

29 April 2014

Crusader Resources

CAS A\$0.26/share

Record quarter at Posse

BUY

CAS reported its best quarterly to date with Posse iron ore sales revenue of A\$5.7M (up from ~\$3.4M Dec quarter). The result reflects strong domestic demand combined with the positive impact of clearing stockpiled lump ore in January (\$0.7M). Posse generated free cashflow of \$1.9M, however cash at hand increased by \$0.8M after \$1.1M in payments on exploration and evaluation (primarily Borborema). The proposed equity investment of up to \$7M by the IFC is likely to be quarantined for work at Borborema, enabling cash on the balance sheet to grow as Posse progresses. CAS continues to trade at a significant discount to Posse NPV of A\$0.61/share and we maintain our BUY recommendation.

Posse Iron (100%) – record quarter

- Record quarterly sales revenue of A\$5.7M (Fig. 1).
- Operating costs have reduced to just \$9.50/t (Fig. 2).
- This is well below guidance of \$12.0/t.
- Low cost reflects improved mining and processing, low strip (0.5:1) & free digging ore.
- We assume sale prices of ~A\$80/t for the lump.
- Ore is sold at the mine gate to local smelters.
- Strong domestic demand continues to support prices.
- A study on upgrading the fines continues.
- Several options are being considered including third party toll treatment.
- Drilling is expected to recommence in May to better define the high grade haematite lenses.

IFC Proposed Investment

- IFC to invest ~A\$6.6M in CAS.
- Initial payment of A\$3.6M @ 29c/share.
- Additional payment of up to A\$3M via options at \$0.41/share.
- Investment subject to a 30 day disclosure period.
- Money is to be used to progress Borborema Gold.
- Investment highlights Borborema project qualities.
- Reserves equate to 1.6Moz, resources 2.4Moz.

Attractive multiples

- 2014 & 2015 PEs of 3.4x & 2.1x.
- 2014 & 2015 PCFs of 2.4x & 1.4x.
- Trading at a 57% discount to Posse NPV with no value assigned to Borborema.

Company Data

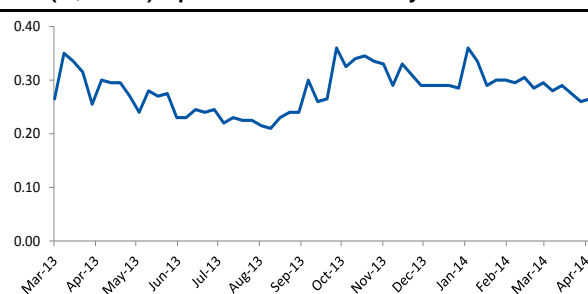
Shares – ordinary	126.6M
Unlisted Options (ex @ 34-135c)	14.9M
Total (fully diluted)	141.5M
Market capitalisation	A\$36.8M
12 month low/high	\$0.18/ \$0.38
Monthly turnover	\$1.2M
Monthly volume	4.7M

Financial Summary

Year end Dec	2013A	2014F	2015F	2016F	2017F
Revenue (\$M)	9.6	30.8	49.1	105.4	270.3
Costs (\$M)	17.2	16.9	19.7	46.4	122.3
EBITDA (\$M)	-7.6	13.9	29.4	59.0	148.0
NPAT (\$M)	-9.5	9.6	15.9	28.7	75.8
EPS (¢ps)	-7.5	7.6	12.5	22.7	59.9
EPS Growth (%)	na	>100	65	81	>100
PER (x)	na	3.4	2.1	1.1	0.4
Cashflow (Gross-\$M)	-3.5	13.5	24.0	43.7	127.0
CFPS (¢/sh)	-2.8	10.6	19.0	34.5	100.3
PCFPS (x)	na	2.4	1.4	0.8	0.3
Enterprise Value (\$M)	31	29	145	205.6	86.9
EV / EBITDA (x)	na	2.1	4.9	3.5	0.6

Substantial Shareholders	Shares (M)	(%)
Copulos Group	12.5	9.9%
Northcape	10.6	8.4%

