

Crusader Resources

Updating valuation post AIM IPO

AIM listing and fund raise complete

The Brazilian gold developer has recently completed an AIM IPO in addition to raising US\$5.0m. The admission to AIM is to provide an important platform for Crusader to further advance its portfolio of Brazilian projects, with the core of funds raised to be used for the completion of the BFS at Crusader's Borborema Project in Brazil. Please see our [initiation report dated 21 Feb 2018](#) for details.

Borborema to be advanced to production decision

The funds raised in the IPO together with the December 17 fund raise of US\$2.5m allow Crusader to take the Borborema Gold Project towards a decision to mine via the completion of the optimised 2.0 Mtpa BFS, expected by year end. Borborema is the key asset for Crusader with a substantial resource of 2.43 Moz @ 1.1 g/t and significant opportunities for optimisation with the previous BFS level work focusing on a suboptimal large-scale 4.2 Mtpa project. We view Borborema as a low risk project, with simple, well-understood geology, excellent infrastructure, access to cheap power and a skilled mining workforce. These factors give us a high degree of confidence in the project's economic viability and attractiveness to debt funders. Our financial model assumes average production of c.70 koz per year over 10 years for an upfront capital cost of US\$95m. Using a flat gold price of US\$1,300/oz, we generate a project NPV of US\$111.3m and an IRR of 28.6%.

Various options evaluated for Juruena

Crusader are currently reviewing their strategy for their advanced exploration stage Juruena property, located in Mato Grosso state. Juruena is a high-grade project with a total resource of 261 koz of gold at 6.5 g/t, including higher grade zones containing 206 koz at 14.7 g/t. Juruena features several different styles of mineralisation, however the structural geology at the property is not well understood at this stage and thus requires some more structural work. The focus for 2018 will be the geological review of Juruena and the nearby Novo Astro exploration property. Over the past 12 months significant interest has been expressed in the property and thus a JV with a large scale miner remains an option on the table for Crusader.

Valuation

We have updated our Crusader valuation for the recent fund raising and arrive at a sum of the parts for the Company's assets of US\$63.5m. Applying our NPV multiples we derive a valuation of GBP 12.5/sh, implying 318% upside to the current price.

Commencement of metallurgical testing at Borborema

Crusader has also announced the next stage of metallurgical testwork at Borborema with the main focus on investigating the removal of mica from the ore. This material consumes unnecessary power to grind to the required size and in our view there are significant capital and operating cost savings if mica can be removed at an earlier stage in the process flowsheet. In parallel, test work on dry stacking of tailings at Borborema will take place, completing the preliminary work undertaken during first pass 2.0 Mtpa optimisation.

Next Steps / Catalysts – projects moving closer to production

The key milestone in 2018 is the completion of the BFS on the optimised 2.0 Mtpa project at Borborema, which is expected towards the back end of the year. Results of Borborema metallurgical optimisation program, senior management appointments and news on Juruena geologic and strategic reviews also have the potential to act as a catalyst for the Company's shares.

Significant Discount to Peers on Resource/Reserve Ounces

Crusader currently trades at a very substantial discount to its global advanced exploration and development peer group, which mainly (but not exclusively) consists of pre-production gold juniors in Latin America and Africa with a resource base of over 1.0 Moz Au.

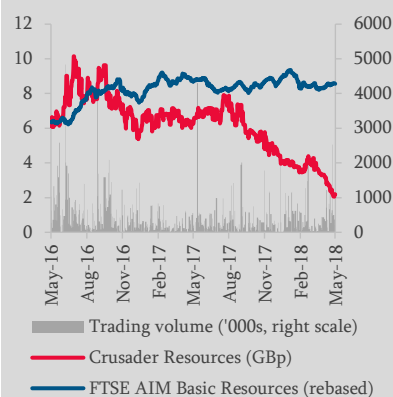
GICS Sector	Materials
Ticker	LON:CAS
Market cap 08-May-18 (£m)	14.1
Share price 08-May-18 (GBP)	3.05
Target price 31-Dec-18 (GBP)	12.50

318%

Upside from current share price to 12.5p price target

28.6%

Borborema IRR based on our financial model and \$1,300/oz gold price forecast



Note: CAS ASX-listed AUD price converted to GBP.

