

Attention will turn soon enough to Brazil

Michael Quinn, 15 August 2012

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EMERGING gold developer Crusader Resources has like most of its gold peers been belted by the market in recent times, despite the reality being it has a big and growing multi-million ounce resource that's the subject of a nearly completed feasibility study and, all going to plan, production by as soon as late-2014. So when might the penny drop for investors?

It is a frustrating time for executive director Paul Stephen and, as always, a tough question to answer.

He believes a "game changer" could be publication in the next few weeks of the company's maiden reserve at its' Borborema project in north-east Brazil.

Then there are all the other typical milestones such as the feasibility completion, the financing in 2013, construction beginning and ending, and gold production commencing toward the back end of 2014.

And while there's obviously an element of arm-waving when it comes to numbers like cashflow et al pre the completion of a feasibility study, earnings of \$US140-150 million per annum are seen as deliverable by a conventional 150,000oz per annum opencut operation.

Another milestone could be the passing of three million defined ounces at the project, which is understood to be a strong possibility in the first half of next year.

Then there's the potential for exploration success with a recent management appointment in this regard highlighting the prospectivity seen of not only the significant ground position it holds in and around Borborema, but Brazil generally.

There's also a gold price that is strong in US-dollar terms and 'flying' in Real terms (Brazil's currency), as well as a fiscal regime far more enticing to miners than is the case elsewhere around an increasingly demanding global environment.

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And there's the long awaited approvals to being able to begin iron ore operations at another, much smaller NPV project (versus Borborema), elsewhere in Brazil.

All in all, a long list of reasons why there's expectations of better times ahead for those involved with Crusader.

Questions commonly faced by Stephen include the grade – which, fair to say, is less than spectacular – and a perceived lack of water. On the latter, he maintains there doesn't appear any great shortage on a regional basis, with Crusader needing to know Borborema's exact requirements before it can more clearly assess options and costs.

Regarding grade, Crusader can riposte with positives such as the thickness and continuity of the mineralisation, the favourable dip of the orebody, and the good geotechnical indications.

The point being, grade is but one part of the total mining, processing and production equation.

Meanwhile, Stephen believes a lack of recognition aka market valuation of Crusader and in particular Borborema could be due to its rapid emergence out of nowhere in the past 24 months.

Suffice to say the word is starting to spread.

This week Stephen had a conference call with an interested fund in New York that was active in South America but which had never previously heard of the company. The Crusader story will get a further airing to funds in North America next month when it is presented at a conference for smaller precious metal caps prior to the Denver Gold Conference.

The half dozen or so analysts that have looked at Crusader have target pricing on the stock (pre this week's capital raising), of between three and five-times recent trading levels, with further reports by Canaccord, Clarus and Macquarie said to be pending.

Ultimately the message can be distilled thus: Crusader is set to build a significant mine and a strong in-house operational team (Regis Resources style!) in a country where huge, untapped geological potential is on offer.