

24 September 2013

Crusader Resources

CAS A\$0.25/share

Excellent metallurgical results from Posse fines

BUY

CAS announced excellent preliminary results on metallurgical testing of iron ore fines at the Posse mine (Fig. 1). Results from dry magnetic testwork indicate that fines could be upgraded to a 62% Fe product, with >60% recovery, very low impurities and no additional licensing requirements. This has positive implications for Stage 2 timeframe, capex and cash flow. In addition, processing throughput for August exceeded steady state production of 65kt per month (Fig. 2). CAS continues to trade at a significant 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%) – very positive test results

- Initial test results positive for Stage 2 beneficiation.
- Dry magnetic testing returned a 62% Fe product, with >60% recoveries.
- Wet metallurgical tests indicate >68% Fe product potential.
- All products demonstrated very low impurity levels.
- No additional licences required for using dry magnetic processing.
- Overall the results mean Stage 2 could potentially be implemented faster, with reduced capex.
- Further details on the processing route expected in Q4 2013.

Posse Iron (100%) – production above forecast

- August production of 67kt, exceeding forecast target of 65kt.
- Lump sales of 23kt for August, above forecast of 21kt.
- Demand for lump remains strong.
- Plant throughput currently 0.3Mtpa & with approval for 1.0Mtpa likely in December quarter.

Borborema Gold (100%)

- CAS continues to review all areas to maximise NPV & IRR.
- Phased development plan, with reduced capex requirements is being considered.

CAS – attractive value

- Base case NPV for Posse equates to A\$0.48/share.
- NPV for Borborema equates to A\$1.74/share.
- Total NPV equates to A\$2.25/share.
- Current shareprice represents attractive value.

Company Data

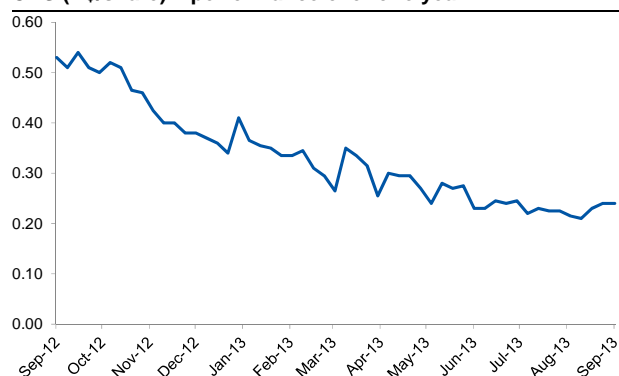
Shares – ordinary	126.6M
Unlisted Options (ex @ 34-135c)	16.4M
Total (fully diluted)	143.0M
Market capitalisation	A\$31.7M
12 month low/high	\$0.18/ \$0.55
Monthly turnover	\$1.0M
Monthly volume	4.7M

Financial Summary

Year end June	2012A	2013F	2014F	2015F	2016F
Revenue (\$M)	0.3	1.2	25.0	44.2	279.4
Costs (\$M)	8.2	6.7	14.8	20.9	118.6
EBITDA (\$M)	-7.8	-5.5	10.3	23.3	160.8
NPAT (\$M)	-7.2	-5.8	5.1	9.4	84.3
EPS (¢ps)	-6.5	-4.6	4.0	7.4	66.5
EPS Growth (%)	na	na	>100	>100	>100
PER (x)	na	na	5.5	3.0	0.3
Cashflow (Gross-\$M)	-4.4	-5.5	7.8	13.9	148.4
CFPS (¢/sh)	-4.0	-4.4	6.2	10.9	117.2
PCFPS (x)	na	na	3.6	2.0	0.2
Enterprise Value (\$M)	63	31	123	249	105.9
EV / EBITDA (x)	na	na	11.9	10.7	0.7

Substantial Shareholders	Shares (M)	(%)
Northcape	12.6	10.0%
Stephen Copulos	10.3	8.2%
Copulos Group	8.8	7.0%

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.

