

9 December 2011

Crusader Resources

CAS

\$1.12/share

Buy

Resources increased by 24%, more to come

CAS has announced a 24% increase in resources at Borborema from 1.86Moz to 2.31Moz (Figs. 1-3). Offsetting the increase in ounces in part, is lower grade (1.06g/t vs. 1.30g/t) reflecting the addition of material to the north and south of the central high grade zone. Around 70% of the ounces (1.6Moz) remain in the central high grade zone. Drilling is focussed on delineating further high grade in the central zone and new potential parallel zones (Fig. 4). CAS targets a maiden reserve early 2012 of at least 1Moz with grades of +1.2g/t Au. We recommend buying CAS which is trading on forward PEs of 1-2x with 157% upside to NPV of A\$2.88/share.

Resource upgrade

- Resources increased to 2.31Moz (67.7Mt @ 1.06g/t Au) from 1.86Moz (44.6Mt @ 1.30g/t Au).
- Indicated resources +30% = 1.2Moz (31Mt @ 1.2g/t).
- This equates to a 10 year mine life at 3.0Mtpa.
- All resources fit within a potential open pit.
- Resources extended a further 135m to ~350m depth.
- Mineralisation is open along strike and at depth.

Reserves and mine plan

- Ore reserve, mine plan and production schedule currently being optimised.
- Maiden reserve of at least 1Moz targeted.
- PFS forecast >130kozpa at cash costs US\$558/oz.
- Potential to raise throughput from 3Mtpa to 4Mtpa.
- BFS on track for completion mid 2012.

Strong exploration program

- Five rigs continue to operate at Borborema.
- Program focussed on extending high grade zones.
- Drilling to commence on potential parallel zones.
- Early work is also underway on regional targets.

Our View - BUY

- NPV of A\$2.88/share with upside.
- Forward PEs of 1.5-2.0x.
- EV/Resource of \$48 vs. peer average ~\$190.
- Cash of ~\$17M, no debt.

Key Dates

- Q1 2012 – Maiden reserve Borborema.
- Q1 2012 – Next council meeting for Posse.
- Q2 2012 – Borborema BFS.
- Q2/3 2012 – Financing and construction.
- Q1 2014 – Production.

Company Data

Shares – ordinary (free float)	110.1M
Unlisted Options	4.4M
Total (fully diluted)	114.5M
Market capitalisation (fully diluted)	A\$128.3M
12 month low/high	\$0.84/ \$1.50
Monthly turnover	\$4.2M
Monthly volume	3.5M

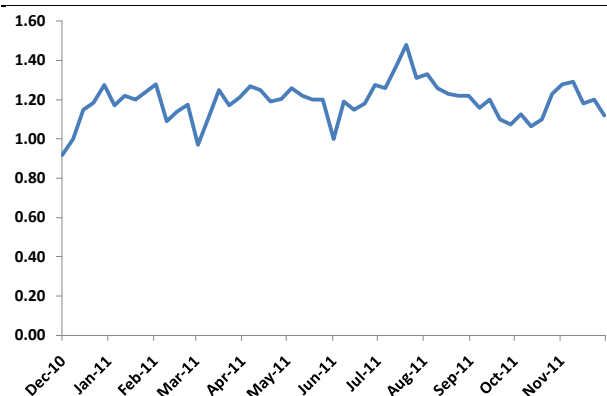
Financial Summary

Year end June	2011A	2012F	2013F	2014F	2015F
Revenue (\$M)	0.1	13.1	21.2	84.3	222.9
Costs (\$M)	6.9	9.0	12.7	35.2	85.3
EBITDA (\$M)	-6.8	4.1	8.4	49.1	137.6
NPAT (\$M)	-6.6	0.4	-0.5	21.7	74.8
EPS (¢ps)	-7.3	0.3	-0.4	19.7	67.9
PER (x)	na	na	na	5.7	1.6
Cashflow (Gross-\$M)	-2.9	1.2	0.1	40.4	122.8
CFPS (¢/sh)	-3.2	1.1	0.1	36.7	111.5
PCFPS (x)	na	105	1,699	3.1	1.0
Enterprise Value (\$M)	102	213	263	228	110
EV / EBITDA (x)	na	52.3	31.3	4.6	0.8

