

30 May 2013

Crusader Resources

CAS A\$0.24/share

BUY

Posse environmental licence approved

CAS has been granted a full environmental licence for the Posse project (Figs. 1-2). This removes the major hurdle required to expand the plant from 300ktpa to 1Mtpa. Granting of this licence enables CAS to apply for the full mining right which should be forthcoming within weeks. The Posse plant has now operated continuously for six weeks with production and sales ramping up as planned. We expect Posse to be generating positive cashflow in June and recommend buying CAS which is trading materially below our NPV.

Posse Iron (100%) – generating cashflow

- All key infrastructure has been completed.
- First production commenced late March.
- Ore processed in April was 10.5kt.
- Ore processed is now ramping up to 40kt per month.
- We estimate sales price for lump at ~A\$75-80/t.
- We estimate margins for lump to be >A\$50/t.
- Cash costs of just \$12/t targeted at full capacity.
- At 300ktpa rates, cashflow of at least \$1M per month is expected.
- At 1Mtpa rates, cashflow rises to ~\$3M per month.
- Resources equate to 36Mt @ 43.5% Fe.
- Comprises 2.1Mt @ >55% Fe high grade lump.
- Drilling continues at Posse aimed at delineating more high grade lump (results due soon).
- Posse is shallow, free dig and open cut.
- Iron ore sales to local smelters – sold at mine gate.

Borborema Gold (100%)

- CAS is reviewing all areas to maximise NPV & IRR.
- Staged production is being considered, thereby reducing capex requirements.
- Feasibility study update is expected in Q3.

CAS - compelling value

- Total NPV equates to A\$2.68/share.
- Base case NPV for Posse equates to A\$0.47/share.
- NPV for Borborema equates to A\$2.17/share.
- Current shareprice of A\$0.24/share ascribes negative value to Borborema.
- Borborema – 1.61Moz reserve, 2.43Moz resource.
- EV/Reserve of just \$18/oz, EV/Resource \$12/oz.
- CAS offers compelling value at current shareprice.

Company Data

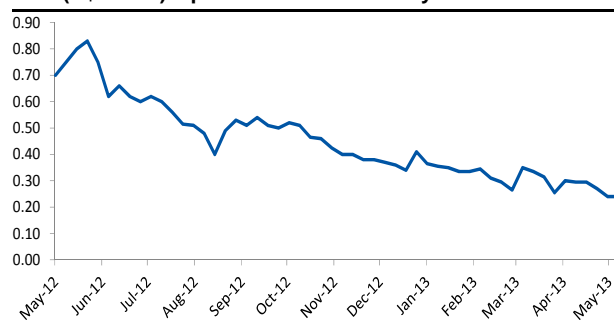
Shares – ordinary (free float)	126.6M
Unlisted Options (ex @ 34-48c)	11.5M
Total (fully diluted)	138.1M
Market capitalisation	A\$30.4M
12 month low/high	\$0.21/ \$0.85
Monthly turnover	\$1.2M
Monthly volume	2.8M

Financial Summary

Year end June	2012A	2013F	2014F	2015F	2016F
Revenue (\$M)	0.3	4.5	22.3	47.6	295.5
Costs (\$M)	8.2	7.1	11.4	24.4	124.7
EBITDA (\$M)	-7.8	-2.6	10.9	23.2	170.7
NPAT (\$M)	-7.2	-2.9	5.0	8.2	90.0
EPS (¢ps)	-6.5	-2.3	4.0	6.4	71.1
EPS Growth (%)	na	na	>100	62	>100
PER (x)	na	na	6.0	3.7	0.3
Cashflow (Gross-\$M)	-4.4	-2.6	8.2	11.7	158.1
CFPS (¢/sh)	-4.0	-2.0	6.5	9.3	124.8
PCFPS (x)	na	na	3.7	2.6	0.2
Enterprise Value (\$M)	63	33	125	254	101
EV / EBITDA (x)	na	na	11.5	10.9	0.6

Substantial Shareholders	Shares (M)	(%)
Dundee	16.9	13.4%
Northcape	12.6	10.0%
Copulos Group	11.4	9.0%