CAS (A\$/share) – performance over one year



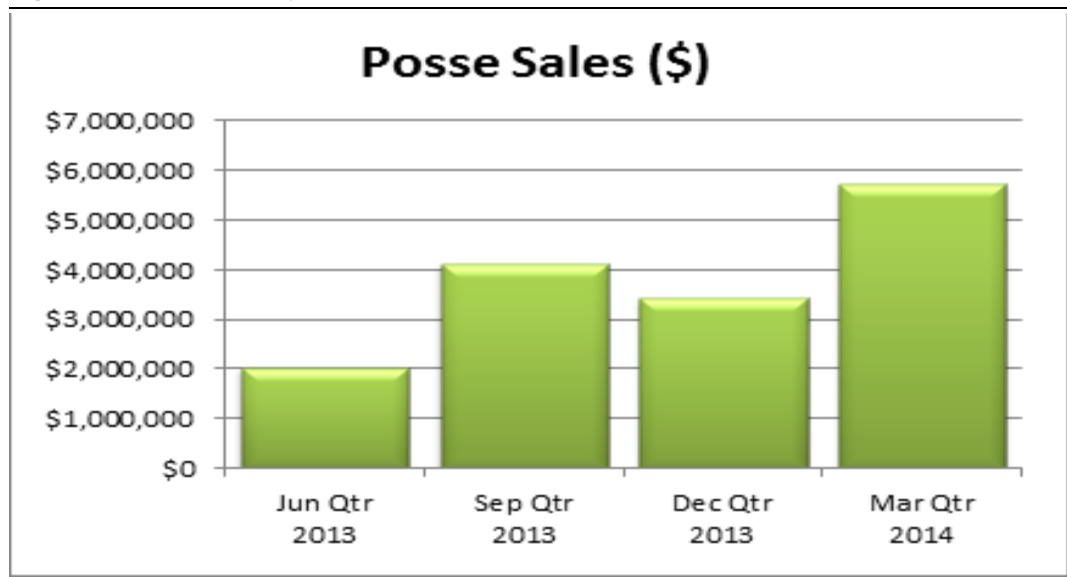
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Record iron ore sales revenue of \$5.7M achieved in the March quarter.

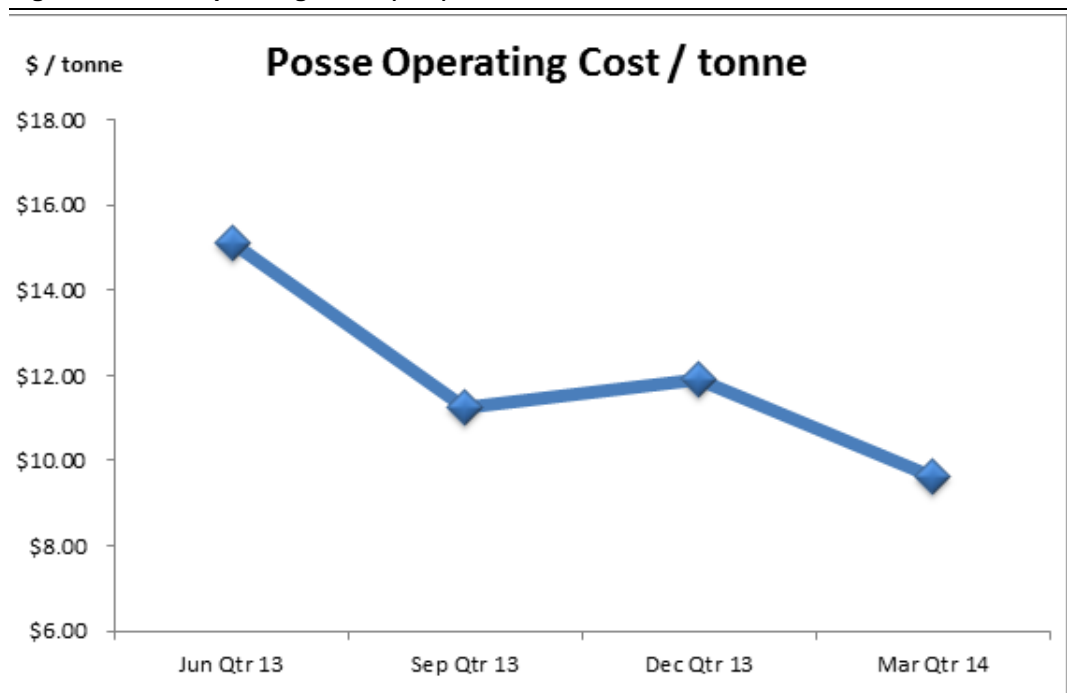
Figure 1: Posse Quarterly Iron Ore Sales (A\$M)



Source: Crusader Resources

Operating costs have continued to trend down reflecting optimisation of mining and processing.

