

Company Review

Ord Minnett Research

Crusader Resources Limited

Resource increased to 2.3 million ounces

Crusader Resources Limited (Crusader) has released an updated resource for its 100% owned Borborema Gold Project (Borborema) in Brazil. Borborema is Crusader's key focus with a pre-feasibility study (PFS) recently completed on the project and a bankable feasibility study (BFS) due to be completed in the second half of 2012.

- The JORC resource for Borborema has increased to 2.3 million ounces. Total resource is now 68Mt @ 1.06g/t gold at a 0.5g/t cut-off. The global grade of the resource has dropped substantially from the previous resource which had a grade of 1.3g/t gold.
- The reduction in overall grade of the resource is not unexpected though as released results over the past six months from strike extension drilling have been generally lower grade.
- The resource geometry is cigar like in shape with the central 1km of strike generally of higher grade than the overall global resource grade. This could result in an optimised BFS highlighting materially lower operating cost in the early years as opposed to the overall life of mine operating costs.
- The significant resource size of 68 million tonnes, although at a reduced overall grade provides alternative operating scenarios for Crusader to consider as part of the broader Bankable Feasibility Study.
- We have considered various throughput scenarios for the project to the effect we consider an optimised throughput now of 4mtpa (previously 3mtpa). Taking into account this throughput scenario and the recently released PFS we have revised our model which has resulted in changes to our valuation for Crusader including pushing out the timeline to production until Q1 2014 (calendar).

Our base case valuation for Crusader taking including a nominal value for the Posse iron ore project (without mining approval) is \$1.57 (previously \$2.00) per share. Should approval be granted for Posse this would increase our base case to \$1.70 per share. The equity diluted upside case valuation is \$2.30 per share (previously \$2.43). **We maintain our Buy recommendation with High Risk rating and an adjusted 12-month price target of \$1.95 per share (previously \$2.00).**

Key Financials

Year-end June (A\$)	FY10A	FY11E	FY12E	FY13E	FY14E
Gold Price (\$US/oz)	1,271	1,689	1,575	1,400	1,275
Sales Revenue (\$M)	0.0	7.1	35.1	101.6	295.3
Mining Op. Profit Before Tax ¹ (\$M)	(1.8)	4.7	22.8	55.8	150.2
Reported NPAT (\$M)	(8.8)	(2.9)	7.1	33.6	74.0
Normalised NPAT (\$M)	(8.8)	(2.9)	7.1	33.6	74.0
Reported EPS (¢)	(9.5)	(2.6)	3.3	15.7	34.5
Normalised EPS (¢)	(9.5)	(2.6)	3.3	15.7	34.5
Op. Cash Flow Per Shr (¢)	(3.2)	(1.0)	4.6	20.3	54.8
Total Dividends (¢)	0.0	0.0	0.0	0.0	0.0
Net Yield (%)	na	na	na	na	na
Franking (%)	na	na	na	na	na
EPS Growth (%)	na	na	-229%	374%	120%
Reported P/E (x)	nm	nm	29.6	6.3	2.8
Normalised P/E (x)	nm	nm	29.6	6.3	2.8
EV/EBITDA	nm	nm	8.9	4.6	0.9
Price/Op. Cash Flow (x)	nm	nm	10.9	2.5	0.9
Normalised ROE (%)	nm	nm	5%	19%	30%

Source: Iress, Company Data, Ord Minnett Est. Share price: \$0.98 December 9, 2011

CAS \$0.98

Recommendation
Buy

Risk Assessment
High

Resources – Gold and Iron Ore

Luke Smith

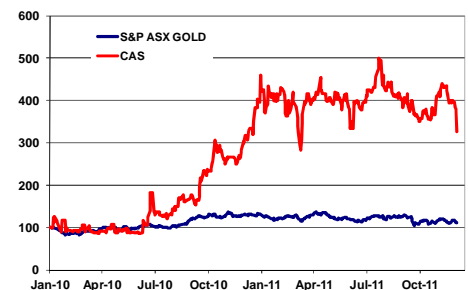
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Crusader Resources Limited

ASX Code	CAS
52 week range	\$0.25 - \$1.50
Market Cap (\$M)	108
Shares Outstanding (M)	110.1
Av Daily Turnover (\$M)	0.2
ASX All Ordinaries	4279
S&P ASX Gold	6823
Net Cash Sep11 (\$M)	18.9

Relative price performance



Source: Iress

Consensus earnings

	FY11F	FY12F
NPAT (C)	na	na
NPAT (OM)	na	na
Estimates	2	2

Source: Iress (only)

Borborema Gold Project

Resource Increase

Crusader Resources Limited (Crusader) has released an updated resource for its 100% owned Borborema Gold Project (Borborema) in Brazil. Borborema is Crusader's key focus with a Pre-Feasibility Study (PFS) recently completed on the project and a Bankable Feasibility Study (BFS) due to be completed in the second half of 2012.

