

ASX Code: CAS

Market Cap: \$27.4M

Last Price: \$0.185

Andrew Muir | 30 April 2015

SNAPSHOT

There was little new in the MarQ report outside of a short update on Posse iron. All the gold results had been previously released and highlight the potential for a small but high grade gold operation at Juruena. Posse Iron remains marginally cash flow positive in the current environment thanks to a cost out program and an increase in efficiencies, however, overall the Company remains cash flow negative. Cash at the end of the quarter was \$1.4M, however, this was before the completion of the \$3.3M raising which was to be finalised in 2 tranches post the end of the MarQ.

We expect the gold exploration to be the main share price driver for CAS over the coming period demonstrating the potential for an economic gold project at Juruena. A key part of that news will be a maiden resource on the project which should give a good insight into the viability of the project, which may be undertaken in late 2HCY15. Whilst Pose Iron continues to generate small amounts of cash, the main value add remains the gold projects. We maintain our Speculative Buy

EVENT

Juruena gold exploration ongoing: Drilling continues at Juruena, with most exploration results in the MarQ report already having been released. However, CAS highlighted the acceleration of the drilling program via the addition of a diamond rig to supplement the onsite RC rig. To date, CAS has completed 6,465m of RC drilling and 1,087m of diamond. Drilling has been completed or underway at a number of prospects including Querosene, Crentes, Dona Maria and Capixaba

Better recent results (previously released) included:

- 8m @ 6.27 g/t Au from 80m
- 2m @ 17.62 g/t Au from 84m

There still remain many outstanding drill results with assays to flow over the coming weeks.

The Querosene drilling highlighted that the higher grade mineralisation is concentrated on the southern portion of the shear and extends further south than previously expected.

At Crentes, mineralisation is associated with sheeted quartz and sulphide veins and can return anomalous values for copper, silver, molybdenum, bismuth and tungsten. In addition, CAS believe that there may be multiple mineralised horizons

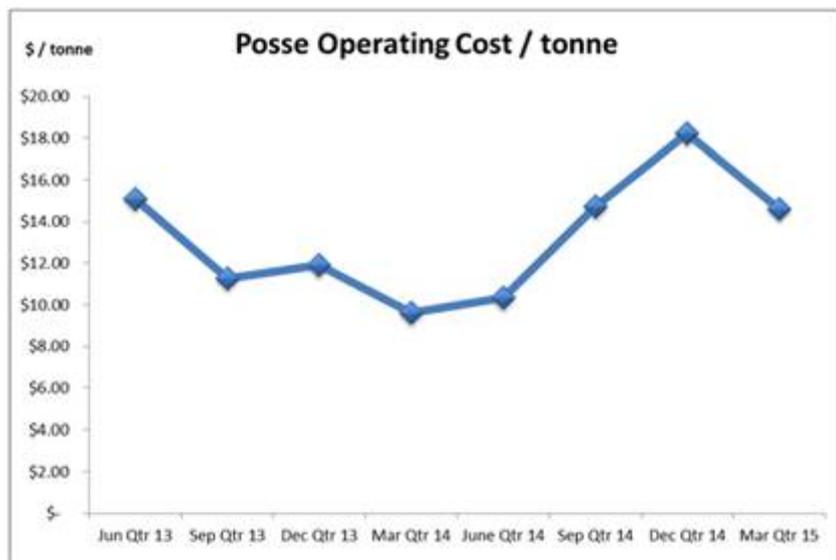
Juruena regional exploration: Work to date indicates that mineralisation at Juruena is closely associated with pyrite bearing phyllic alteration and association with magnetite destruction. This should enable the better use of ground and aeromagnetic surveys for regional exploration.

Borborema evaluation ongoing: Crusader is continuing to assess development options for Borborema incorporating Brazilian Real gold prices and the potential to re-size Borborema into a smaller project, requiring lower capital.

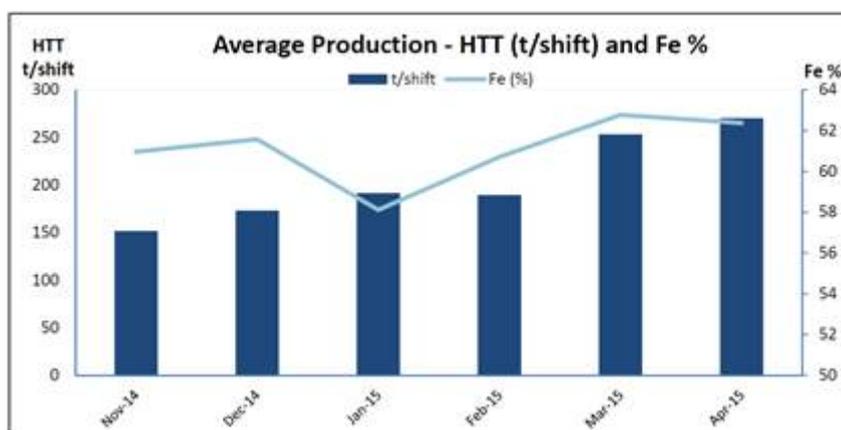
Posse still washing its face, but corporately cash flow negative: CAS has focussed on increasing volumes and cost cutting, allowing Pose to wash its face. No production details were released.

Sales revenue was \$2.1M with production costs of c.\$1.9M. However, overall cash went down by \$1.8M when taking into account other costs such as admin (\$0.6M), exploration (\$1.2M) and interest costs (\$0.1M), amongst others.

Unit costs fell to \$14.60/t from \$18.22/t via a cost out program as well as increases in productivity.



CAS indicated that demand for product strengthened during the quarter with January and February being seasonally low months the Company expects sales to strengthen further over the coming period. The Hematitinha (HTT) product has been the main revenue source with a significant improvement in quality being well received by customers, according to CAS.



INVESTMENT THESIS

The gold exploration continues to deliver good results, though at a slower pace than the market would like. We continue to see the gold exploration as the main value driver for the company with the market applying little value to Posse in the current environment, cost reductions notwithstanding. We retain our Dec-15 Price of 45cps, with the most upside potential from Juruena and its development potential. Once drilling is completed, we expect a maiden resource to give a good insight into the viability of the project. We maintain our Speculative Buy.

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