Substantial Shareholders (FPO)

Substantial Shareholders (FPO)	Shares (M)	(%)
Dundee	20.5	18.6%
Copulos Group	9.8	9.0%

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)							RESERVES & RESOURCES								
9-Dec-11							Share Price								
Year End 30 June A\$							Iss. Shares								
PROFIT & LOSS							Unlisted Options								
	2010A	2011A	2012F	2013F	2014F	2015F	Mkt Cap.	2010A	2011A	2012F	2013F	2014F	2015F		
Sales Revenue	\$M	0.0	0.0	13.1	21.2	84.3	222.9	Reserves - Borborema							
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	9.0	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	Reserves - Posse							
EBITDA	\$M	(2.0)	(6.8)	4.1	8.4	49.1	137.6	Tonnes	Mt	0.0	7.0	6.5	5.7	4.9	4.1
Dep. & Amort.	\$M	0.1	0.1	0.6	1.0	7.2	20.7	Grade - Fe	%	0.0	46.5	46.5	46.5	46.5	46.5
EBIT	\$M	(2.1)	(6.9)	3.5	7.4	41.9	116.9	PRODUCTION (100%)							
Net Interest	\$M	(0.1)	(0.3)	2.9	8.2	9.0	3.6	Borborema							
Pre-Tax Profit	\$M	(2.0)	(6.6)	0.6	(0.7)	32.9	113.3	Ore Milled	Mt	0.00	0.00	0.00	0.0	1.0	3.1
Tax	\$M	0.0	0.0	0.2	(0.2)	11.2	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%
Net Profit	\$M	(2.0)	(6.6)	0.4	(0.5)	21.7	74.8	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	Posse							
Reported Profit	\$M	(1.7)	(8.8)	0.4	(0.5)	21.7	74.8	Sales - Lump	Mt	0.00	0.00	0.20	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	0.25	0.40	0.48	0.48
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)							
Retained Earning	\$M	(11.0)	(19.8)	(19.4)	(19.9)	1.8	76.6	Borborema	\$M	0.0	0.0	0.0	0.0	70.5	208.3
CASH FLOW							Posse	\$M	0.0	0.0	13.1	21.2	13.8	14.6	
Revenue	\$M	0.0	0.0	13.1	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)	(9.0)	(12.7)	(35.2)	(85.3)	Total	\$M	0.1	0.1	13.1	21.2	84.3	222.9
Net Interest	\$M	0.1	0.3	(2.9)	(8.2)	(9.0)	(3.6)	COSTS (attributable)							
Tax Paid	\$M	0.0	0.0	0.0	(0.2)	0.2	(11.2)	Cash costs (post credits)	A\$/oz	0	0	0	0	475	500
Gross Cash Flow	\$M	(0.8)	(2.9)	1.2	0.1	40.4	122.8	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	5.9	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	9.0	12.7	35.2	85.3
Other	\$M	0.0	0.1	0.0	0.0	0.0	0.0	CAPEX (attributable)							
Free Cashflow	\$M	(3.2)	(11.2)	(109.4)	(50.5)	35.3	117.7	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
Surplus Cash Flow	\$M	(0.6)	4.2	15.8	9.5	(14.7)	17.7	DEPRECIATION (attributable)							
BALANCE SHEET							Borborema	\$M	0.0	0.0	0.0	0.0	6.1	19.6	
Cash	\$M	0.6	4.8	20.6	30.1	15.4	33.1	Posse	\$M	0.0	0.0	0.6	1.0	1.1	1.1
Other Current	\$M	0.1	0.2	2.0	3.2	4.2	11.1	Other	\$M	0.1	0.1	0.0	0.0	0.0	0.0
Total Current	\$M	0.6	5.0	22.6	33.2	19.6	44.2	Total	\$M	0.1	0.1	0.6	1.0	7.2	20.7