- The JORC resource for Borborema has increased to 2.3 million ounces. Total resource is now 68Mt @ 1.06g/t gold at a 0.5g/t cut-off. The global grade of the resource has dropped substantially from the previous resource which had a grade of 1.3g/t gold.
- The reduction in overall grade of the resource is not unexpected though as released results over the past six months from strike extension drilling have been generally lower grade.

Pre-Feasibility Study

Crusader Resources Limited (Crusader) has recently completed a Pre-Feasibility Study on Borborema. Key results include:

- Estimated capital cost of US\$169 million (OML US\$150m) is slightly higher than expected but not significantly higher.
- Estimated operating cost of US\$558/oz for life of Mine (OML US\$579/oz) in line with our estimate.
- Metallurgical recovery slightly better than expected at 96% (OML 95%).
- Mine life of 9 years.

The resource increasing beyond 2 million ounces and 60 million tonnes provides further defining parameters for a Bankable Feasibility Study which will now commence. The optimised throughput will almost certainly result in a mine life beyond ten years and operating costs we estimate below US\$600/oz for a minimum of the first three full years of operation due to the geometry of the resource and grade variance within.

We have considered various throughput scenarios for the project to the effect we consider an optimised throughput now of 4mtpa. The throughput rate will take into account water and power availability, logistics, as well as capital versus operating cost pay-off for the project. Further infill drilling as well as extensional drilling will also feed into the optimisation of project size over the course of the next 6 months.

Taking into account this throughput scenario and the recently released PFS we have revised our model which has resulted in changes to our valuation for Crusader including pushing out the timeline to production until Q1 2014 (calendar) to be in line with the company's forecast. This push out in timing has reduced our overall valuation.

Outlook

The outlook for Crusader over the next 12 months we expect will include:

- March 2012: JORC Reserve
- March – July 2012: Exploration drilling results both Borborema and greenfields exploration
- July/August 2012: Bankable Feasibility Study

In addition Crusader is still expecting to finalise permitting for the Posse Iron Ore Project in early 2012 to allow production to commence.

Resource ounces have increased to 2.3 million ounces which is in line with our forecast.

The resource size of 68 million tonnes is now quite considerable allowing for a number of alternative throughput rates to be considered in the BFS.

Stock Drivers

OML considers the following factors are likely to be the principal drivers of the Crusader stock price over the next 12 months:

- Further gold resource growth and reserve at Borborema in first half of 2012.
- A positive bankable feasibility completed during the second half of 2012.
- Further metallurgical test work on Borborema confirming robust gold recoveries are achievable.
- Approval of environmental permit for Posse iron Ore project.

Major share price risks

Share price risks

OML identifies the major risks for Crusader as follows:

- Downgrades to Borborema resource through subsequent infill drilling
- Access to further capital and dependent of markets
- Further delays in regulatory approvals process for Posse
- Delays in studies and the approvals process for Borborema
- Operating costs being different to OML's forecasts
- Gold price and exchange rates moving adversely
- Regulatory changes adversely impacting the fiscal regime in Brazil.
- Adverse weather effects

Financial Statements

Crusader Resources Limited (CAS)

Year ending June

Profit & Loss Statement (\$M)	FY11A	FY12E	FY13E	FY14E	FY15E
Operating Revenue	0	7	35	102	295
Operating Expenses	(2)	(2)	(12)	(46)	(145)
Mining Operating Profit Before Tax ¹	(2)	5	23	56	150
Other Income - Asset Sales & Rent	0	1	5	3	2
Other Expenses	(7)	(8)	(12)	(7)	(7)
EBITDA	(9)	(3)	15	52	145
Depreciation & Amortisation	(0)	(0)	(1)	(6)	(22)
EBIT	(9)	(3)	14	46	123
Net Interest Income	0	0	0	(7)	(1)
Pre-Tax Profit	(9)	(3)	14	39	122
Tax Expense	0	0	(7)	(5)	(48)
Reported NPAT	(9)	(3)	7	34	74
Adjustments (after-tax)	0	0	0	0	0
Normalised NPAT	(9)	(3)	7	34	74
EBITDA Margin (%)	na	-42%	41%	45%	42%
Effective tax Rate (%)	0%	0%	51%	14%	39%
EPS Reported (cps)	(9.45)	(2.58)	3.31	15.68	34.52
EPS Normalised (cps)	(9.45)	(2.58)	3.31	15.68	34.52
EPS growth (%)	na	na	-229%	374%	120%
DPS - Total (cps)	0	0	0	0	0
Payout Ratio - Ordinary Divs (%)	na	na	na	na	na
Franking - Total (%)	na	na	na	na	na