CAS (A\$/share) – 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 (\$)							
30-May-13						Iss. Shares (M)							
Year End 30 June A\$						Unlisted Options (M)							
						Mkt Cap. (\$M)							
						33.2 Fully diluted for ops							
PROFIT & LOSS						RESERVES & RESOURCES							
	2012A	2013F	2014F	2015F	2016F		2012A	2013F	2014F	2015F	2016F		
Sales Revenue	\$M	0.0	4.5	22.3	47.6	295.5	Reserves - Borborema						
Other Income	\$M	0.3	0.0	0.0	0.0	0.0	Tonnes	Mt	27.0	43.0	43.0	42.9	39
Operating Costs	\$M	7.9	7.1	11.4	24.4	124.7	Grade - Au	g/t	1.39	1.20	1.20	1.20	1.19
Exploration	\$M	0.3	0.0	0.0	0.0	0.0	Contained Gold	oz	1,206,618	1,658,979	1,658,979	1,652,709	1,485,525
Other	\$M	0.0	0.0	0.0	0.0	0.0	Reserves - Posse						
EBITDA	\$M	(7.8)	(2.6)	10.9	23.2	170.7	Tonnes	Mt	7.0	6.9	6.6	5.8	5.0
Dep. & Amort.	\$M	0.2	0.3	0.6	2.0	26.0	Grade - Fe	%	46.5	46.5	46.5	46.5	46.5
EBIT	\$M	(8.0)	(2.9)	10.3	21.2	144.8	PRODUCTION (100%)						
Net Interest	\$M	(0.8)	(0.0)	2.6	8.9	8.4	Borborema						
Pre-Tax Profit	\$M	(7.2)	(2.9)	7.6	12.4	136.4	Ore Milled	Mt	0.00	0.0	0.0	0.2	4.0
Tax	\$M	0.0	0.0	2.6	4.2	46.4	Grade	g/t	0.0	0.0	0.0	1.3	1.3
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	Recovery	%	0%	0%	0%	96%	96%
Net Profit	\$M	(7.2)	(2.9)	5.0	8.2	90.0	Gold Produced	oz	0	0	0	6,019	160,497
Abnormal	\$M	(4.5)	0.0	0.0	0.0	0.0	Posse						
Reported Profit	\$M	(11.7)	(2.9)	5.0	8.2	90.0	Sales - Lump	Mt	0.00	0.05	0.30	0.40	0.16
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	Sales - Fines	Mt	0.00	0.05	0.00	0.40	0.64
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)						
Retained Earning	\$M	(31.5)	(34.4)	(29.4)	(21.2)	68.8	Borborema	\$M	0.0	0.0	0.0	10.1	266.0
CASH FLOW							Posse	\$M	0.0	4.5	22.3	37.5	29.5
Revenue	\$M	0.1	4.5	22.3	47.6	295.5	Other	\$M	0.3	0.0	0.0	0.0	0.0
Costs	\$M	(4.4)	(7.1)	(11.4)	(24.4)	(124.7)	Total	\$M	0.3	4.5	22.3	47.6	295.5
Net Interest	\$M	(0.1)	0.0	(2.6)	(8.9)	(8.4)	COSTS (attributable)						
Tax Paid	\$M	0.0	0.0	0.0	(2.6)	(4.2)	Cash costs (incl royalties)	A\$/oz	0	0	0	647	652
Gross Cash Flow	\$M	(4.4)	(2.6)	8.2	11.7	158.1	Borborema	\$M	0.0	0.0	0.0	3.9	104.7
Net Capex	\$M	(9.6)	(12.8)	(100.3)	(140.3)	(5.3)	Posse	\$M	0.0	2.1	6.1	15.1	14.6
Exploration	\$M	(3.0)	0.0	0.0	0.0	0.0	Other	\$M	7.9	5.0	5.3	5.5	5.5
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	Total	\$M	7.9	7.1	11.4	24.4	124.7
Other	\$M	0.0	0.0	0.0	0.0	0.0	CAPEX (attributable)						
Free Cashflow	\$M	(17.0)	(15.4)	(92.1)	(128.6)	152.8	Borborema	\$M	9.9	12.0	100.0	140.0	5.0
Equity Issues	\$M	17.4	7.4	0.0	0.0	0.0	Posse	\$M	0.2	0.8	0.3	0.3	0.3
Net Borrowings	\$M	(0.0)	5.0	100.0	130.0	(110.0)	Other	\$M	-0.3	0.0	0.0	0.0	0.0
Net Investments	\$M	0.0	0.0	0.0	0.0	0.0	Total	\$M	9.6	12.8	100.3	140.3	5.3
Surplus Cash Flo	\$M	0.3	(2.9)	7.9	1.4	42.8	DEPRECIATION (attributable)						
