

Crusader unveils merger plans



Crusader plans to merge with AIM-listed Stratex International in a bid to improve the chances of development of its gold projects, including Juruena

Crusader Resources Ltd plans to merge with an AIM-listed company in a bid to boost the chances of putting its Brazilian gold projects into production.

As delegates from various jurisdictions were mingling at Latin America Down Under last month, Crusader was hastily finalising a non-binding heads of agreement with Stratex International plc for the latter to acquire the ASX-listed junior via an all-scrip transaction.

If the proposed transaction is implemented, each Crusader share will be exchanged for 6.6 Stratex shares. The transaction values each Crusader share at 18c, a 56.5% premium on the 11.5c the company traded on May 17.

Both companies are expected to complete due diligence shortly, including legal, tax and other accounting analysis, with a binding scheme implementation agreement tipped to be signed in mid-June.

It is anticipated the merger could be formally completed in September.

Crusader executive director Paul Stephen said the merger paved the way for both the Borborema and Juruena gold projects to be developed, largely thanks to Stratex's healthy cash pot of £9 million (\$12 million).

"The biggest thing about this [transaction] is the ability to access the London capital markets and gaining access to larger pools of capital that are interested

in investing in Brazil," Stephen told **Paydirt**.

"Crusader winds up with a little over 80% of the newly formed company, so it's not really dilutive. At 11c/share, we're capped at around \$33 million, so \$12 million as a percentage of \$33 million, that's close to 30% dilution. I think it's a really remarkable deal for Crusader shareholders."

Crusader shares will continue to trade on the ASX until the transaction is completed, but it is the intention of both companies for the combined entity to maintain a dual listing thereafter.

Stephen said it was his company's belief an AIM listing would result in a re-rating for Crusader and its projects, given the Australian bourse tended to favour homegrown resources projects.

"It has been a challenge to get Australian investors to look at Brazil for a bunch of reasons, not the least of which is that many Australian companies have struggled to be successful over the long term in Brazil," he said. "Thankfully, we've been able to make a go of it."

Stratex is actively exploring for gold and base metals in Turkey, Senegal, Ghana and East Africa and boasts a share register featuring the likes of AngloGold Ashanti Ltd, Teck Resources Ltd and BlackRock Group Ltd.

Stephen and Crusader managing director Rob Smakman recently met with

Stratex chief Marcus Engelbrecht – a former chief financial officer for BHP Billiton Diamonds Inc and OceanaGold Corp – and both believe he would be a "good match" for the company.

"He has a very strong history of putting mines into production and running operating mines," Stephen said.

"We're now funded to push both projects forward, and funded in a really clever way that also introduces some new mining people to the company."

Crusader recently received a key environmental licence for Borborema and will now look to complete final engineering design work and a BFS during the second half of the year.

A feasibility study on Juruena is also due in the coming months as the company bids to put the project into development later this year before an anticipated first gold pour in 2018.

With Borborema and Juruena to dominate the focus of the new company, it remains unclear what the future holds for Crusader's Posse iron ore mine, 30km from Belo Horizonte.

More than \$36 million worth of iron ore products have been sold to domestic markets in Brazil since Posse was put into production in early 2013, with cash flow used to fund development of the gold projects.

– Michael Washbourne