Figure 2: Posse Operating Costs (A\$/t)



Source: Crusader Resources

Analysis

CRUSADER RESOURCES (CAS)						Share Price	(\$)	0.26									
29-Apr-14						Iss. Shares	(M)	126.6									
Year End 31 Dec						Unlisted Options	(M)	14.9									
A\$						Mkt Cap.	(\$M)	36.8 Fully diluted for ops									
PROFIT & LOSS	2013A	2014F	2015F	2016F	2017F	RESERVES & RESOURCES						2013A	2014F	2015F	2016F	2017F	
Sales Revenue	\$M	9.5	30.8	49.1	105.4	270.3	Reserves - Borborema										
Other Income	\$M	0.1	0.0	0.0	0.0	0.0	Tonnes	Mt	43.0	43.0	43.0	42	38				
Operating Costs	\$M	11.6	16.9	19.7	46.4	122.3	Grade - Au	g/t	1.20	1.20	1.20	1.20	1.19				
Exploration	\$M	4.1	0.0	0.0	0.0	0.0	Contained Gold	oz	1,658,979	1,658,979	1,658,979	1,617,183	1,456,429				
Other	\$M	1.5	0.0	0.0	0.0	0.0	Reserves - Posse										
EBITDA	\$M	(7.6)	13.9	29.4	59.0	148.0	Tonnes	Mt	7.5	6.5	5.5	4.5	3.5				
Dep. & Amort.	\$M	0.9	1.8	2.4	8.4	26.9	Grade - Fe	%	46.5	46.5	46.5	46.5	46.5				
EBIT	\$M	(8.4)	12.1	27.0	50.6	121.0	PRODUCTION (100%)										
Net Interest	\$M	0.8	0.1	3.0	7.1	6.2	Borborema										
Pre-Tax Profit	\$M	(9.2)	12.0	24.0	43.5	114.9	Ore Milled	Mt	0.0	0.0	0.0	1.0	4.0				
Tax	\$M	0.3	2.4	8.2	14.8	39.1	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	(9.5)	9.6	15.9	28.7	75.8	Gold Produced	oz	0	0	0	40,124	154,324				
Abnormal	\$M	0.0	0.0	0.0	0.0	0.0	Posse										
Reported Profit	\$M	(9.5)	9.6	15.9	28.7	75.8	Sales - Lump	Mt	0.15	0.34	0.34	0.34	0.34				
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	Sales - Fines	Mt	0.02	0.20	0.68	0.68	0.68				
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	REVENUE (attributable)										
Retained Earning	\$M	(41.0)	(31.4)	(15.5)	13.2	89.0	Borborema	\$M	0.0	0.0	0.0	60.4	230.5				
CASH FLOW							Posse	\$M	12.2	30.8	49.1	45.0	39.7				
Revenue	\$M	9.2	30.8	49.1	105.4	270.3	Other	\$M	0.0	0.0	0.0	0.0	0.0				
Costs	\$M	(12.4)	(16.9)	(19.7)	(46.4)	(122.3)	Total	\$M	12.2	30.8	49.1	105.4	270.3				
Net Interest	\$M	(0.1)	(0.1)	(3.0)	(7.1)	(6.2)	COSTS (attributable)										
Tax Paid	\$M	(0.2)	(0.3)	(2.4)	(8.2)	(14.8)	Cash costs (incl royalties)	A\$/oz	0	0	0	617	650				
Gross Cash Flow	\$M	(3.5)	13.5	24.0	43.7	127.0	Borborema	\$M	0.0	0.0	0.0	24.8	100.4				
Net Capex	\$M	(12.0)	(7.2)	(140.3)	(104.3)	(8.3)	Posse	\$M	7.1	12.2	14.7	16.7	16.9				
Exploration	\$M	0.0	0.0	0.0	0.0	0.0	Corporate / Other	\$M	4.5	4.7	5.0	5.0	5.0				
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	Total	\$M	11.6	16.9	19.7	46.4	122.3				
Other	\$M	0.0	0.0	0.0	0.0	0.0	CAPEX (attributable)										
Free Cashflow	\$M	(15.5)	6.3	(116.3)	(60.6)	118.7	Borborema	\$M	5.6	2.0	140.0	104.0	8.0				
Equity Issues	\$M	7.5	0.0	0.0	0.0	0.0	Posse	\$M	3.1	5.2	0.3	0.3	0.3				
Net Borrowings	\$M	5.0	0.0	125.0	65.0	(110.0)	Other	\$M	0.0	0.0	0.0	0.0	0.0				
Net Investments	\$M	0.0	0.0	0.0	0.0	0.0	Total	\$M	8.7	7.2	140.3	104.3	8.3				
Surplus Cash Flo	\$M	(3.0)	6.3	8.7	4.4	8.7	DEPRECIATION (attributable)										