Cash Flow Statement (\$M)	FY11A	FY12E	FY13E	FY14E	FY15E
Pre-Tax Operating Cash Flow	(3)	(1)	17	49	164
Tax Paid On Operating Activities	0	0	(7)	(5)	(48)
Operating Cash Flow	(3)	(1)	10	43	116
Exploration & Development	(6)	(8)	(4)	(2)	0
Property, Plant & Equipment	(3)	(0)	(53)	(151)	(10)
Tax Paid On Investment Activities	0	1	5	3	2
Other Investing Items	0	1	5	3	2
Investing Cash Flow	(8)	(7)	(51)	(150)	(8)
Inc/(Dec) in Equity	15	18	103	0	0
Dividends Paid	0	0	0	0	0
Financing Costs	(0)	(0)	0	0	0
Debt Draw down n/(Repayment)	0	0	0	55	(55)
Financing Cash Flow	15	17	103	55	(55)
Inc/(Dec) in Cash	4	9	61	(52)	53

Balance Sheet (\$M)	FY11A	FY12E	FY13E	FY14E	FY15E
Cash & Deposits	5	14	75	23	74
Receivables	0	1	5	13	36
Other Current Assets	0	1	5	13	36
Property, Plant & Equipment	2	1	53	198	256
Exploration & Development	10	15	18	20	21
Investments	0	0	0	1	2
Other Non Current Assets	0	0	1	1	3
Total Assets	16	33	156	269	429
Payables and other current Liabilities:	2	3	12	27	163
Short Term Debt	0	0	0	11	0
Long Term Debt	0	0	0	44	0
Other Non Current Liabilities	0	0	5	13	16
Total Liabilities	2	3	17	95	180
Total Equity	15	30	139	174	249
Net Debt (Cash)	(5)	(14)	(75)	32	(74)

Major Shareholders	Million	(%)	Date
Dundee Corporation	20.5	18.6%	Aug-11
Board	13.7	12.4%	Dec-11
Copulos Group	9.9	9.0%	Oct-11

Source: Crusader Resources Limited, Ord Minnett estimates.

Assumptions	FY11A	FY12E	FY13E	FY14E	FY15E
Gold Price (US\$/oz)	1,271	1,689	1,575	1,400	1,275
Brazilian domestic iron ore price (U	86	76	78	64	57
(+63% Fe lump product)					
US\$/A\$	0.96	1.08	1.06	0.97	0.88
Production Profile	FY11A	FY12E	FY13E	FY14E	FY15E
Borborema Gold Project					
Borborema Gold (koz)	0.0	0.0	0.0	49.9	182.1
Cash Cost incl royalty (US\$/oz)	na	na	na	520	509
Posse Iron Ore Project					
Posse Iron Ore (kt)	0.0	100.0	500.0	500.0	500.0
Cash Cost incl royalty (US\$/t)	na	24.52	24.83	24.57	30.37

JORC Resource Estimates	Status				
Reserves		Proved	Probable	Total	
Borborema Gold Project	Mine	na	na	na	
Resources (Includes Reserves)*	Measured	Indicated	Inferred	Total	
Borborema Gold (koz)	Expl.	-	1,201	1,110	2,311
Posse Iron Ore (mt)	Mine	5	31	36	

*As at 8 December 2011

Leverage	FY11A	FY12E	FY13E	FY14E	FY15E
Net Debt/Equity	nm	nm	nm	18%	-30%
Net Debt/Total Assets	nm	nm	nm	12%	-17%
Interest Cover (x)	nm	nm	nm	6.5	127.5

Valuation Ratios (x)	FY11A	FY12E	FY13E	FY14E	FY15E
Normalised P/E	nm	nm	29.6	6.3	2.8
Price/Op Cash Flow	nm	nm	10.9	2.5	0.9
EV*	nm	94	134	240	134
EV/EBITDA	nm	nm	8.9	4.6	0.9
EV/EBIT	nm	nm	9.3	5.2	1.1

* Enterprise value forecasts for each financial period inclusive of any forecast issued capital increases

Valuation	Base Case		Upside Case	
	\$M	\$ per share²	\$M	\$ per share²
Borborema Gold Mine	166	0.77	243	1.37
Posse Iron Ore Mine	10	0.05	44	0.25
Borborema Exploration	52	0.24	39	0.22
Lake Throssell	3	0.01	5	0.03
Corporate	(14)	(0.06)	(14)	(0.08)
Options	2	0.01	2	0.01
Cash	19	0.09	19	0.11
Forecast equity raised ³	98	0.46	69	0.39
Total	336	1.57	407	2.30

Valuation	Base: \$1.57	Upside: \$2.30
Discount of share price to valuation	60%	135%

Per share valuation sensitivity to:

+/- 10% move in gold price (LOM)	\$0.37
+/- 10% move in the US\$/A\$ rate	\$0.05

Current price	\$0.98
Recommendation	Buy
Risk rating	High
12-month price target	\$1.95

Notes: 1. Mining operating profit before tax is the direct mining contribution.
2. May not add because of dilution effects.
3. Including a forecast \$100m capital raising in 2012.

Please contact your Ord Minnett Adviser for further information on our document.

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Guide to Ord Minnett Recommendations

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital depreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock is undervalued and we expect it to exceed the total return by 15% over the next 12 months..
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock to return less than 0% and possibly as much as 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as High, Medium or Low, denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, volatility, nature of its operations and other relevant quantitative and qualitative criteria.

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