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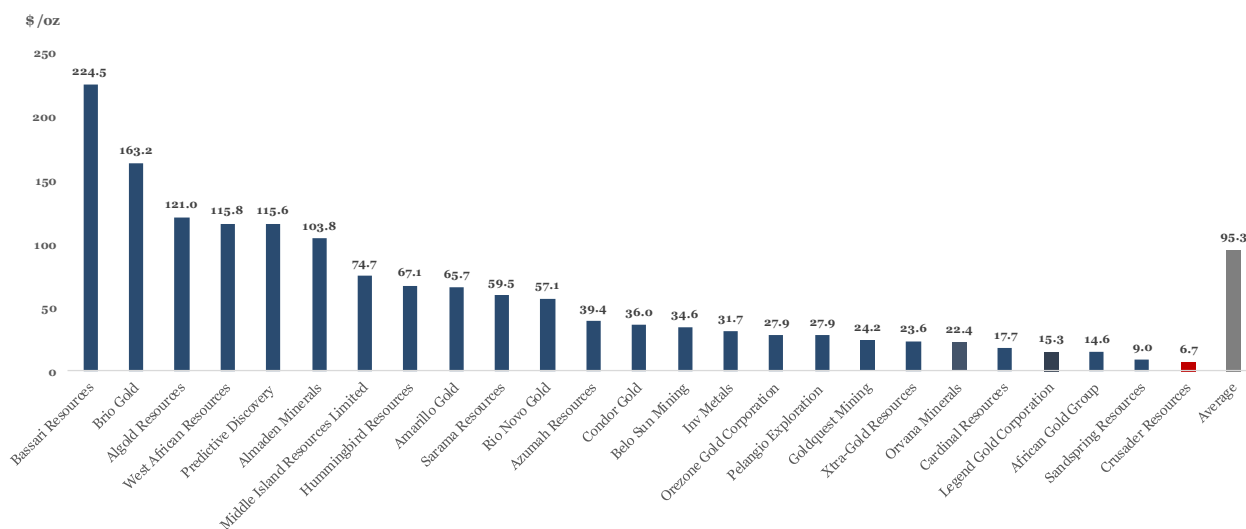
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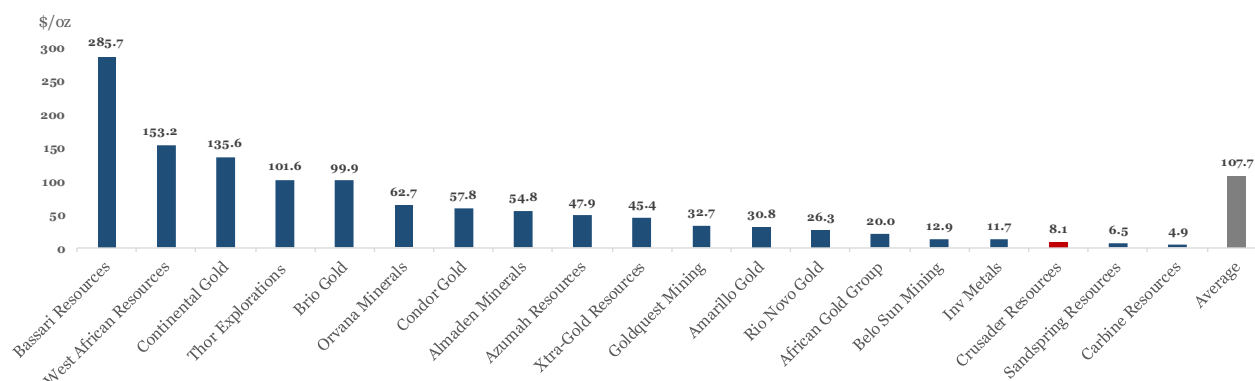
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Crusader EV/M&I Resource valuation versus peers



Source: SNL Financial.