BALANCE SHEET							Borborema	\$M	0.0	0.0	0.0	0.9	25.0
Cash	\$M	5.3	2.4	10.3	11.8	54.6	Posse	\$M	0.0	0.3	0.6	1.1	1.0
Other Current	\$M	0.4	11.2	13.4	14.3	14.8	Other	\$M	0.2	0.0	0.0	0.0	0.0
Total Current	\$M	5.8	13.6	23.7	26.1	69.4	Total	\$M	0.2	0.3	0.6	2.0	26.0
Fixed Assets	\$M	5.1	17.6	117.3	255.6	235.0	EBITDA (attributable)						
Exploration	\$M	14.7	3.0	2.0	1.0	7.0	Borborema	\$M	0.0	0.0	0.0	6.2	161.3
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	Posse	\$M	0.0	2.4	16.2	22.5	14.9
Other	\$M	0.0	0.0	0.0	0.0	0.0	Other (incl. writedowns)	\$M	-7.8	0.0	0.0	0.0	0.0
Total NC Assets	\$M	19.9	20.6	119.3	256.6	242.0	Total	\$M	-7.8	2.4	16.2	28.7	176.2
TOTAL ASSETS	\$M	25.6	34.2	143.0	282.7	311.3	HEDGING (attributable)						
Total Debt	\$M	0.1	5.1	105.1	235.1	125.1	Gold hedged	oz	0	0	0	0	0
Current Liab	\$M	2.4	2.4	5.0	6.7	48.8	Hedged price	US\$/oz	0	0	0	0	0
Non Current Liab	\$M	0.1	1.7	2.9	2.8	9.3	Hedged price	A\$/oz	0	0	0	0	0
TOTAL LIAB	\$M	2.7	9.3	113.0	244.6	183.2	Sales hedged	%	0%	0%	0%	0%	0%
NET ASSETS	\$M	22.9	24.9	30.0	38.1	128.1	Ave. deliverable price	US\$/oz	1673	1656	1575	1513	1450
SH/HLDRS FUND	\$M	20.4	24.9	30.0	38.1	128.1	Ave. deliverable price	A\$/oz	1,621	1,625	1,658	1,681	1,657
RATIO ANALYSIS							ASSUMPTIONS						
EPS	¢	(6.5)	(2.3)	4.0	6.4	71.1	Exchange Rate	A\$/US\$	1.03	1.02	0.95	0.90	0.88
PER	x	na	na	6.0	3.7	0.3	Exchange Rate	3RL\$/US:	0.54	0.54	0.52	0.50	0.50
EPS Growth	%	(10.5)	(64.8)	(273)	61.8	1,003.1	Gold Price	US\$/oz	1673	1656	1575	1513	1450
EBITDA per share	¢	-7.1	-2.0	8.6	18.3	134.8	Gold Price	A\$/oz	1621	1625	1658	1681	1657
EBITDA Multiple	x	-8.7	-11.7	2.8	1.3	0.2	Silver price	US\$/oz	33.18	30.66	30.00	29.00	27.50
EV/EBITDA	x	-8.1	-12.8	11.5	10.9	0.6	Iron ore - lump	JS\$/dmt	249.10	178.75	191.13	189.75	181.50
CFPS	¢	(4.0)	(2.0)	6.5	9.3	124.8	Iron ore - fines	JS\$/dmt	224.12	162.50	173.75	172.50	165.00
PCFR	x	na	na	3.7	2.6	0.2	90 day Bank Bills	%	4.42	3.68	4.25	4.50	4.50
DPS	¢	0.0	0.0	0.0	0.0	0.0	10 Yr Bond rate	%	4.02	3.32	3.75	4.00	4.00
Yield	%	0.0	0.0	0.0	0.0	0.0	Interest Rate Charged	%	4.52	3.82	4.25	4.50	4.50
Franking	%	0	0	0	0	0	VALUATION (fully diluted)						
Payout Ratio	%	0%	0%	0%	0%	0%	Borborema						
Gearing D/E	%	na	11.0	316.3	585.8	55.1	Posse						
Interest Cover	x	10.1	192.2	3.9	2.4	17.2	Other						
EBITDA Margin	%	na	(57.8)	48.7	48.7	57.8	Net Cash (Debt)						
EBIT Margin	%	na	(65.5)	46.0	44.5	49.0	Total						
Return On Assets	%	(31.2)	(8.6)	7.2	7.5	46.5							
Return On Equity	%	(35.3)	(11.7)	16.8	21.4	70.2							
Eff Tax rate	%	0	34	34	34	34							

Source: Petra Capital

Ore is sold at the mine gate and trucked to surrounding smelters.

Figure 1: Loaded customer truck on Weighbridge at Posse Mine



Source: CAS

Stockpiled lump and fines at Posse ready for sale.

Figure 2: Posse Ore Stockpiles



Source: CAS

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