



## Crusader Resources SPECULATIVE BUY

Current Price: **\$0.62**  
Valuation: **\$1.65**

Ticker: **CAS**  
Sector: **Materials**

Shares on Issue (m): **110.1**  
Market Cap (\$m): **68.3**  
Cash (\$m): **10.6**  
Enterprise Value (\$m): **57.7**

52 wk High/Low: **\$1.50** **\$0.56**  
12m Av Daily Vol (m): **0.15**

### Directors:

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

### Substantial Shareholders:

Dundee Corporation 18.6%  
Directors 10.0%  
Copulos Group 10.0%  
Northcape 7.3%  
Bank of Nova Scotia 5.0%

### Share Price Graph



Analysts:  
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Troy Irvin  
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## 27 July 2012

## Going for gold in 2012

### Borborema Resource update:

Crusader Resources (CAS) announced a Resource update at its 100% owned flagship Borborema Project in Brazil. The Resource has increased to 2.4Moz @ 1.10g/t (was 2.3Moz @ 1.06g/t).

The Resource is estimated by independent consultants using the MIK method and 66,817m of diamond and RC drilling.

### Impact:

**Positive**

Both the grade and the overall ounces have increased slightly. However the confidence level is boosted, with 77% of the Resource is now in the Measured and Indicated Category (was 52%). This paves the way for a maiden Reserve, anticipated in late August / early September.

A 1.7Moz @ 1.2g/t "in-pit Resource" is estimated from preliminary pit optimisations, slightly more than Argonaut's forecast. Importantly, a low strip ratio (3.6:1) and higher production rates (~150koz pa) for the first 5 years will enhance early cash flows.

With Resource development drilling completed, the Company has commenced a systematic regional exploration program across its 4,100km<sup>2</sup> prospective yet under-explored tenement package covering the Seridó belt.

### View:

**Positive**

With the availability of capital tightening, stocks attempting to transition from exploration into development have been harshly treated by the market. Whilst acknowledging CAS' development plans require a capital injection in 2012, Argonaut notes the stock offers several broad advantages over competitors clamouring for funding - Gold, political stability, excellent infrastructure, de-risked metallurgical recoveries, rigorous technical work and regional exploration upside from >100km of prospective strike to be investigated.

CAS benefits from Brazil's cheaper labour force and electricity costs due to an abundance of hydro power.

### Recommendation:

**Spec Buy**

Due to gold industry-wide cost appreciation, Argonaut has conservatively increased the LOM cash cost estimate to US\$770/oz (was US\$700/oz), and revised the valuation to \$1.65 (was \$2.01). However, Argonaut notes the likelihood of very low cash costs in the initial years of production (potentially ~US\$600/oz).



### Resource upgrade

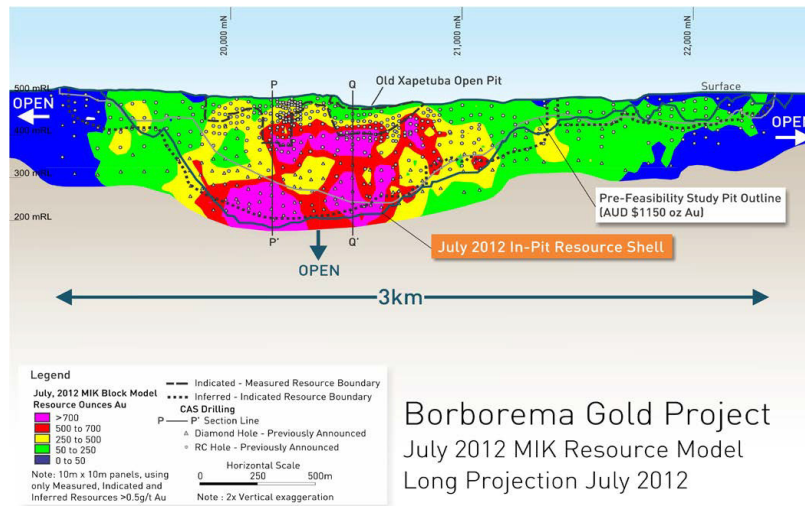
#### Resource upgrade at Borborema...

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The Resource is estimated by independent consultants using the MIK method and 66,817m of diamond and RC drilling.

