

SPECULATIVE BUY

12 March 2013

ASX Code: CAS
Current Price: \$0.31
Price Target: \$0.79

Shares on Issue (M): 126.6
 Market Cap (M): \$39.3
 Cash as at 31/12/12 (M): \$4.5
 EV (M): \$34.8
 Discount from Price Target: 155%

Directors:

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

Substantial Holders:

Dundee Corporation	13.4%
Northcape Capital	9.9%
Copulos Group	8.2%

Projects:

Borborema (Brazil)	Gold
Posse (Brazil)	Iron Ore

CAS Price Graph (12 months)



Company Overview

Crusader Resources Limited ("CAS") is an exploration company with projects in Brazil and Australia. The company was founded in early 2004 and listed in December 2004. The company's main project is the Borborema Gold project, where CAS is progressing towards the objective of producing a bankable gold project. The Posse iron ore project is expected to enter production in Q1 2013, producing 300ktpa initially while the company pursues the full mining license for 500ktpa of ore production.

Company Strengths

- Gold and Iron Ore exposure.
- Moving from explorer to developer/producer in the next 2 years.
- Team is experienced at operating in Brazil, with good in country experience.
- Recent upgrade to 2.43Moz Gold Resource, 1.61Moz Gold Reserve.
- The Borborema Project Bankable Feasibility Study is progressing with activities now over 50% complete.
- The Feasibility Study is on track to be completed during the first half of 2013.
- Simple ore body geometry suited to open pit operation.
- 2014 timeframe for Gold production at Borborema.
- Deposit is close to existing power and road infrastructure.
- Continued deep drilling success is opening up the possibility of underground options.
- 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.

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 experience in developing projects in Brazil.

A 4Mtpa mining operation is being considered in the DFS for Borborema, supported by additional drilling. This would increase production to ~155kozpa. We will be looking at the strip ratio of the proposed pit for the enlarged Reserve.

With the timelines and project execution risk at Borborema, Crusader Resources Limited is rated as a **Speculative Buy with a Price Target of \$0.79/sh.**

Main Projects

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 50.9Mt @ 1.14g/t for 1.87Moz Au Measured & Indicated, and an Inferred Resources of 17.6Mt @ 1.00 g/t for 0.57Moz at 0.5g/t cut-off. 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 commenced in December 2011, with an expected 2014 timeframe for production at Borborema.

The existing historic pit is 50m x 350m x 30m deep. CAS has extended the Resource up to 10 times its original length. The central zone is 1.4-1.5km in strike length Mineralisation dipping at 35° to the SE to at least 200m from surface.

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, CAS will need to build a dam, or access alternate water sources. CAS 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. CAS is also consulting with local waste water treatment authorities to use municipal waste water as process water.

The BFS will consider a 4Mtpa mining operation with an initial mine life of 10.5 years, producing 155,000oz Au pa. 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. A strip ratio ~6:1 was stated in the PFS, which is expected to increase in the BFS.

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 **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 ready to operate, with the crushing/screening plant commissioned. Approval for mining to commence at 300ktpa has been received, while the full mining license is being assessed. First production is expected during Q1 2013. While Posse has the potential to add meaningful value to the company, the main focus is the development of Borborema.

Price Drivers

- Permit approvals and production at Posse
- Borborema Project Bankable Feasibility Study results
- 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

PFS highlighted a 3Mtpa operation with 9 years mine life, 131ktpa Gold at US\$558/oz cash cost, BFS will consider 4Mtpa operation with longer mine life

CAS has a large tenement holding surrounding Borborema

Solutions to water supply are being worked on

Mining permits are in place, only requiring amendments

Permit risks exist but appear manageable

CAS Financial Model Summary

Profit and Loss Statement	2010A	2011A	2012F	2013F	2014F
Revenue	0.4	0.7	0.0	27	267
Operating Expenses	-2.2	-9.4	-15.0	-10.6	-103.3
EBITDA	-1.8	-8.7	-15.0	16.2	164.0
Depreciation & Amortisation	0	0	0.0	-1.7	-21.7
EBIT	-1.8	-8.7	-15.0	14.5	142
Interest				0.0	-9.5
PBT	-1.8	-8.7	-15.0	14.5	101.5
NPAT	-1.8	-8.7	-15.0	9.4	83.2

Balance Sheet	2010A	2011A	2012F	2013F	2014F
Cash	0.5	5	6	228	131
Trade & Receivables	0.1	0.1	0.5	2.2	22
Other Financial Assets	0.0	0.1	0.0	0.0	0.0
Total Current Assets	0.6	5.2	6.5	230.2	152.7

Property, Plant & Equipment	1.1	1.5	17	15	234
other	4.5	9.5	2	5	10
Total Non-Current Assets	5.6	11	19	20	244

Total Assets	6.2	16.2	25.5	250.5	396.3
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Payables	0.5	1.3	0.4	0.9	8.5
Interest Bearing Liabilities	0	0.1		-132.0	-91.3
Other Liabilities	0	0.4	0	0	0
Total Liabilities	0.5	1.4	0	-131.1	-82.8

