

17 July 2013

Crusader Resources

CAS A\$0.25/share

BUY

Significant high grade intercepts at Posse

CAS reported significant drill results at Posse (Figs. 1-2) including exceptional high grade, near surface intercepts of haematite. The haematite-rich ore is the principal component of the lump ore currently in high demand and being sold domestically by CAS. Potential exists to delineate additional high grade zones. Ramp up at Posse continues and is generating positive cashflow. At current prices CAS is trading at a 49% discount to our Posse NPV of A\$0.48/share with no value ascribed to the Borborema Gold Project. We recommend buying CAS.

Posse Iron (100%) – significant intercepts

- Drill results comprise:
 - 137m @ 45% Fe from surface including
 - 44m @ 56.6% Fe from surface and
 - 14m @ 66.4% Fe from 8m
 - 120m @ 45% Fe from surface including
 - 28m @ 61.4% Fe from surface and
 - 8m @ 63.3% Fe from surface
- Results confirm thick high grade zones of haematite (>61% Fe) near surface.
- The thick zones of itabirite (45% Fe) may be sold as fines or upgraded via beneficiation (Stage 2).
- Studies are continuing on Stage 2 beneficiation.

Posse Iron (100%) – ramping up

- Ore processed is 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.
- At current 300ktpa rates, cashflow of at least \$1M per month is expected.
- Mine licence approval for the expanded 1Mtpa rate is targeted this half.

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 this half.

CAS - compelling value

- Total NPV equates to A\$2.27/share.
- Base case NPV for Posse equates to A\$0.48/share.
- NPV for Borborema equates to A\$1.74/share.
- Borborema – 1.61Moz reserve, 2.43Moz resource.
- Current shareprice of A\$0.25/share represents compelling value.

Company Data

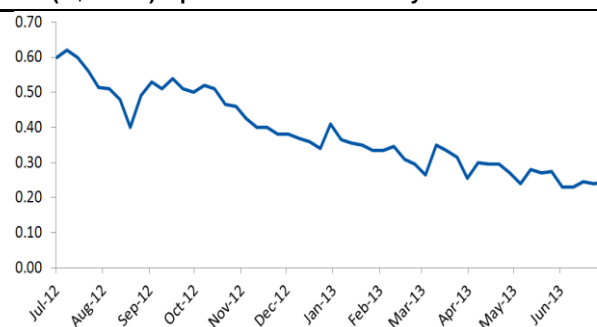
Shares – ordinary (free float)	126.6M
Unlisted Options (ex @ 34-48c)	11.5M
Total (fully diluted)	138.1M
Market capitalisation	A\$31.7M
12 month low/high	\$0.21/ \$0.66
Monthly turnover	\$1.1M
Monthly volume	2.8M

Financial Summary

Year end June	2012A	2013F	2014F	2015F	2016F
Revenue (\$M)	0.3	4.5	22.9	44.5	271.9
Costs (\$M)	8.2	7.1	11.5	23.1	120.3
EBITDA (\$M)	-7.8	-2.6	11.4	21.4	151.6
NPAT (\$M)	-7.2	-3.0	5.5	8.0	77.8
EPS (¢ps)	-6.5	-2.3	4.4	6.3	61.5
EPS Growth (%)	na	na	>100	>100	>100
PER (x)	na	na	5.6	3.9	0.4
Cashflow (Gross-\$M)	-4.4	-2.6	9.0	11.0	139.8
CFPS (¢/sh)	-4.0	-2.1	7.1	8.7	110.4
PCFPS (x)	na	na	3.5	2.8	0.2
Enterprise Value (\$M)	63	34	125	254	120.0
EV / EBITDA (x)	na	na	10.9	11.9	0.8

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.

