

2 April 2013

Crusader Resources

CAS A\$0.35/share

BUY

Posse revenue to exceed expectations

Last week CAS announced first iron ore sales had commenced at Posse (Figs. 1-2). Importantly, revenue is set to exceed expectations with strong demand from multiple domestic customers pushing sales prices above budgeted forecasts. Higher than expected volumes of lump are also being produced with potential for earnings upgrades. Significant upside exists from the planned expansion to 1Mtpa with approval targeted during Q2. We recommend buying CAS which is trading materially below our NPV of A\$2.65/share.

Posse Iron (100%) – generating cashflow

- First sales of iron ore commenced last week.
- Sales prices are exceeding expectations.
- Over 8kt of lump and fines have been stockpiled.
- Plant is now running at close to full capacity.
- Ramp up to 50kt per month targeted by May.
- Resources of 36Mt @ 43.5% Fe.
- Comprises 2.1Mt @ >55% Fe high grade lump.
- Thirty kilometres from Belo Horizonte (3M people).
- Shallow, free dig and open cut.
- Cash costs of just \$12/t.
- Iron ore sales to local smelters – sold at mine gate.
- Sales of lump (>63% Fe) at >\$75/t and fines at ~\$30/t.
- Minimum of \$1M per month free cashflow being generated.

CAS - compelling value

- Total NPV equates to A\$2.65/share.
- Base case NPV for Posse equates to \$0.45/share.
- NPV for Borborema equates to \$2.13/share.
- Current shareprice of \$0.35/share ascribes zero value to Borborema.
- Borborema – 1.61Moz reserve, 2.43Moz resource.
- EV/Reserve of just \$16/oz, EV/Resource \$25/oz.
- TRY bid for AZH equates to \$114/oz resource.
- CAS offers compelling value at current shareprice.

Key Dates

- Q2 2013 – First iron ore sales.
- Q2 2013 – Borborema BFS.
- Q3 2013 – Borborema financing and construction.
- Q4 2014 – First gold production.

Company Data

Shares – ordinary (free float)	126.6M
Unlisted Options	4.5M
Total (fully diluted)	131.1M
Market capitalisation (fully diluted)	A\$45.9M
12 month low/high	\$0.26/ \$0.93
Monthly turnover	\$1.5M
Monthly volume	3.0M

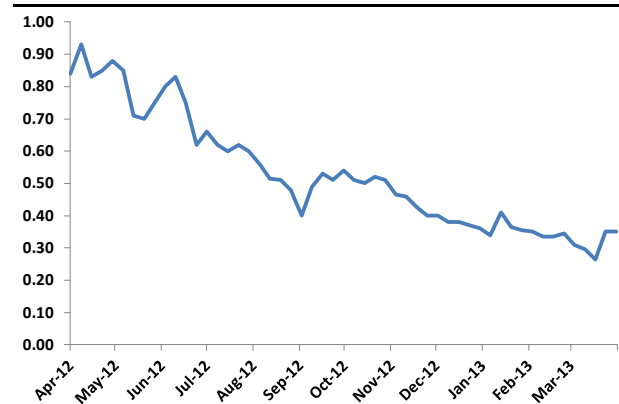
Financial Summary (fully diluted/normalised)

Year end June	2011A	2012A	2013F	2014F	2015F
Revenue (\$M)	0.1	0.3	8.1	22.3	172.4
Costs (\$M)	6.9	8.2	7.4	11.4	72.5
EBITDA (\$M)	-6.8	-7.8	0.7	10.9	99.9
NPAT (\$M)	-6.6	-7.2	0.2	3.9	51.3
EPS (¢ps)	-7.3	-6.5	0.1	3.1	40.5
EPS Growth (%)	na	na	na	100	1226
PER (x)	na	na	263.2	11.4	0.9
Cashflow (Gross-\$M)	-2.9	-4.4	0.7	6.4	89.3
CFPS (¢/sh)	-3.2	-4.0	0.5	5.0	70.5
PCFPS (x)	na	na	68	6.9	0.5
Enterprise Value (\$M)	102	63	49	193	194
EV / EBITDA (x)	na	na	68	17.7	1.9

Substantial Shareholders

	Shares (M)	(%)
Dundee	16.9	13.4%
Northcape	12.6	10.0%
Copulos Group	11.4	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 16.5M shares at \$0.48/share in August 2012, raising A\$7.9M. A fee was received.

