.50	4.50	4.50	4.50
Yield	%	0.0	0.0	0.0	0.0	0.0	0.0	VALUATION (fully diluted)							
Franking	%	0	0	0	0	0	0	Borborema					295.2	\$	2.68
Payout Ratio	%	0%	0%	0%	0%	0%	0%	Posse					19.3	\$	0.18
Gearing D/E	%	na	na	736.3	587.1	52.6	na	Other					5.0	\$	0.05
Interest Cover	x	20.8	23.5	na	3.0	17.6	107.8	Net Cash (Debt)					12.0	\$	0.11
EBITDA Margin	%	na	na	6.6	50.2	58.3	55.7	Total					331.6	\$	3.01
EBIT Margin	%	na	na	(0.4)	39.8	47.9	44.6								
Return On Assets	%	(628.4)	(23.0)	(0.0)	11.5	48.7	43.7								
Return On Equity	%	na	(25.2)	(19.9)	38.5	70.6	39.8								
Eff Tax rate	%	0	0	0	34	34	34								

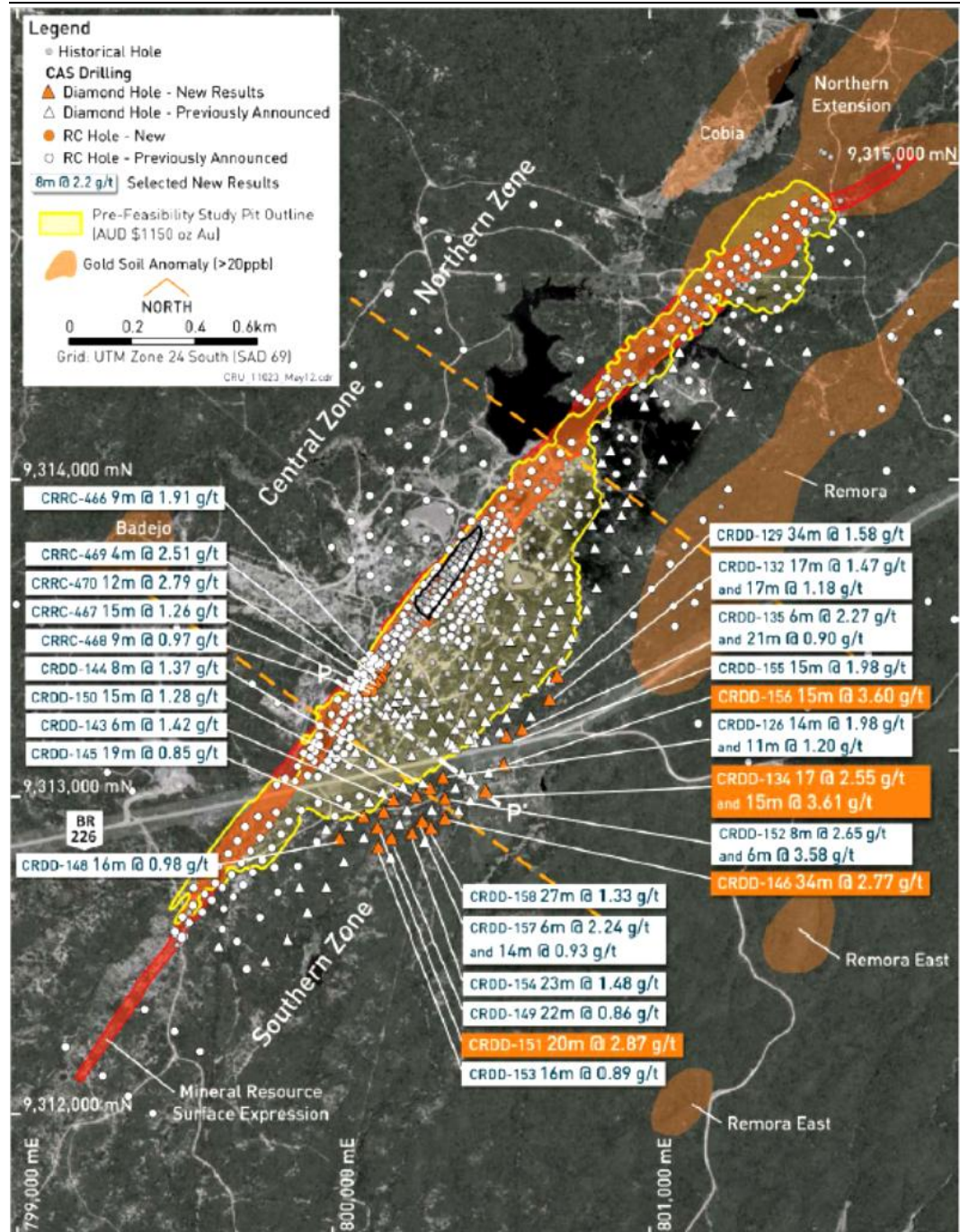
Source: Petra Capital

Borborema Project

Figure 1: Borborema

The resource has been delineated over 3.5km of strike and remains open along strike and at depth.