Andrew Richards

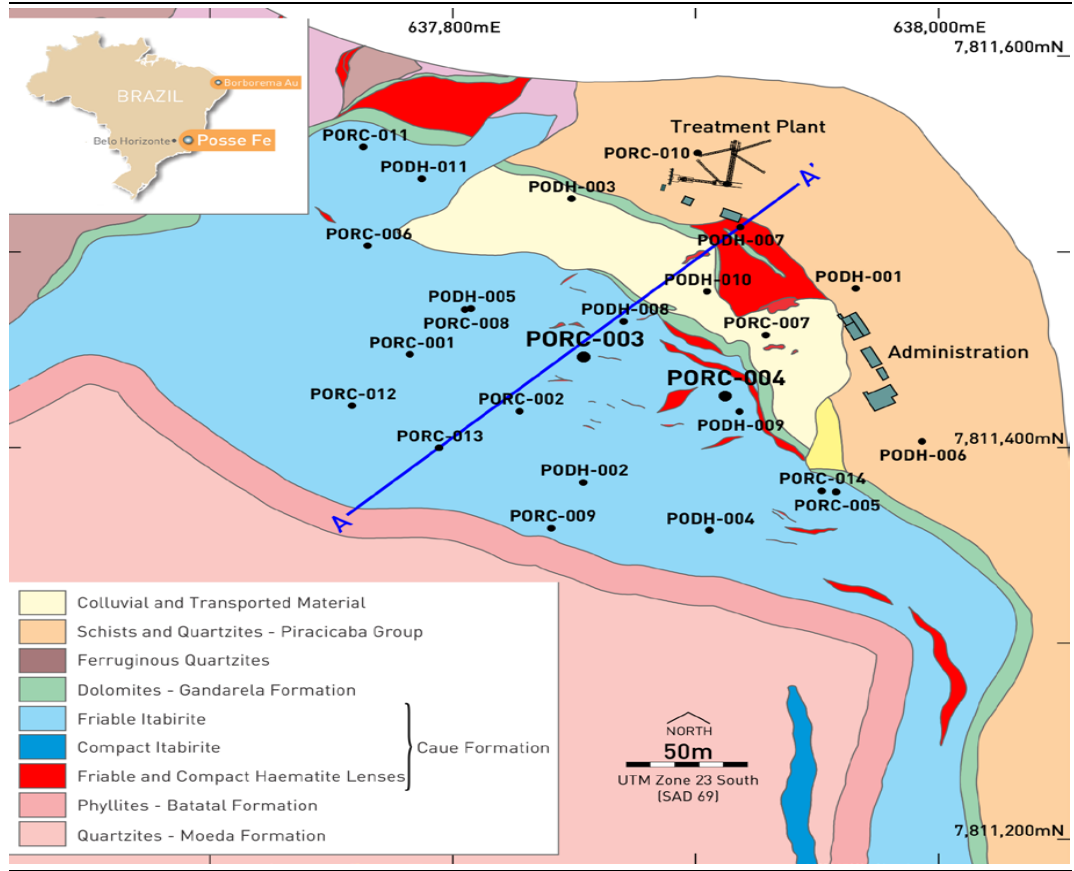
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Analysis