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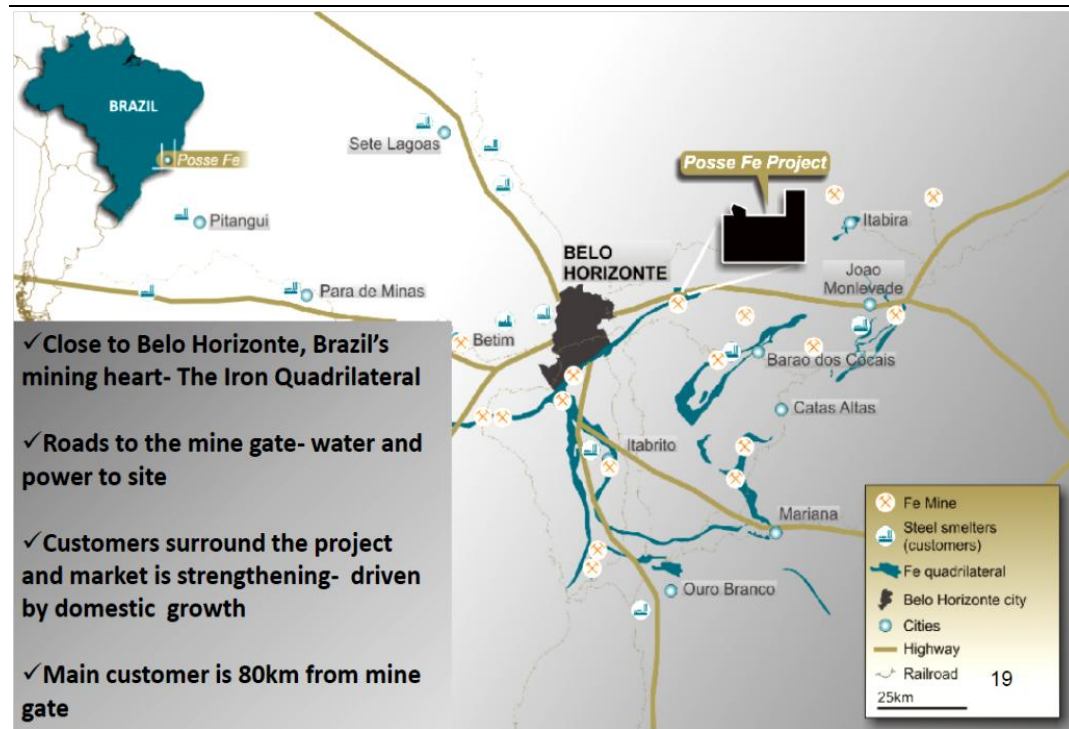
Analysis