BALANCE SHEET							Borborema	\$M	0.0	0.0	0.0	6.1	25.2				
Cash	\$M	2.1	8.4	17.1	21.5	30.2	Posse	\$M	0.9	1.8	2.4	2.2	1.7				
Other Current	\$M	2.0	15.4	19.6	17.9	27.0	Other	\$M	0.0	0.0	0.0	0.0	0.0				
Total Current	\$M	4.1	23.8	36.7	39.4	57.2	Total	\$M	0.9	1.8	2.4	8.4	26.9				
Fixed Assets	\$M	6.2	11.7	149.6	245.5	226.9	EBITDA (attributable)										
Exploration	\$M	20.4	15.0	10.0	8.0	6.0	Borborema	\$M	0.0	0.0	0.0	35.7	130.2				
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	Posse	\$M	5.1	18.6	34.4	28.3	22.8				
Other	\$M	0.2	0.2	0.2	0.2	0.2	Other (incl. writedowns)	\$M	0.0	0.0	0.0	0.0	0.0				
Total NC Assets	\$M	26.9	26.9	159.8	253.7	233.1	Total	\$M	5.1	18.6	34.4	64.0	153.0				
TOTAL ASSETS	\$M	31.1	50.7	196.5	293.1	290.3	HEDGING (attributable)										
Total Debt	\$M	4.2	4.2	129.2	194.2	84.2	Gold hedged	oz	0	0	0	0	0				
Current Liab	\$M	3.5	5.6	11.3	17.9	42.2	Hedged price	US\$/oz	0	0	0	0	0				
Non Current Liab	\$M	0.1	8.0	7.3	3.6	10.7	Hedged price	A\$/oz	0	0	0	0	0				
TOTAL LIAB	\$M	7.8	17.8	147.8	215.7	137.1	Sales hedged	%	0%	0%	0%	0%	0%				
NET ASSETS	\$M	23.3	32.9	48.7	77.4	153.2	Ave. deliverable price	US\$/oz	1595	1325	1275	1250	1225				
SH/HLDRS FUND	\$M	23.3	32.9	48.7	77.4	153.2	Ave. deliverable price	A\$/oz	1,557	1,472	1,500	1,506	1,494				
RATIO ANALYSIS							ASSUMPTIONS										
EPS	¢	(7.5)	7.6	12.5	22.7	59.9	Exchange Rate	A\$/US\$	1.02	0.90	0.85	0.83	0.82				
PER	x	na	3.4	2.1	1.1	0.4	Exchange Rate	3RL\$/US:	0.54	0.52	0.50	0.50	0.50				
EPS Growth	%	15.1	-201	64.7	81.0	164.2	Gold Price	US\$/oz	1595	1325	1275	1250	1225				
EBITDA per share	¢	-6.0	11.0	23.2	46.6	116.8	Gold Price	A\$/oz	1557	1472	1500	1506	1494				
EBITDA Multiple	x	-3.8	2.4	1.1	0.6	0.2	Silver price	US\$/oz	28.82	20.00	20.00	20.00	18.00				
EV/EBITDA	x	-4.1	2.1	4.9	3.5	0.6	Iron ore - lump	JS¢/dmtd	178.75	192.50	187.00	176.00	151.25				
CFPS	¢	(2.8)	10.6	19.0	34.5	100.3	Iron ore - fines	JS¢/dmtd	162.50	175.00	170.00	160.00	137.50				
PCFR	x	na	2.4	1.4	0.8	0.3	90 day Bank Bills	%	3.15	2.60	2.50	2.75	3.00				
DPS	¢	0.0	0.0	0.0	0.0	0.0	10 Yr Bond rate	%	3.29	4.00	3.50	3.25	3.50				
Yield	%	0.0	0.0	0.0	0.0	0.0	Interest Rate Charged	%	3.79	4.50	4.00	3.75	4.00				
Franking	%	0	0	0	0	0	VALUATION (fully diluted)						A\$M	A\$ps			
Payout Ratio	%	0%	0%	0%	0%	0%	Borborema					196.2	\$ 1.55				
Gearing D/E	%	8.8	na	229.9	223.0	35.2	Posse					77.5	\$ 0.61				
Interest Cover	x	na	131.6	9.0	7.1	19.6	Exploration					5.0	\$ 0.04				
EBITDA Margin	%	(79.6)	45.2	59.9	55.9	54.7	Corporate and Other					-17.1	\$ (0.14)				
EBIT Margin	%	(88.5)	39.4	55.0	48.0	44.8	Net Cash (Debt)					-2.0	\$ (0.02)				
Return On Assets	%	(27.1)	23.9	13.8	17.3	41.7	Total					259.6	\$ 2.05				
Return On Equity	%	(40.9)	29.3	32.5	37.1	49.5											
Eff Tax rate	%	0	20	34	34	34											

Source: Petra Capital

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US Investors

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