Crusader EV/ Reserve valuation versus peers



Source: SNL Financial.

Crusader's in situ measured and indicated resources trade at only US\$6.7/oz, which is the lowest in its peer group and a c.92% discount to the peer group average of US\$95.3/oz. Crusader's reserves trade at US\$8.1/oz, which is also at c.92% discount to its peers. In our view, once the Borborema optimised BFS is completed, and the asset moves closer to production, this discount should narrow significantly.

Financial Summary

Income statement							
Year end December		2017	2018E	2019E	2020E	2021E	2022E
Revenue	US\$m	-	-	-	14.6	87.8	136.7
Cost of Sales	US\$m	-	-	-	9.0	45.3	57.3
Gross profit	US\$m	-	-	-	5.6	42.5	79.4
Administrative Expenses	US\$m	(1.3)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Exploration and Evaluation expense	US\$m	(0.1)	-	-	-	-	-
Depreciation	US\$m	(0.1)	-	-	(24.5)	(15.5)	(9.6)
Finance Cost/Income	US\$m	(0.4)	(0.3)	(3.0)	(5.8)	(5.8)	(5.8)
Other	US\$m	(0.1)	-	-	-	-	-
Pre-tax profit	US\$m	(4.3)	(2.9)	(5.6)	(27.2)	18.7	61.5
Tax credit/(paid)	US\$m	-	-	-	-	4.1	10.6
Profit after tax	US\$m	(4.3)	(2.9)	(5.6)	(27.2)	14.6	50.9
FX gains/losses	US\$m	(1.2)	-	-	-	-	-
Net profit	US\$m	(6.1)	(2.9)	(5.6)	(27.2)	14.6	50.9
Total income	US\$m	(6.1)	(2.9)	(5.6)	(27.2)	14.6	50.9
EBITDA		(4.2)	(2.9)	(5.6)	(2.7)	34.2	71.1

Ratios and per share data							
Year end December		2017	2018E	2019E	2020E	2021E	2022E
Yr end shares in issued	m	-	374.9	374.9	374.9	374.9	374.9
Revenue growth	%	-	0.0%	0.0%	0.0%	500.0%	55.6%
EBITDA margin	%	-	NM	NM	(18.5%)	38.9%	52.0%
Pre-tax ROIC	%	-	0.0%	55.2%	36.5%	(42.5%)	108.9%
ROE	%	-	(11.2%)	(28.2%)	369.8%	201.8%	87.6%
EPS	US\$/sh	-	(0.76)	(1.49)	(7.25)	3.89	13.57
EPS growth	%	-	NM	NM	NM	NM	249.1%
Free cash flow	US\$m	-	(6.0)	(95.3)	(37.2)	15.9	49.6
FCF/share	US\$/sh	-	(1.60)	(25.43)	(9.91)	4.25	13.23
Net debt/equity	x	-	0.1x	4.9x	(18.4x)	16.5x	1.2x
EV/EBITDA	x	-	NM	NM	NM	4.1x	1.3x
EV/Sales	x	-	NM	NM	10.8x	1.6x	0.7x
Net Debt/(Cash)	US\$m	-	2.5	97.9	135.0	119.1	69.5
EV	US\$m	-	25.0	120.4	157.5	141.6	92.0
Market Cap (Yr end)	US\$m	-	22.5	22.5	22.5	22.5	22.5

Metal price assumptions							
		2017	2018E	2019E	2020E	2021E	2022E
Gold	US\$/oz	-	1,300	1,300	1,300	1,300	1,300

Production volumes							
		2017	2018E	2019E	2020E	2021E	2022E
Gold	Moz	-	-	-	8.9	53.2	82.8

Cash Costs							
		2017	2018E	2019E	2020E	2021E	2022E
Total Cash Cost	US\$/oz	-	-	-	795	664	539
All in Sustaining Cost	US\$/oz	-	-	-	2,946	915	644
Cost per tonne	US\$/tonne	-	-	-	24	24	22