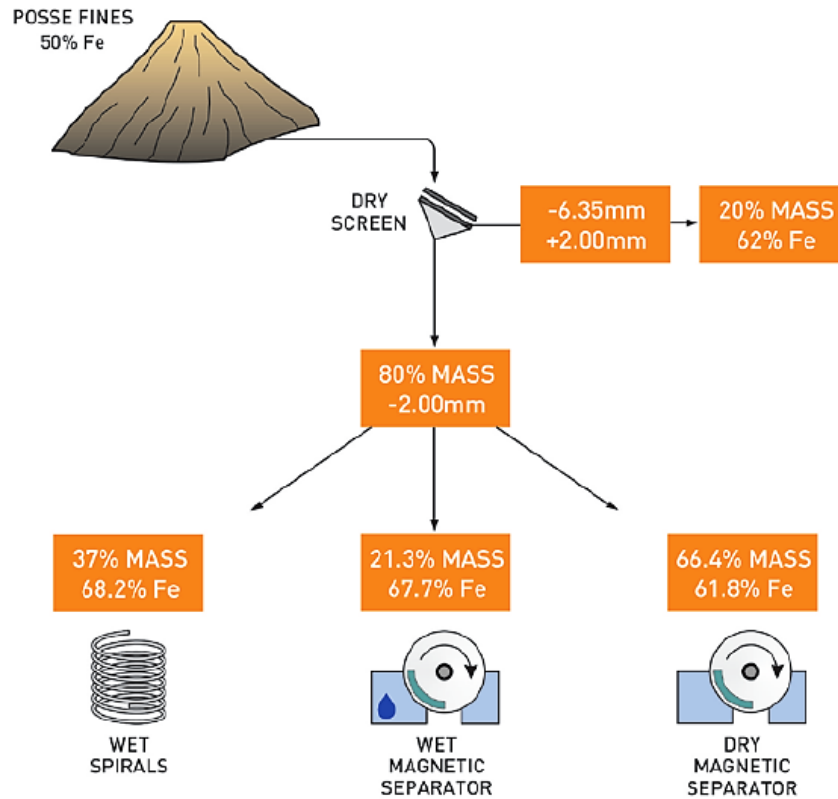
David Cotterell
+61 2 9239 9630

Andrew Richards
+61 2 9239 9605

Figure 1: Preliminary metallurgy results from Posse fines

Metallurgical testwork is considered excellent for most processing routes, with all producing a saleable product.

Further optimisation testwork is underway and will include recovery and production specifications, logistics, capital and operating costs, and any licencing requirements.

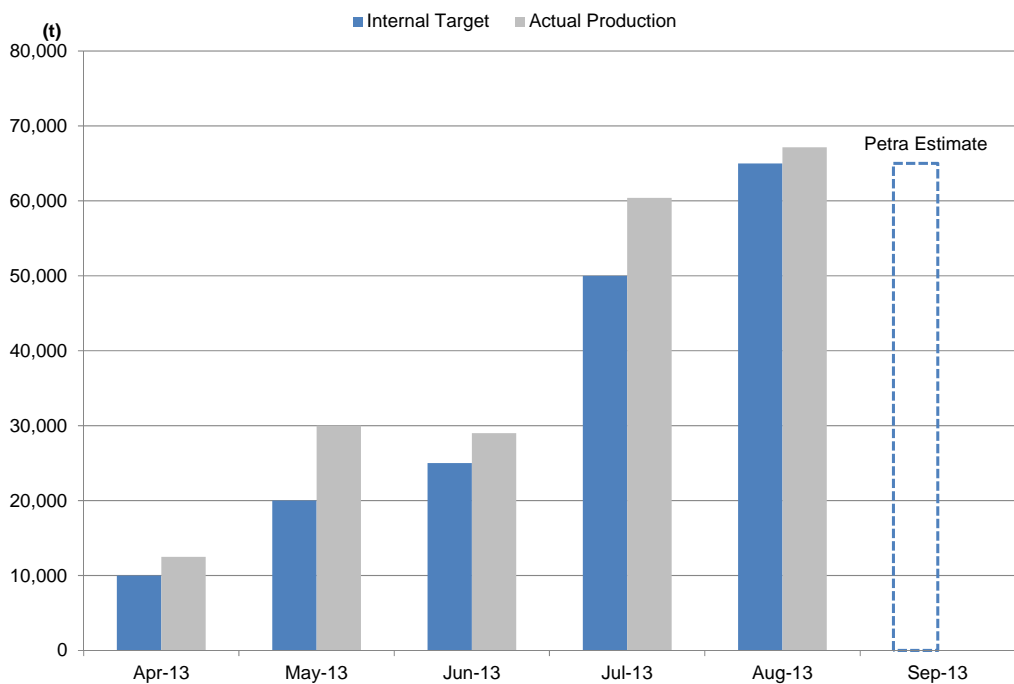


Source: Crusader Resources

Figure 2: Posse Monthly Production

Posse achieved August production rates above steady state of 65kt per month.