Fixed Assets	\$M	1.1	5.5	115.5	165.1	163.0	147.4	EBITDA (attributable)							
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	7.2	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
Total NC Assets	\$M	5.7	11.5	119.9	168.5	165.4	148.8	Total	\$M	-2.0	-6.8	7.2	11.7	52.6	141.1
TOTAL ASSETS	\$M	6.4	16.5	142.5	201.7	185.0	193.0	HEDGING (attributable)							
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	1.6	1.1	12.6	39.9	Hedged price	US\$/oz	0	0	0	0	0	0
Non Current Liab	\$M	0.0	0.2	0.4	0.6	0.6	6.6	Hedged price	A\$/oz	0	0	0	0	0	0
TOTAL LIAB	\$M	0.5	1.8	112.1	171.9	133.4	66.6	Sales hedged	%	0%	0%	0%	0%	0%	0%
NET ASSETS	\$M	5.8	14.7	30.3	29.8	51.6	126.4	Ave. deliverable price	US\$/oz	1093	1373	1745	1675	1525	1375
SH/HLDRS FUND.	\$M	5.8	14.7	30.3	29.8	51.6	126.4	Ave. deliverable price	A\$/oz	1,238	1,386	1,682	1,701	1,649	1,571
RATIO ANALYSIS							ASSUMPTIONS								
EPS	¢	(3.3)	(7.3)	0.3	(0.4)	19.7	67.9	Exchange Rate	A\$/US\$	0.88	0.99	1.04	0.99	0.93	0.88
PER	x	na	na	336.8	na	5.7	1.6	Gold Price	US\$/oz	1093	1373	1745	1675	1525	1375
EPS Growth	%	(24.7)	119	(104.6)	(231.6)	(4,608.9)	244.0	Gold Price	A\$/oz	1238	1386	1682	1701	1649	1571
EBITDA per share	¢	-3.4	-7.6	3.7	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	30.3	14.6	2.5	0.9	Iron ore - lump	JS¢/dmt	144.00	258.75	281.25	286.25	280.00	250.00
EV/EBITDA	x	-15.9	-15.0	52.3	31.3	4.6	0.8	Iron ore - fines	JS¢/dmt	121.25	232.50	247.50	255.00	253.75	225.00
CFPS	¢	(1.4)	(3.2)	1.1	0.1	36.7	111.5	90 day Bank Bills	%	4.06	4.91	4.97	5.13	5.25	5.25
PCFR	x	na	na	105.1	1,699.8	3.1	1.0	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	VALUATION (fully diluted)							
Franking	%	0	0	0	0	0	0	Borborema						A\$M	A\$ps
Payout Ratio	%	0%	0%	0%	0%	0%	0%	Posse						266.6	\$ 2.42
Gearing D/E	%	na	na	295.4	469.5	203.2	na	Other						23.0	\$ 0.21
Interest Cover	x	25.5	20.8	1.2	0.9	4.7	32.1	Net Cash (Debt)						10.0	\$ 0.09
EBITDA Margin	%	na	na	31.2	39.8	58.3	61.7	Total						317.6	\$ 2.88
EBIT Margin	%	na	na	26.5	35.1	49.7	52.5								
Return On Assets	%	na	(628.4)	2.4	3.7	22.7	60.6								
Return On Equity	%	na	na	1.2	(1.6)	42.1	59.2								
Eff Tax rate	%	0	0	34	34	34	34								

Source: Petra Capital

Resources

A cut-off grade of 0.5g/t Au (no change) was used to define the resources which rose 24% from 1.86Moz to 2.31Moz (Figs. 1-2). Total Indicated resources have increased by 30% from 0.91Moz to 1.2Moz. The resource has been extended an additional 135m from 215m to 350m depth. CAS also calculated resources at a higher grade cut-off of 1.0g/t Au, which equates to 1.38Moz in resources comprising 28.4Mt @ 1.52g/t Au.

