



## Crusader Resources SPECULATIVE BUY

Current Price: **\$0.42**  
Valuation: **\$1.65**

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

Shares on Issue (m): **126.6**  
Market Cap (\$m): **52.6**  
Cash (\$m): **8.4**  
Enterprise Value (\$m): **44.1**

52 wk High/Low: **\$1.02** **\$0.34**  
12m Av Daily Vol (m): **0.12**

### 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 14.6%  
Directors 10.0%  
Copulos Group 8.2%  
Northcape 7.3%

### Share Price Graph



Analysts:  
Patrick Chang  
Troy Irvin  
Adam Miethke

**15 January 2013**

## Opportune timing

### Site works commenced at Posse, first sale anticipated in March:

Crusader Resources (CAS) has commenced site works at its 100% owned Posse Iron Ore project, located in the "Iron Quadrilateral", Brazil. This follows the grant of a License to Operate (LOP) by the Minas Gerais state environmental council in late 2012.

First sale is anticipated in March.

### Impact:

**Positive**

The current license allows a production rate of 300ktpa through dry beneficiation and is renewable in September 2013. The Company is understood to be concurrently progressing the full license (1.0Mtpa).

Posse contains an Indicated and Inferred Resource of 36Mt @ 43.5% Fe.

The operation is particularly attractive in the early stages due to the presence of high grade lump DSO products, low strip ratio (0.15:1), ease of digging (free dig) as well as easy beneficiation (dry only), resulting in low costs (~\$12/t mined).

Given the number of smelting operations within trucking distance in the "Iron Quadrilateral", the products could potentially be sold to local smelters at the mine gate. CAS has signed several non-binding sales agreement with nearby smelters.

Construction of an access road, additional office facilities and a weigh bridge are required for sales to commence. The process plant is fully constructed and commissioned.

### View:

**Positive**

The auspicious timing to enter production (buoyant spot iron ore price) and the high margin anticipated at Posse could contribute significant cash flow to CAS. The Company is anticipating post-tax margins of up to \$1m pm.

The BFS and licensing on Borborema is also advancing in parallel, and Argonaut anticipates news in the current Q.

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 2013, Argonaut notes the stock offers several broad advantages over competitors clamouring for funding - Gold, political stability, excellent infrastructure, scale, 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**

Spec Buy and \$1.65 valuation maintained.



### Opportune timing

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#### ...Resource of 36Mt @ 43.5% Fe...

Posse contains an Indicated and Inferred Resource of 36Mt @ 43.5% Fe.

Figure 1: site works commenced at Posse



Source: CAS

#### ...attractive operations particularly in the beginning years...

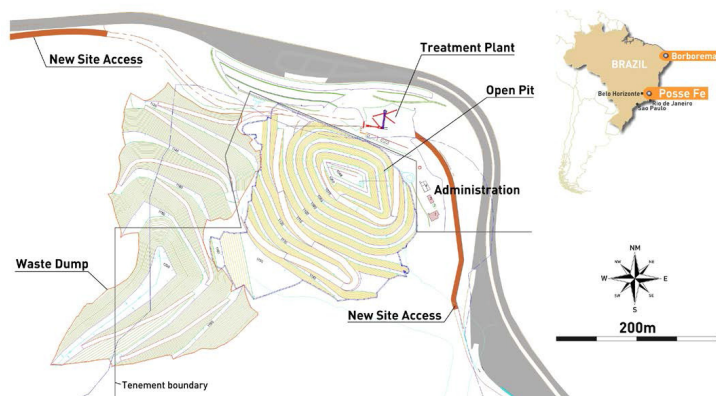
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Given the number of smelting operations within trucking distance in the "Iron Quadrilateral", the products could potentially be sold to local smelters at the mine gate.

#### ...plant constructed and commissioned...

Construction of an access road, additional office facilities and a weigh bridge are required for sales to commence. The process plant is fully constructed and commissioned.

Figure 2: Posse site layout



Source: CAS

#### ...could deliver up to \$1m post-tax margin pm

The auspicious timing to enter production (buoyant spot iron ore price) and the high margin anticipated at Posse could contribute significant cash flow to CAS. The Company is anticipating post-tax margins of up to \$1m pm.

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**Important Disclosure**

Argonaut has acted as corporate adviser to CAS in the past and received fees commensurate with that service.

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