CRUSADER RESOURCES (CAS)						Share Price	(\$)	0.25					
17-Jul-13						Iss. Shares	(M)	126.6					
Year End 30 June A\$						Unlisted Options	(M)	11.5					
						Mkt Cap.	(\$M)	33.8	Fully diluted for ops				
PROFIT & LOSS	2012A	2013F	2014F	2015F	2016F	RESERVES & RESOURCES							
Sales Revenue	\$M	0.0	4.5	22.9	44.5	271.9	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	11.5	23.1	120.3	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	1,654,799	1,487,615
Other	\$M	0.0	0.0	0.0	0.0	0.0	Reserves - Posse						
EBITDA	\$M	(7.8)	(2.6)	11.4	21.4	151.6	Tonnes	Mt	7.0	6.9	6.6	5.8	5.0
Dep. & Amort.	\$M	0.2	0.3	0.6	1.7	26.0	Grade - Fe	%	46.5	46.5	46.5	46.5	46.5
EBIT	\$M	(8.0)	(3.0)	10.8	19.7	125.7	PRODUCTION (100%)						
Net Interest	\$M	(0.8)	0.0	2.5	7.6	7.7	Borborema						
Pre-Tax Profit	\$M	(7.2)	(3.0)	8.4	12.1	117.9	Ore Milled	Mt	0.00	0.0	0.0	0.1	4.0
Tax	\$M	0.0	0.0	2.8	4.1	40.1	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)	(3.0)	5.5	8.0	77.8	Gold Produced	oz	0	0	0	4,012	160,497
Abnormal	\$M	(4.5)	0.0	0.0	0.0	0.0	Posse						
Reported Profit	\$M	(11.7)	(3.0)	5.5	8.0	77.8	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)	(28.9)	(20.9)	56.9	Borborema	\$M	0.0	0.0	0.0	5.9	241.2
CASH FLOW							Posse	\$M	0.0	4.5	22.9	38.6	30.7
Revenue	\$M	0.1	4.5	22.9	44.5	271.9	Other	\$M	0.3	0.0	0.0	0.0	0.0
Costs	\$M	(4.4)	(7.1)	(11.5)	(23.1)	(120.3)	Total	\$M	0.3	4.5	22.9	44.5	271.9
Net Interest	\$M	(0.1)	(0.0)	(2.5)	(7.6)	(7.7)	COSTS (attributable)						
Tax Paid	\$M	0.0	0.0	0.0	(2.8)	(4.1)	Cash costs (incl royalties)	AS\$/oz	0	0	0	626	624
Gross Cash Flow	\$M	(4.4)	(2.6)	9.0	11.0	139.8	Borborema	\$M	0.0	0.0	0.0	2.5	100.2
Net Capex	\$M	(9.6)	(12.8)	(100.3)	(140.3)	(5.3)	Posse	\$M	0.0	2.1	6.2	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	11.5	23.1	120.3
Other	\$M	0.0	0.0	0.0	0.0	0.0	CAPEX (attributable)						
Free Cashflow	\$M	(17.0)	(15.4)	(91.3)	(129.3)	134.5	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 Flow	\$M	0.3	(3.0)	8.7	0.7	24.5	DEPRECIATION (attributable)						
BALANCE SHEET							Borborema	\$M	0.0	0.0	0.0	0.6	24.9
Cash	\$M	5.3	2.4	11.0	11.7	36.2	Posse	\$M	0.0	0.3	0.6	1.1	1.0
Other Current	\$M	0.4	11.1	13.7	13.3	13.6	Other	\$M	0.2	0.0	0.0	0.0	0.0
Total Current	\$M	5.8	13.5	24.8	25.0	49.8	Total	\$M	0.2	0.3	0.6	1.7	26.0
Fixed Assets	\$M	5.1	17.6	117.3	255.9	235.3	EBITDA (attributable)						
Exploration	\$M	14.7	3.0	2.0	1.0	7.0	Borborema	\$M	0.0	0.0	0.0	3.4	141.0
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	Posse	\$M	0.0	2.4	16.7	23.5	16.1
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	256.9	242.3	Total	\$M	-7.8	2.4	16.7	26.9	157.1
TOTAL ASSETS	\$M	25.6	34.1	144.1	282.0	292.0	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	5.3	6.6	42.5	Hedged price	US\$/oz	0	0	0	0	0
Non Current Liab	\$M	0.1	1.6	3.2	1.8	8.1	Hedged price	A\$/oz	0	0	0	0	0
TOTAL LIAB	\$M	2.7	9.2	113.7	243.5	175.8	Sales hedged	%	0%	0%	0%	0%	0%
NET ASSETS	\$M	22.9	24.9	30.4	38.4	116.3	Ave. deliverable price	US\$/oz	1673	1595	1300	1288	1263
SH/HLDRS FUND	\$M	20.4	24.9	30.4	38.4	116.3	Ave. deliverable price	A\$/oz	1,621	1,557	1,405	1,471	1,503
RATIO ANALYSIS							ASSUMPTIONS						
EPS	¢	(6.5)	(2.3)	4.4	6.3	61.5	Exchange Rate	A\$/US\$	1.03	1.02	0.93	0.88	0.84
PER	x	na	na	5.6	3.9	0.4	Exchange Rate	3RL\$/US	0.54	0.54	0.52	0.50	0.50
EPS Growth	%	(10.5)	(64.3)	(286)	45.2	871.8	Gold Price	US\$/oz	1673	1595	1300	1288	1263
EBITDA per share	¢	-7.1	-2.1	9.0	16.9	119.7	Gold Price	A\$/oz	1621	1557	1405	1471	1503
EBITDA Multiple	x	-8.7	-11.9	2.7	1.5	0.2	Silver price	US\$/oz	33.18	28.82	20.00	19.00	17.50
EV/EBITDA	x	-8.1	-13.0	10.9	11.9	0.8	Iron ore - lump	JS\$/dmt	249.10	178.75	191.13	189.75	181.50
CFPS	¢	(4.0)	(2.1)	7.1	8.7	110.4	Iron ore - fines	JS\$/dmt	224.12	162.50	173.75	172.50	165.00
PCFR	x	na	na	3.5	2.8	0.2	90 day Bank Bills	%	4.42	3.15	2.81	2.63	2.63
DPS	¢	0.0	0.0	0.0	0.0	0.0	10 Yr Bond rate	%	4.02	3.29	3.33	3.13	3.13
Yield	%	0.0	0.0	0.0	0.0	0.0	Interest Rate Charged	%	4.52	3.79	3.83	3.63	3.63
Franking	%	0	0	0	0	0	VALUATION (fully diluted)						
Payout Ratio	%	0%	0%	0%	0%	0%	Borborema						
Gearing D/E	%	na	11.2	309.6	581.7	76.5	Posse						
Interest Cover	x	10.1	na	4.4	2.6	16.3	Other						
EBITDA Margin	%	na	(58.5)	49.9	48.0	55.8	Net Cash (Debt)						
EBIT Margin	%	na	(66.2)	47.3	44.3	46.2	Total						
Return On Assets	%	(31.2)	(8.7)	7.5	7.0	43.0							
Return On Equity	%	(35.3)	(11.9)	18.1	20.9	67.0							
Eff Tax rate	%	0	34	34	34	34							