Petra estimates a production target in September of 65kt.



Source: Crusader Resources

Analysis

CRUSADER RESOURCES (CAS)

PROFIT & LOSS	2012A	2013F	2014F	2015F	2016F	RESERVES & RESOURCES	2012A	2013F	2014F	2015F	2016F		
Sales Revenue	\$M	0.0	1.2	25.0	44.2	279.4	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	6.7	14.8	20.9	118.6	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)	(5.5)	10.3	23.3	160.8	Tonnes	Mt	7.0	6.9	6.3	5.5	4.7
Dep. & Amort.	\$M	0.2	0.3	0.8	1.6	25.6	Grade - Fe	%	46.5	46.5	46.5	46.5	46.5
EBIT	\$M	(8.0)	(5.8)	9.5	21.7	135.2	PRODUCTION (100%)						
Net Interest	\$M	(0.8)	(0.0)	2.5	7.6	7.5	Borborema						
Pre-Tax Profit	\$M	(7.2)	(5.8)	7.0	14.2	127.7	Ore Milled	Mt	0.00	0.0	0.0	0.1	4.0
Tax	\$M	0.0	0.0	1.9	4.8	43.4	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)	(5.8)	5.1	9.4	84.3	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)	(5.8)	5.1	9.4	84.3	Sales - Lump	Mt	0.00	0.01	0.24	0.32	0.32
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	Sales - Fines	Mt	0.00	0.01	0.36	0.48	0.48
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)						
Retained Earning	\$M	(31.5)	(37.3)	(32.2)	(22.8)	61.4	Borborema	\$M	0.0	0.0	0.0	5.9	241.2
CASH FLOW							Posse	\$M	0.0	1.2	25.0	38.3	38.2
Revenue	\$M	0.1	1.2	25.0	44.2	279.4	Other	\$M	0.3	0.0	0.0	0.0	0.0
Costs	\$M	(4.4)	(6.7)	(14.8)	(20.9)	(118.6)	Total	\$M	0.3	1.2	25.0	44.2	279.4
Net Interest	\$M	(0.1)	0.0	(2.5)	(7.6)	(7.5)	COSTS (attributable)						
Tax Paid	\$M	0.0	0.0	0.0	(1.9)	(4.8)	Cash costs (incl royalties)	A\$/oz	0	0	0	626	624
Gross Cash Flow	\$M	(4.4)	(5.5)	7.8	13.9	148.4	Borborema	\$M	0.0	0.0	0.0	2.5	100.2
Net Capex	\$M	(9.6)	(9.4)	(100.3)	(140.3)	(5.3)	Posse	\$M	0.0	1.6	9.5	12.9	12.9
Exploration	\$M	(3.0)	0.0	0.0	0.0	0.0	Other	\$M	7.9	5.1	5.3	5.5	5.5
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	Total	\$M	7.9	6.7	14.8	20.9	118.6
Other	\$M	0.0	0.0	0.0	0.0	0.0	CAPEX (attributable)						
Free Cashflow	\$M	(17.0)	(14.9)	(92.5)	(126.4)	143.1	Borborema	\$M	9.9	9.2	100.0	140.0	5.0
Equity Issues	\$M	17.4	7.4	0.0	0.0	0.0	Posse	\$M	0.2	0.2	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	9.4	100.3	140.3	5.3
Surplus Cash Flow	\$M	0.3	(2.5)	7.5	3.6	33.1	DEPRECIATION (attributable)						
BALANCE SHEET							Borborema	\$M	0.0	0.0	0.0	0.6	24.7
Cash	\$M	5.3	2.9	10.4	13.9	47.1	Posse	\$M	0.0	0.3	0.8	1.0	0.9
Other Current	\$M	0.4	11.0	15.0	13.3	14.0	Other	\$M	0.2	0.0	0.0	0.0	0.0
Total Current	\$M	5.8	13.9	25.4	27.2	61.0	Total	\$M	0.2	0.3	0.8	1.6	25.6
Fixed Assets	\$M	5.1	14.2	113.7	252.5	232.2	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	-0.4	15.6	25.4	25.3
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	17.2	115.7	253.5	239.2	Total	\$M	-7.8	-0.4	15.6	28.8	166.3
TOTAL ASSETS	\$M	25.6	31.1	141.1	280.6	300.2	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	4.3	7.3	45.9	Hedged price	US\$/oz	0	0	0	0	0
Non Current Liab	\$M	0.1	1.5	4.5	1.7	8.5	Hedged price	A\$/oz	0	0	0	0	0
TOTAL LIAB	\$M	2.7	9.1	114.0	244.1	179.4	Sales hedged	%	0%	0%	0%	0%	0%
NET ASSETS	\$M	22.9	22.0	27.1	36.5	120.7	Ave. deliverable price	US\$/oz	1673	1595	1300	1288	1263
SH/HLDRS FUND	\$M	20.4	22.0	27.1	36.5	120.7	Ave. deliverable price	A\$/oz	1,621	1,557	1,405	1,471	1,503
RATIO ANALYSIS							ASSUMPTIONS						
EPS	¢	(6.5)	(4.6)	4.0	7.4	66.5	Exchange Rate	A\$/US\$	1.03	1.02	0.93	0.88	0.84
PER	x	na	na	5.5	3.0	0.3	Exchange Rate	₹/US\$	0.54	0.54	0.52	0.50	0.50
EPS Growth	%	(10.5)	(29.5)	(188)	83.3	799.9	Gold Price	US\$/oz	1673	1595	1300	1288	1263
EBITDA per share	¢	-7.1	-4.4	8.1	18.4	127.0	Gold Price	A\$/oz	1621	1557	1405	1471	1503
EBITDA Multiple	x	-8.7	-5.3	2.7	1.2	0.2	Silver price	US\$/oz	33.18	28.82	20.00	19.00	17.50
EV/EBITDA	x	-8.1	-5.7	11.9	10.7	0.7	Iron ore - lump	JS¢/dmt	249.10	178.75	191.13	189.75	181.50
CFPS	¢	(4.0)	(4.4)	6.2	10.9	117.2	Iron ore - fines	JS¢/dmt	224.12	162.50	173.75	172.50	165.00
PCFR	x	na	na	3.6	2.0	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	10.4	349.5	606.4	64.7							
Interest Cover	x	10.1	2,258.1	3.8	2.9	18.0	Posse						
EBITDA Margin	%	na	(451.1)	41.1	52.7	57.6	Other						
EBIT Margin	%	na	(476.6)	37.9	49.2	48.4	Net Cash (Debt)						
Return On Assets	%	(31.2)	(18.8)	6.7	7.7	45.0	Total						
Return On Equity	%	(35.3)	(26.5)	18.8	25.7	69.8							
Eff Tax rate	%	0	0	27	34	34							

