

Buy, Sell, Hold: Convergent, Crusader and Tiger Friday, 25 May 2012

COVERAGE initiated on Convergent; Macquarie rates Crusader as one to watch; and Tiger's resource upgrade garners analyst attention.

Convergent Minerals (CVG)

Analyst: Keith Goode, Eagle Research

Recommendation: Speculative buy

Target price: A10c

Thursday's close: 3.6c

Reason: Initiation of coverage following a March site visit

Comments: At 3.1c, its market cap is only about \$8 million and hence not even on the microcap radar screen. It is focusing on the open-cuts that supplemented the feed to the old Bounty mine that closed in 2002, due to poor hedging. CVG is mainly focusing on the Blue Vein open-cut with a view to having an underground operation. The Blue Vein orebody appears to have been the highest grade of the open-cuts, being mined to a depth of about 70m while producing 268,000t at 4.04gpt (about 35,000oz gold). Convergent has only been "going" since about February 2012 after it raised \$5 million for exploration purposes and has already announced intersections that it has made at Blue Vein such as 5m at 16.1gpt and 4m at 10.3gpt (from 220m below surface). It has started diamond drilling (off RC pre-collars), with encouraging sulfide drill core and is waiting for assay results. Apart from intersections from RC and diamond drilling, CVG has a target of releasing its own maiden resource on Blue Vein in the September quarter of 2012. Although the old Bounty goldmine is a defunct minesite, there remains significant infrastructure such as grid power, aided by sealed haul roads due to its proximity to Western Areas' Forrester nickel operations.

Crusader Resources (CAS)

Analyst: Macquarie Private Wealth

Recommendation: N/A

Thursday's close: 70.5c

Reason: Added to Macquarie's emerging resources watchlist

Comments: Crusader is an emerging gold developer focused on its primary project, the Borborema deposit in Brazil. That said, near-term cash flow is potentially underpinned by the Posse iron ore project, also in Brazil. Borborema is a 100%-owned, 2.3 million ounce resource that Crusader believes could be in production as soon as late 2014 and has potential for a +10 year mine life at about 150,000oz gold per annum. With the bankable feasibility study currently on track for a 2H 2012 completion, the scene is set for a consistent stream of newsflow on the project over the course of 2012. We visited Crusader's Borborema project with managing director Rob Smakman. We examined the potential size and scale of the project and gained an understanding of the existing infrastructure on site. We also gained an insight into the timeline and strategy for bringing Borborema into production. Posse, while not the primary focus

for Crusader, represents a potential source of funding for the company following the much awaited licensing approval. Posse currently has a 36Mt at 43.5% iron resource, and has the potential to produce about 900,000tpa of product for sale at the mine gate into the domestic iron ore market.

Tiger Resources (TGS)

Analyst: Gary Watson, Patersons Securities

Recommendation: Buy

Target price: 78c

Thursday's close: 30.5c

Reason: Kipoi resource upgrade

Comments: TGS released a resource update at its 60%-owned Kipoi project in the DRC. The update increased the measured and indicated categories at the Kipoi Central deposit from 375,000t copper (12.2Mt at 3.1% copper) to 525,000t copper (25.7Mt at 2% copper). The overall resource by contained copper at Kipoi Central decreased marginally from 637,000t copper to 607,000t copper. The overall in-situ ore tonnes at Kipoi Central decreased from 40.7Mt to 31.7Mt while the grade improved from 1.5% copper to 1.8% copper. The results from the 'priority 1' drilling program indicate the western extension of the Kipoi Central ore body is larger than expected. The high conversion rate of copper tonnes from the inferred category to measured and indicated provides increased confidence of a high conversion rate to reserve. The resource upgrade will underpin the stage 2 definitive feasibility study, which is due for completion in the September quarter. Further increases at the Kipoi Central deposit appears likely from additional drilling at the western extension. Additionally, more than 18,000m of diamond and 4000m of RC drilling will be completed during the June quarter to focus on Judeira and Simba Hill (Kipoi project) and Kampampala (Lupoto project), which are outside the current resource. We expect the June quarter drilling to significantly increase TGS's overall resource which stands at 1.01Mt copper metal. TGS has a \$13 million exploration budget for 2012.



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