Over 1.2Moz is now in Indicated category.

Figure 1: New JORC Resources (@ 0.5g/t Au cut-off) – December 2011

Category	Tonnes (Mt)	Gold Grade (g/t)	Contained Gold (oz)
Measured	0	0	000
Indicated	31.57	1.18	1,201,000
Inferred	36.10	0.96	1,110,000
Total Resources	67.67	1.06	2,311,000

Figure 2: Previous JORC Resources (@ 0.5g/t Au cut-off) – June 2011

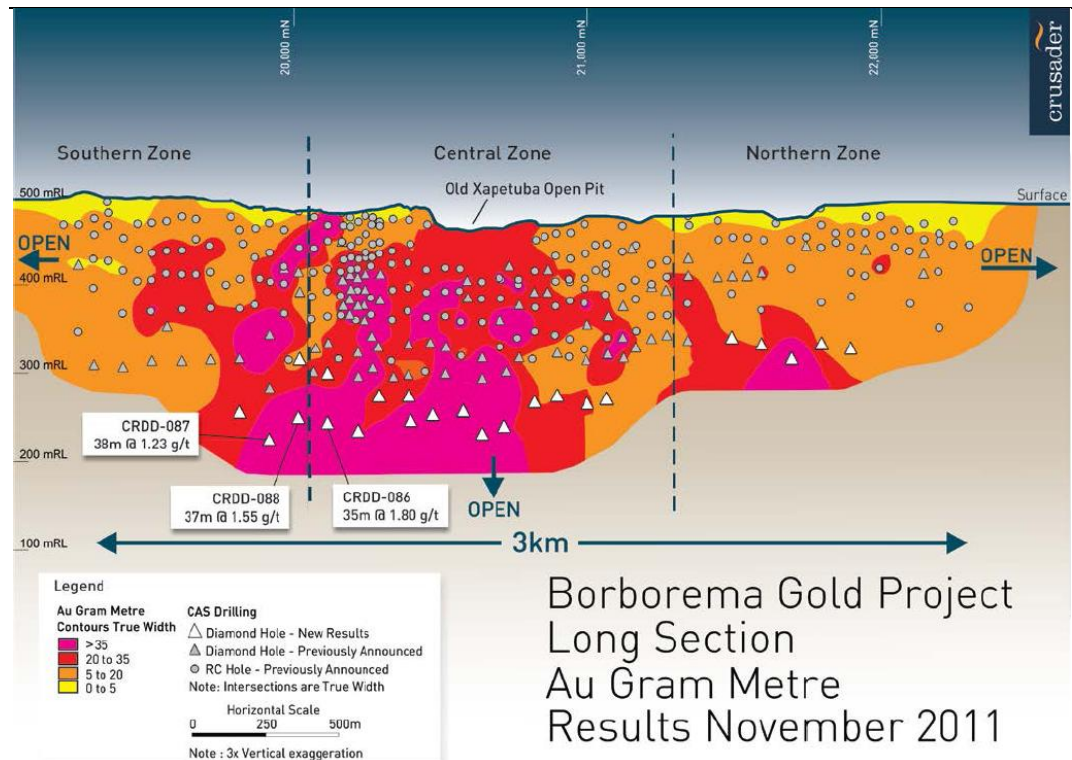
Category	Tonnes (Mt)	Gold Grade (g/t)	Contained Gold (oz)
Measured	0	0	000
Indicated	21.49	1.32	910,000
Inferred	23.16	1.28	950,000
Total Resources	44.64	1.30	1,860,000

Source: Crusader Resources

Figure 3: Borborema Long Section

The long section highlights the higher grade central zone.

Mineralisation remains open at depth and along strike.