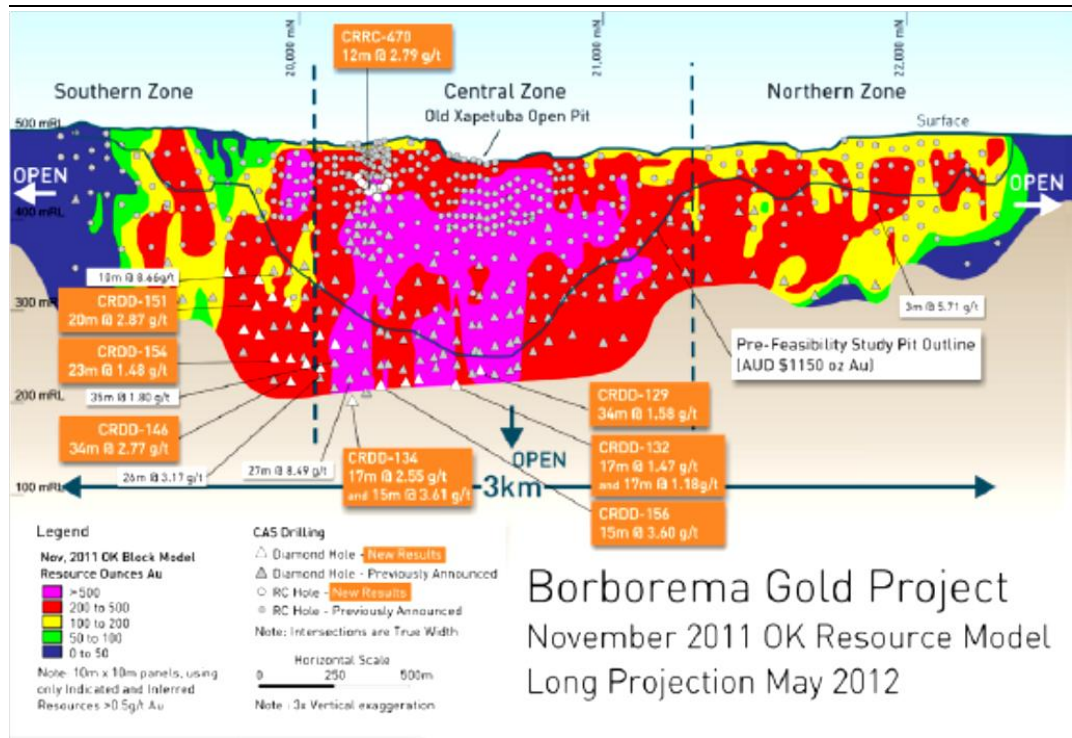
Drilling is now focussed on the Northern Extension (top right) where strong resource upside has been identified.



Source: CAS

Figure 2: Borborema Long Section

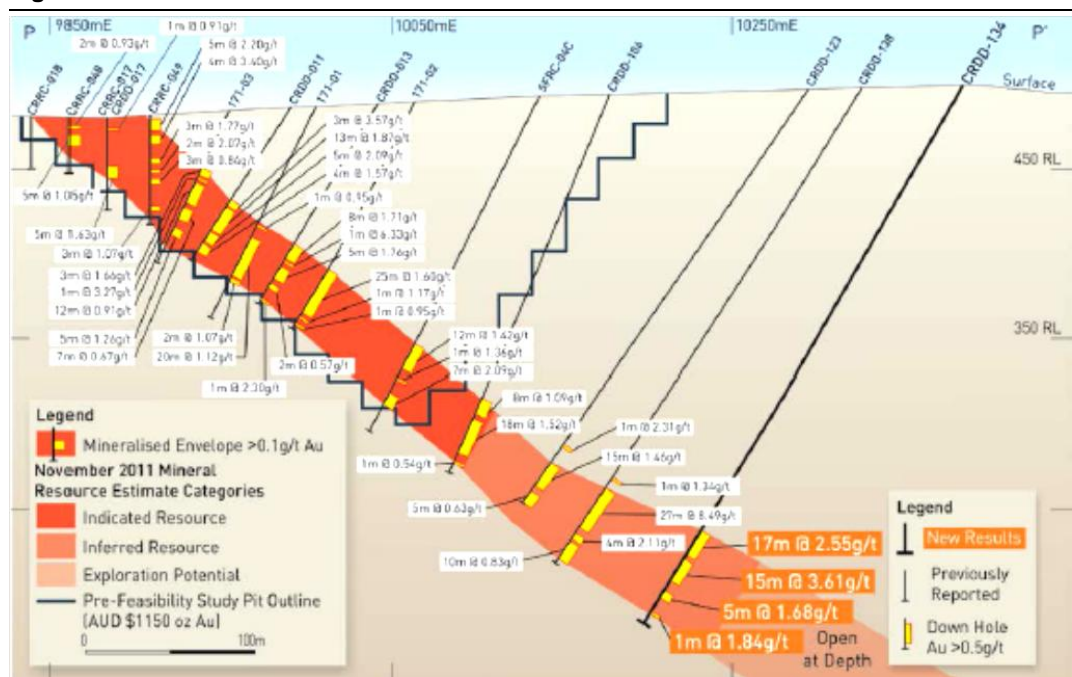
The long section indicates a higher grade core within the central zone.



Source: CAS

Figure 3: Cross Section P-P'

Results suggest mineralisation is increasing in width and grade at depth.



Source: CAS

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