Source: Petra Capital

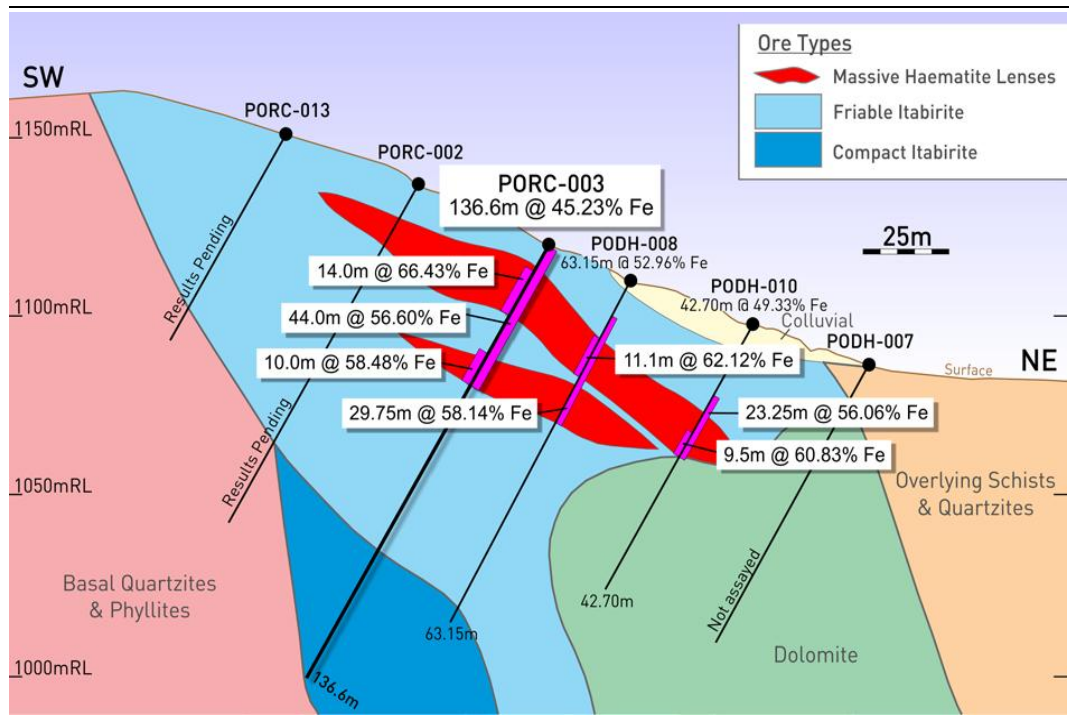
Figure 1: Posse Iron Ore Geological Plan with Drillhole Locations



Source: CAS

Figure 2: Section A-A'

Excellent near surface high grade intercepts have been reported by CAS indicating potential for additional high grade production.



Source: CAS

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