#### ...77% in Measured and Indicated Categories...

Figure 1: Borborema long section, showing optimised pit



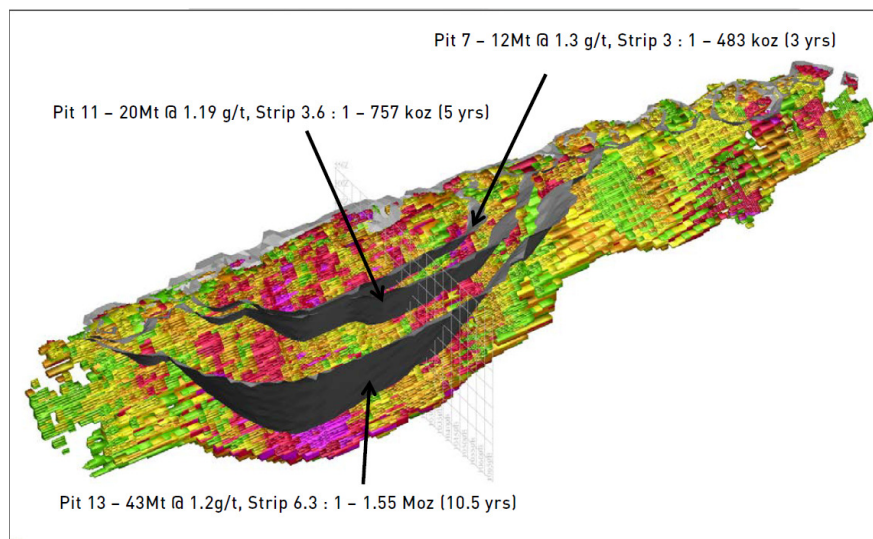
Borborema Gold Project  
July 2012 MIK Resource Model  
Long Projection July 2012

Source: CAS

#### ...1.7Moz "in-pit Resource" supporting >10 years mine life...

A 1.7Moz @ 1.2g/t "in-pit Resource" is estimated from preliminary pit optimisations, slightly more than Argonaut's forecast. Importantly, a low strip ratio (3.6:1) and higher production rates (~150koz pa) for the first 5 years of production will enhance early cash flows.

Figure 2: Block model with pit optimisations



Source: CAS

#### ...first 5 years anticipated to deliver strong cash flow

Given the excellent local infrastructure and low strip ratios, particularly in the first five years, Argonaut anticipates robust "upfront" cash flows.



### Conquering the Seridó Belt

#### Exploration commenced on the Seridó Belt...

Crusader Resources (CAS) has commenced work on multiple new exploration targets in the Seridó Belt, which hosts the 2.4Moz Borborema Deposit.

#### ...new Chief Geologist commenced work...

To facilitate the exploration effort, CAS has appointed Andrew Thompson as the Chief Geologist. Andrew has played a key role in several significant WA discoveries and has joined the Brazil based management team and commenced work.

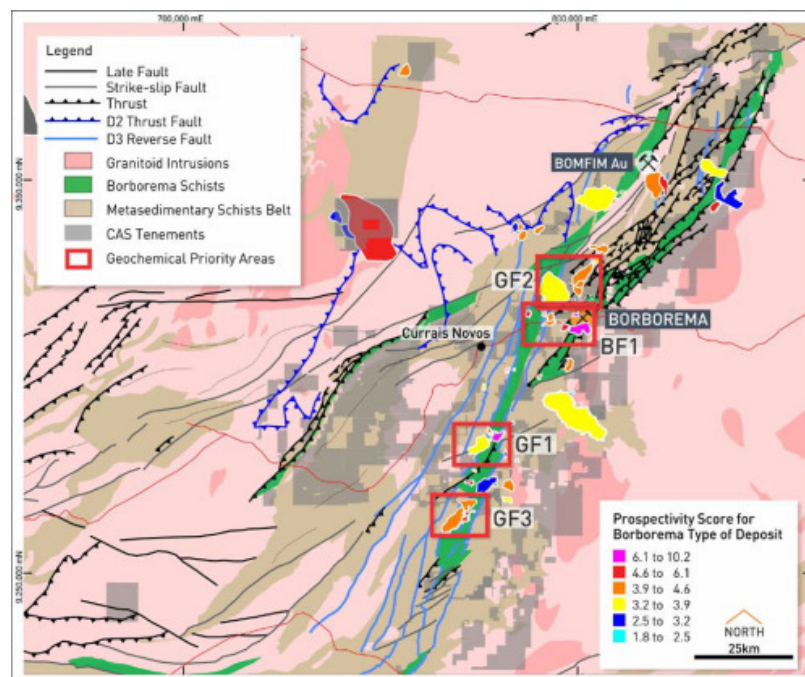
With Resource drilling completed, CAS is shifting the focus to near mine / regional exploration. The Company has consolidated a >4,100km<sup>2</sup> tenement position along the Seridó Belt, which is prospective for Borborema style mineralisation as well as other type of deposits.

The Company has developed a prospectivity ranking system for its >90 known anomalies in order to prioritise targets. Field mapping, soil and stream sediment sampling programs have been modified with this new approach. Many of the new targets have evidence of garimpos (artisanal workings).

#### ...four priority targets generated...

Four priorities have been highlighted.

Figure 3: CAS tenement package in the Seridó Belt, with priority anomalies highlighted



Source: CAS

#### ...sampling program ongoing, with assays anticipated in August

A sampling program over several anomalies to the West of Borborema in area BF1 is well underway with 2,000 samples completed. The full program is anticipated to conclude end of July and assay results are expected mid-August.

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Argonaut acts as Corporate Adviser to CAS and receives fees commensurate with this service.

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