Net Assets	6	15	25	382	479
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Equity	6	15	25	382	479
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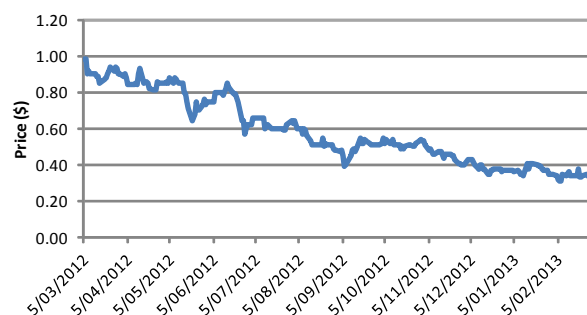
Other	0	0	0	0	0
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Shareholder Equity	5.7	14.8	25.1	381.6	479.0
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Cashflow Statement	2010A	2011A	2012F	2013F	2014F
Cash flow from operations	-0.9	-3.2	-15.0	16.2	164.0
Net Interest	0	0	0	0.0	-9.5
Other	0	0	0.0	-5.0	-22
Tax paid	0.0	0.0	0.0	0.0	27.8
Working Cap Adjustment			0	-1	-12
Operating Cashflow	-0.9	-3.2	-15.0	10.0	148.4
Capex	-0.8	-1.3	0	0	-200
Acquisitions & Investments	0	0	0	0	0
Asset Sales	0	0	0	0	0
Other	-1.6	-6.8	-2	0	-5
Investing Cashflow	-2.4	-8.1	-2	0	-205.0
Dividends Paid	0	0	0	0	0
Equity Raised	2.7	15.5	18	80	0
Borrowings (repayments)	0	0	0	132	-41
Other	0	-0.1	0	0	0
Financing Cashflow	2.7	15.4	18	212	-41
Total Cash Flow for Period	-1	4	1	222	-97
Cash at start of year	1.1	0.5	4.6	6	228

Company	Crusader Resources								
Code	CAS.AX								
Share Price	12/03/2013	\$	0.31	Rating Speculative Buy					
Valuation (un risked)		\$	0.96						
Valuation (risked)		\$	0.79						
Under Value Margin			156%						
Shares Issued			126.6						
Metrics Summary	2010A	2011A	2012F	2013F	2014F				
EPS	c	-	0.01	-	0.03	-	0.05	0.03	0.27
PER	x		-53.4		-11.0		-6.4	10.2	1.2
EV/EBIT	x		n/a		n/a		n/a	n/a	0.8
ROE	%		-32%		-59%		-60%	2%	17%
D/E	%		0%		1%		-35%	-19%	n/a

CAS.AX

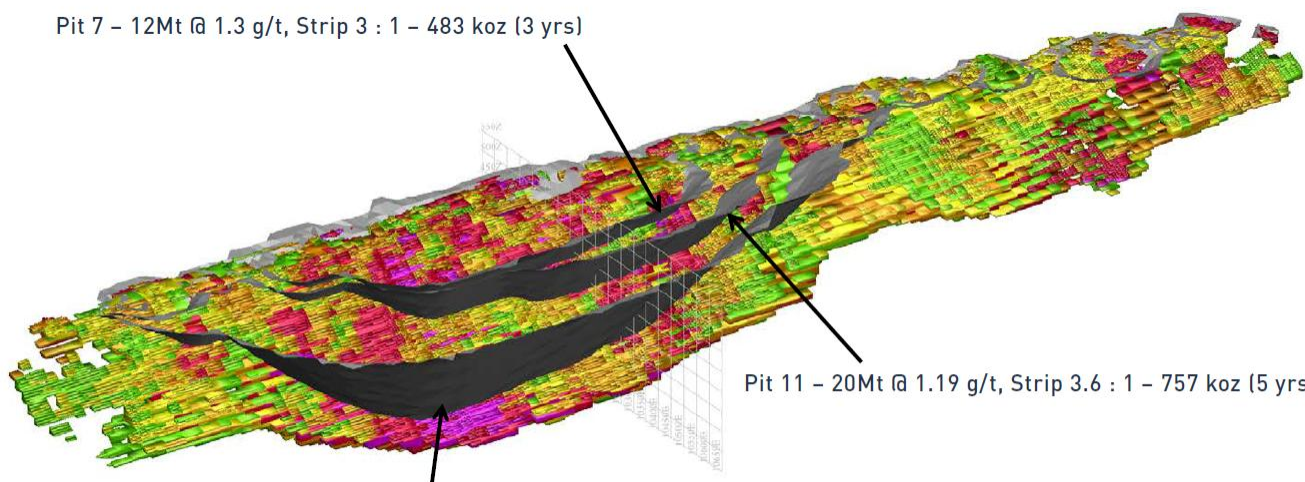


Crusader Resources is developing the Borboremba Gold project in Brazil. Production is planned for 2014. The BFS is considering 156,000oz of Gold for 10.5 years. It also has the Posse Iron ore project which could produce 0.5mtpa of Iron ore for 8 years.

Project Input Summary

		Gold (Borboremba)	Posse (Iron Ore)
Product			
Head Grade	g/t or Fe%	1.06	43
Product Grade	g/t	n/a	65
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

Pit 7 - 12Mt @ 1.3 g/t, Strip 3 : 1 - 483 koz (3 yrs)



Pit 11 - 20Mt @ 1.19 g/t, Strip 3.6 : 1 - 757 koz (5 yrs)

Pit 13 - 43Mt @ 1.2g/t, Strip 6.3 : 1 - 1.55 Moz (10.5 yrs)

Proposed pit shells and ore block model.

Source: CAS

Research

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