Cash flow statement							
Year end December		2017	2018E	2019E	2020E	2021E	2022E
Operating profit	US\$m	(3.7)	(2.9)	(5.6)	(27.2)	14.6	50.9
Depreciation	US\$m	-	-	-	24.5	15.5	9.6
Working capital change	US\$m	-	(3.1)	-	(2.4)	(12.6)	(9.2)
Other	US\$m	-	-	-	-	-	-
CFO	US\$m	(3.7)	(6.0)	(5.6)	(5.1)	17.5	51.2
Purchase of PPE	US\$m	0.5	-	(89.7)	(32.1)	(1.6)	(1.6)
Other	US\$m	(1.6)	-	-	-	-	-
CFI	US\$m	(1.0)	-	(89.7)	(32.1)	(1.6)	(1.6)
Net Borrowings	US\$m	3.0	-	65.0	-	-	-
New equity issued	US\$m	2.9	3.8	-	-	-	-
Other	US\$m	(0.1)	-	-	-	-	-
CFF	US\$m	5.9	3.8	65.0	-	-	-
Net change in cash	US\$m	1.1	(2.3)	(30.3)	(37.2)	15.9	49.6
Beginning Cash	US\$m	1.6	2.6	0.4	(30.0)	(67.1)	(51.2)
Ending Cash	US\$m	2.6	0.4	(30.0)	(67.1)	(51.2)	(1.6)

Balance sheet							
Year end December		2017	2018E	2019E	2020E	2021E	2022E
Cash	US\$m	2.6	0.4	(30.0)	(67.1)	(51.2)	(1.6)
Receivables	US\$m	0.2	-	-	3.0	18.1	28.1
Inventory	US\$m	0.0	-	-	1.2	6.2	7.8
Other	US\$m	0.4	0.4	0.4	0.4	0.4	0.4
Current Assets	US\$m	3.2	0.7	(29.6)	(62.5)	(26.6)	34.7
PPE	US\$m	0.2	0.2	89.9	97.5	83.6	75.7
Other	US\$m	28.1	28.1	28.1	28.1	28.1	28.1
Fixed Assets	US\$m	28.3	28.3	118.0	125.6	111.7	103.8
Payables	US\$m	3.3	-	-	1.9	9.3	11.8
Short Term Debt	US\$m	2.9	2.9	15.9	15.9	15.9	15.9
Other	US\$m	-	-	-	-	-	-
Current Liabilities	US\$m	6.2	2.9	15.9	17.8	25.2	27.7
Long term debt	US\$m	-	-	52.0	52.0	52.0	52.0
Other	US\$m	0.7	0.7	0.7	0.7	0.7	0.7
Non Current Liabilities	US\$m	0.7	0.7	52.7	52.7	52.7	52.7
Total Equity	US\$m	24.5	25.4	19.8	(7.4)	7.2	58.1

Reserves & Resources							
		2017	2018E	2019E	2020E	2021E	2022E
Attributable Resources (M,LI)	koz	-	-	-	2,701	-	-
Attributable Reserves (P,P)	koz	-	-	-	1,607	-	-

EV metrics							
		2017	2018E	2019E	2020E	2021E	2022E
EV/Resources	\$/oz	-	-	-	44.6	-	-
EV/Reserves	\$/oz	-	-	-	74.9	-	-

Estimated Net Asset Value (NAV/share)						
		\$m	P/NPV	\$m	US\$/sh	AU\$/sh
Borborema		\$111.3	0.5x	55.7	14.8	11.0
Total NPV		\$111.3		55.7	14.8	11.0
Juruena		\$12.5	1.0x	12.5	3.3	2.5
Working capital		\$2.1	1.0x	2.1	0.5	0.4
Corporate G&A (after-tax)		(\$6.6)	1.0x	(6.6)	(1.8)	(1.3)
NAV @ 10%		\$119.2		63.5	17.0	12.5

Current P/NAV	0.24x
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