CRUSADER RESOURCES (CAS)							Share Price (\$)		0.35						
2-Apr-13							Iss. Shares (M)		126.6						
Year End 30 June A\$							Unlisted Options (M)		4.5						
							Mkt Cap. (\$M)		45.9 Fully diluted for ops						
PROFIT & LOSS							RESERVES & RESOURCES								
	2011A	2012A	2013F	2014F	2015F	2016F		2011A	2012A	2013F	2014F	2015F	2016F		
Sales Revenue	\$M	0.0	0.0	8.1	22.3	172.4	295.5	Reserves - Borborema							
Other Income	\$M	0.1	0.3	0.0	0.0	0.0	0.0	Tonnes	Mt	0.0	27.0	43.0	43.0	41.0	37
Operating Costs	\$M	4.5	7.9	7.4	11.4	72.5	124.7	Grade - Au	g/t	0.00	1.39	1.20	1.20	1.20	1.18
Exploration	\$M	2.4	0.3	0.0	0.0	0.0	0.0	Contained Gold	oz	0	1,206,618	1,658,979	1,658,979	1,575,387	1,408,203
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Reserves - Posse							
EBITDA	\$M	(6.8)	(7.8)	0.7	10.9	99.9	170.7	Tonnes	Mt	7.0	7.0	6.9	6.6	5.8	5.0
Dep. & Amort.	\$M	0.1	0.2	0.4	0.6	13.5	26.4	Grade - Fe	%	46.5	46.5	46.5	46.5	46.5	46.5
EBIT	\$M	(6.9)	(8.0)	0.3	10.3	86.4	144.3	PRODUCTION (100%)							
Net Interest	\$M	(0.3)	(0.8)	0.1	4.4	8.6	4.8	Borborema							
Pre-Tax Profit	\$M	(6.6)	(7.2)	0.3	5.9	77.8	139.5	Ore Milled	Mt	0.00	0.00	0.0	0.0	2.0	4.0
Tax	\$M	0.0	0.0	0.1	2.0	26.5	47.4	Grade	g/t	0.0	0.0	0.0	0.0	1.3	1.3
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Recovery	%	0%	0%	0%	0%	96%	96%
Net Profit	\$M	(6.6)	(7.2)	0.2	3.9	51.3	92.1	Gold Produced	oz	0	0	0	0	80,248	160,497
Abnormal	\$M	(2.2)	(4.5)	0.0	0.0	0.0	0.0	Posse							
Reported Profit	\$M	(8.8)	(11.7)	0.2	3.9	51.3	92.1	Sales - Lump	Mt	0.00	0.00	0.08	0.30	0.40	0.16
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Sales - Fines	Mt	0.00	0.00	0.08	0.00	0.40	0.64
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)							
Retained Earning	\$M	(19.8)	(31.5)	(31.3)	(27.4)	23.9	116.0	Borborema	\$M	0.0	0.0	0.0	0.0	134.9	266.0
CASH FLOW							Posse	\$M	0.0	0.0	8.1	22.3	37.5	29.5	
Revenue	\$M	0.0	0.1	8.1	22.3	172.4	295.5	Other	\$M	0.1	0.3	0.0	0.0	0.0	0.0
Costs	\$M	(3.2)	(4.4)	(7.4)	(11.4)	(72.5)	(124.7)	Total	\$M	0.1	0.3	8.1	22.3	172.4	295.5
Net Interest	\$M	0.3	(0.1)	(0.1)	(4.4)	(8.6)	(4.8)	COSTS (attributable)							
Tax Paid	\$M	0.0	0.0	0.0	(0.1)	(2.0)	(26.5)	Cash costs (incl royalties)	A\$/oz	0	0	0	0	647	652
Gross Cash Flow	\$M	(2.9)	(4.4)	0.7	6.4	89.3	139.5	Borborema	\$M	0.0	0.0	0.0	0.0	51.9	104.7
Net Capex	\$M	(1.5)	(9.6)	(17.8)	(150.3)	(90.3)	(5.3)	Posse	\$M	0.0	0.0	2.4	6.1	15.1	14.6
Exploration	\$M	(6.9)	(3.0)	0.0	0.0	0.0	0.0	Other	\$M	4.5	7.9	5.0	5.3	5.5	5.5
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Total	\$M	4.5	7.9	7.4	11.4	72.5	124.7
Other	\$M	0.1	0.0	0.0	0.0	0.0	0.0	CAPEX (attributable)							
Free Cashflow	\$M	(11.2)	(17.0)	(17.1)	(143.9)	(1.0)	134.2	Borborema	\$M	1.3	9.9	17.0	150.0	90.0	5.0
Equity Issues	\$M	15.3	17.4	7.4	0.0	0.0	0.0	Posse	\$M	0.2	0.2	0.8	0.3	0.3	0.3
Net Borrowings	\$M	0.2	(0.0)	15.0	200.0	(50.0)	(110.0)	Other	\$M	0.2	-0.3	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	1.5	9.6	17.8	150.3	90.3	5.3
Surplus Cash Flow	\$M	4.2	0.3	5.3	56.1	(51.0)	24.2	DEPRECIATION (attributable)							
BALANCE SHEET							Borborema	\$M	0.0	0.0	0.0	0.0	12.5	25.4	