Source: Petra Capital

Petra Capital

Level 17, 14 Martin Place, Sydney NSW 2000

ABN 95 110 952 782

ACN 110 952 782

AFSL 317 944

Research (Res/Ind):	George Marias	+61 (0)2 9239 9601	gmarias@petracapital.com.au
Research (Resources):	Andrew Richards	+61 (0)2 9239 9605	arichards@petracapital.com.au
Research (Resources):	David Cotterell	+61 (0)2 9239 9630	dcotterell@petracapital.com.au
Research (Industrials):	Michael Henshaw	+61 (0)2 9239 9606	mhenshaw@petracapital.com.au
Research (Industrials):	Richard Amland	+61 (0)2 9239 9607	ramland@petracapital.com.au
Research (Industrials):	Mark Cotton	+61 (0)2 9239 9614	mcotton@petracapital.com.au
Research (Industrials):	George Kopsiaftis	+61 (0)2 9239 9618	gkopsiaftis@petracapital.com.au
Sales:	Frank Barila	+61 (0)2 9239 9603	fbarila@petracapital.com.au
Sales:	Richard Macphillamy	+61 (0)2 9239 9604	rmacphillamy@petracapital.com.au
Sales:	Shane Gavegan	+61 (0)2 9239 9616	sgavegan@petracapital.com.au
Sales:	Mark Innes	+61 (0)2 9239 9602	minnes@petracapital.com.au
Sales:	Daniel Gardiner	+61 (0)2 9239 9608	dgardiner@petracapital.com.au
Sales:	Jason Lal	+61 (0)2 9239 9619	jlal@petracapital.com.au
Sales:	Peter Veldhuizen	+61 (0)2 9239 9617	pveldhuizen@petracapital.com.au
Administration:	Larissa Falvo	+61 (0)2 9239 9611	lfalvo@petracapital.com.au
Administration:	Hayley Morris	+61 (0)2 9239 9610	hmorris@petracapital.com.au
Legal & Compliance:	Domenica Marias	+61 (0)2 9239 9612	dmarias@petracapital.com.au
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

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