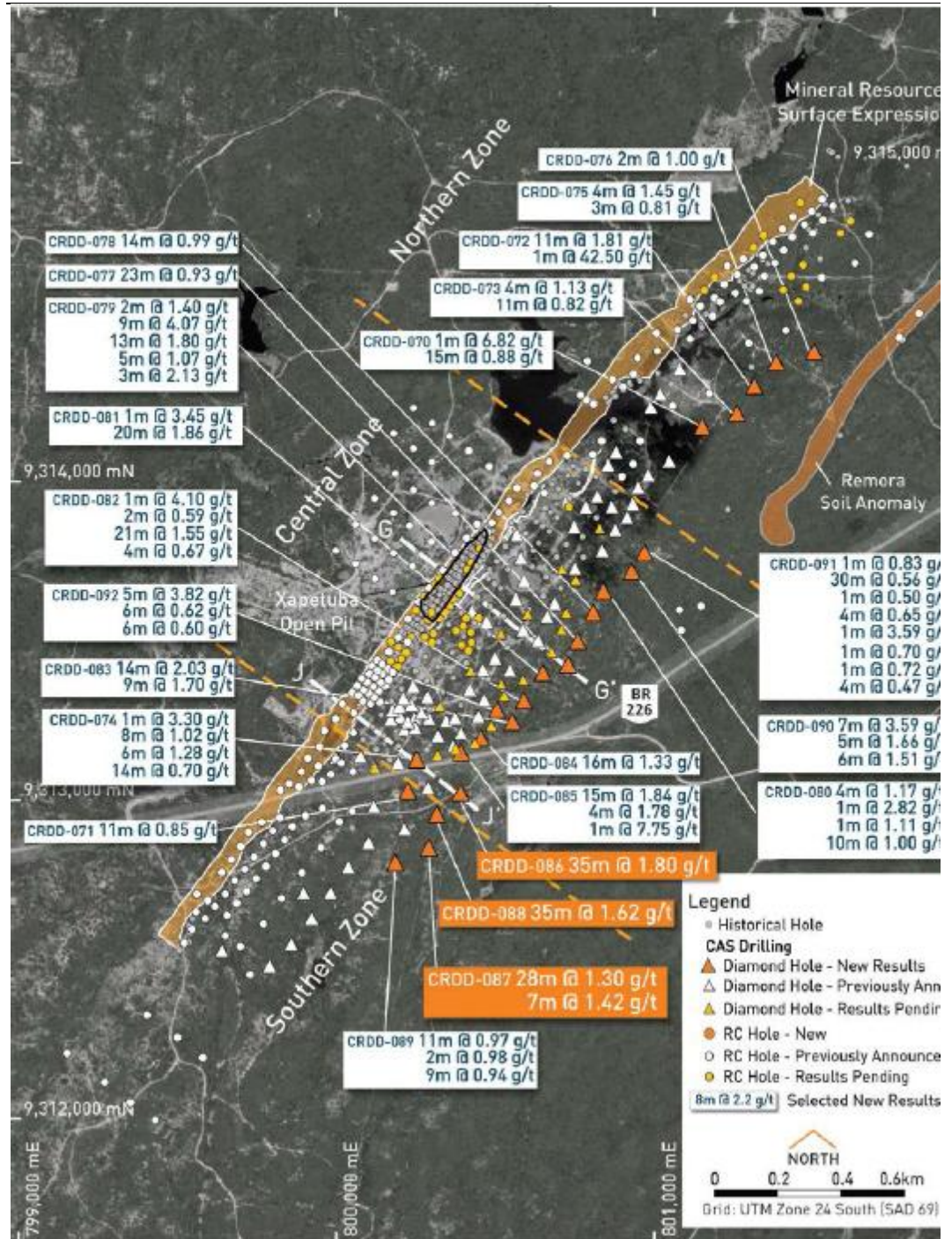


Source: Crusader Resources

Figure 4: Borborema Gold Project Plan

Over 3km of strike identified at Borborema.

Drilling is planned to commence on the Remora anomaly running parallel and to the east of Borborema (right hand side of picture).



Source: Crusader Resources

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