Cash	\$M	4.8	5.3	10.6	66.7	15.7	39.9	Posse	\$M	0.0	0.0	0.4	0.6	1.1	1.0
Other Current	\$M	0.2	0.4	9.8	13.4	13.8	14.8	Other	\$M	0.1	0.2	0.0	0.0	0.0	0.0
Total Current	\$M	5.0	5.8	20.4	80.1	29.5	54.7	Total	\$M	0.1	0.2	0.4	0.6	13.5	26.4
Fixed Assets	\$M	5.5	5.1	22.5	172.2	249.0	227.9	EBITDA (attributable)							
Exploration	\$M	5.5	14.7	3.0	2.0	1.0	7.0	Borborema	\$M	0.0	0.0	0.0	0.0	83.0	161.3
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Posse	\$M	0.0	0.0	5.7	16.2	22.5	14.9
Other	\$M	0.4	0.0	0.0	0.0	0.0	0.0	Other (incl. writedowns)	\$M	-6.8	-7.8	0.0	0.0	0.0	0.0
Total NC Assets	\$M	11.5	19.9	25.5	174.2	250.0	234.9	Total	\$M	-6.8	-7.8	5.7	16.2	105.4	176.2
TOTAL ASSETS	\$M	16.5	25.6	45.9	254.3	279.5	289.6	HEDGING (attributable)							
Total Debt	\$M	0.2	0.1	15.1	215.1	165.1	55.1	Gold hedged	oz	0	0	0	0	0	0
Current Liab	\$M	1.4	2.4	2.5	4.4	28.9	49.9	Hedged price	US\$/oz	0	0	0	0	0	0
Non Current Liab	\$M	0.2	0.1	0.2	2.9	2.3	9.3	Hedged price	A\$/oz	0	0	0	0	0	0
TOTAL LIAB	\$M	1.8	2.7	17.9	222.4	196.3	114.3	Sales hedged	%	0%	0%	0%	0%	0%	0%
NET ASSETS	\$M	14.7	22.9	28.0	31.9	83.2	175.3	Ave. deliverable price	US\$/oz	1373	1673	1616	1575	1513	1450
SH/HLDRS FUND	\$M	14.7	20.4	28.0	31.9	83.2	175.3	Ave. deliverable price	A\$/oz	1,386	1,621	1,587	1,658	1,681	1,657
RATIO ANALYSIS							ASSUMPTIONS								
EPS	¢	(7.3)	(6.5)	0.1	3.1	40.5	72.7	Exchange Rate	A\$/US\$	0.99	1.03	1.02	0.95	0.90	0.88
PER	x	na	na	263	11.4	0.9	0.5	Exchange Rate	3RL\$/US	0.62	0.54	0.54	0.52	0.50	0.50
EPS Growth	%	119	(10.5)	(102.0)	2,199	1,225.9	79.3	Gold Price	US\$/oz	1373	1673	1616	1575	1513	1450
EBITDA per share	¢	-7.6	-7.1	0.6	8.6	78.9	134.8	Gold Price	A\$/oz	1386	1621	1587	1658	1681	1657
EBITDA Multiple	x	-15.6	-8.7	61.4	4.1	0.4	0.3	Silver price	US\$/oz	28.94	33.18	30.66	30.00	29.00	27.50
EV/EBITDA	x	-15.0	-8.1	67.7	17.7	1.9	0.3	Iron ore - lump	JS\$/dmtr	258.75	249.10	178.75	191.13	189.75	181.50
CFPS	¢	(3.2)	(4.0)	0.5	5.0	70.5	110.1	Iron ore - fines	JS\$/dmtr	245.75	224.12	162.50	173.75	172.50	165.00
PCFR	x	na	na	67.7	6.9	0.5	0.3	90 day Bank Bills	%	4.91	4.42	3.80	4.25	4.50	4.50
DPS	¢	0.0	0.0	0.0	0.0	0.0	0.0	10 Yr Bond rate	%	5.32	4.02	3.35	3.75	4.00	4.00
Yield	%	0.0	0.0	0.0	0.0	0.0	0.0	Interest Rate Charged	%	5.82	4.52	3.85	4.25	4.50	4.50
Franking	%	0	0	0	0	0	0	VALUATION (fully diluted)							
Payout Ratio	%	0%	0%	0%	0%	0%	0%	Borborema						269.3	\$ 2.13
Gearing D/E	%	na	na	16.1	465.5	179.5	8.7	Posse						56.8	\$ 0.45
Interest Cover	x	20.8	10.1	4.8	2.3	10.0	30.0	Other						5.0	\$ 0.04
EBITDA Margin	%	na	na	8.9	48.7	58.0	57.8	Net Cash (Debt)						4.0	\$ 0.03
EBIT Margin	%	na	na	4.0	46.0	50.1	48.8	Total						335.1	\$ 2.65
Return On Assets	%	(628.4)	(31.2)	0.7	4.0	30.9	49.8								
Return On Equity	%	na	(35.3)	0.6	12.1	61.7	52.5								
Eff Tax rate	%	0	0	34	34	34	34								

Source: Petra Capital

The Posse Iron Project is located ~30km from Belo Horizonte and is surrounded by multiple potential customers.

Figure 1: Location Map – Posse Iron (100%)



Source: CAS

Stockpiled lump and fines at Posse ready for sale.

Figure 2: Posse Ore Stockpile



Source: CAS

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