

News

November 18, 2010

Crusader Resources Offers London Its Favourite Dish: Near Term Production, With Longer Term Upside

By Alastair Ford

Brazil's not a bad country in which to go mining. One of the mining world's biggest names, Vale, hails from that quarter. Slightly lower down the pecking order, one or two smaller companies have managed to go there in recent years and turn a tidy profit, notable amongst them [London Mining](#), which flipped an iron ore asset and made hundreds of millions of dollars. There's gold there too, as the likes of [Serabi Mining](#) and Magellan know well. Both are continuing on with exploration programmes that have shown real potential over the past couple of years, and both have enjoyed serious appreciation in the value of their shares in recent months.

In spite of all that, the country remains relatively under-developed in terms of its potential mining assets. Certainly, if you stack Brazil up against Australia, one of the world's other premier mining destinations, the difference is very marked. There are hundreds of mining companies operating on the ground in Australia, but in Brazil, notwithstanding the efforts of the trailblazing juniors mentioned above, there are only a handful. That's something that [Crusader's](#) David Archer and Rob Smakman know only too well.

As Aussies in Brazil they feel that they are in pole position to take advantage of a country with huge mineral potential, but which is still only just beginning to open up to really serious, modern exploration. Part of the delay, reckons David, has simply been that Brazil doesn't have an effective financial incubator in the way that the Australians have the ASX. Capital's thin on the ground, and all the mining know-how remains at the grass roots with the garemperos, or gets hoovered up by Vale.

But the early signs that a contingent of Brazil-focussed juniors might be developing into a proper junior sector, with all the usual mid-tier aspirations, are already there for all to see, in spite of the occasional obstacle thrown up by government bureaucracy. As it emerges, [Crusader](#) is likely to be well to the fore. The company is on the cusp of iron ore production from its small-scale Posse project, and would probably already be there if it hadn't been for some jiggery-pokery on the part of the relevant government agency. "The licence has been cancelled due to a policy change", says Rob Smakman succinctly.

But if that seems like a fairly bleak development, it's not as bad as all that. "Production will now start in the first quarter of next year", says Rob, "we hope". That optimism ought to be well founded, as the withdrawal of the licence was nothing to do with [Crusader](#), and everything to do with a change in government policy. So, quick on its feet, [Crusader](#) has adjusted its scheduling, and has now, instead, applied for a licence for the second stage of its Posse operation, which it hopes will bring production up to a run-of-mine million tonnes per year.

That in turn should produce a tidy cash flow of between A\$10 million and A\$15 million in the first year or so, as the company sells its high grade ore for good margin, processing it

through plant that's already been in place. Thereafter, a further cash injection will be needed to install gravity and magnetic separation capability at a cost of around A\$8 million, or A\$10 million, but, says Rob the cash flows will stay at the same sort of level. So, given a fair wind blowing the dust out of the corridors of government, [Crusader](#) ought to be in production within a month or six weeks, and generating serious cash.

That's a mouth-watering prospect in itself, but it's only half the story. The company also has a gold project that's moving on apace. On the latest numbers, Borborema boasts 839,000 ounces at a 0.5 grammes per tonne cut-off, and, as drilling continues, there should be more to come. "We're pushing it along strike, pushing it to depth", says Rob. "It's open to the south west and to the north east." The aspiration among the company's backers is that [Crusader](#) will be able to show 1.5 million ounces at Borborema by the first quarter of next year, and two million ounces by the end of the year. "By 2012", says Rob, "we'll be able to turn this into something real. At this stage it looks quite simple". And David Archer agrees: "We haven't been able to discover any major flaws", he says. "It'll be a conventional Aussie-style open-cut carbon-in-leach operation. We've got a nice sort of warm feeling about it."

So, not much to complicate anything really, at the moment, apart from government interference. But then Aussie miners know all about that anyway. And while the work on Borborema and Posse continues, Rob continues to keep his eye out for further deals. "We've already looked at an enormous number of projects", he says. "I've kissed a lot of frogs." But he's not alone in that in the mining world. And Brazil is a big country, with a huge amount of potential still on offer.