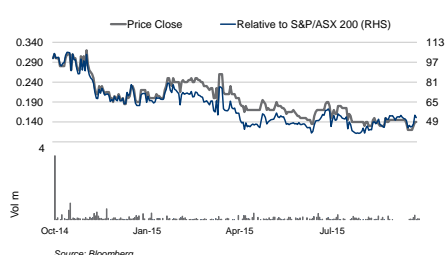


Crusader Resources

ADD (no change)

Current price:	A\$0.14
Target price:	A\$0.32
Previous target:	A\$0.32
Up/downside:	130.9%
Reuters:	CAS.AX
Bloomberg:	CAS AU
Market cap:	US\$16.12m
	A\$22.96m
Average daily turnover:	US\$0.00m
	A\$0.01m
Current shares o/s	164.0m
Free float:	60.0%



Price performance	1M	3M	12M
Absolute (%)	7.7	-17.7	-53.3
Relative (%)	12.3	-9.7	-48.2

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Maiden Resource at Juruena

- CAS reported a maiden resource at its Juruena project in Brazil of 234koz Au at a grade of 5.6g/t Au. The resource contains a higher grade component at the Querosene and Dona Maria prospects of 179koz at 12.1g/t Au which we feel is a strong start at building a small but high grade resource inventory.
- The resource has similarities to other operators with narrow high grade resources that have successfully operated at 50-80kozpa with orebody geometries similar to this. The value upside will be securing a low cost processing plant to commercialise the asset.
- We maintain our Add recommendation and target price of \$0.32ps.

Juruena maiden resource

The initial resource at Juruena is relatively small at 1.3Mt @ 5.6g/t Au for 230,000oz. It's a good base to build from and we see further expansion of the resource inventory since most of the drilling across the Querosene, Dona Maria and Crentes prospects was limited to within ~150m of surface and remains open at depth. Mineralisation is associated with narrow shear zones in quartz veins and is roughly less than 4m in width.

A high grade core shows the potential

Within the main resource is a high grade core at Dona Maria and Querosene of 460Kt @ 12.1g/t for 179,000oz Au. This looks extremely encouraging and could form the basis of a small-scale start-up operation. We think this resource could easily double in size if CAS pushed its drill holes down to 200-300m. Metallurgical test work has confirmed that Querosene returns excellent recoveries >90% which is encouraging early stage data for a potentially low-cost start-up operation.

Comparable to its peers

The initial resource of 234koz is small by comparison with other players in the gold sector but in relative terms, Juruena shows remarkable similarities in grade and width to Troy Resources' (ASX.TRY) Andorinhas project nearby which produced 232koz over 7 years and was acquired with a resource of just 126koz and had project cash flow of US\$26m over the life of mine. Juruena drilling to date has focused on near surface <150m mineralisation and we argue that a deeper targeted drill program plus the acquisition of a low cost ~250ktpa processing plant could be a significant near-term value catalyst for the company.

A transition to production

Clearly the value upside for CAS is to advance production studies at Juruena. The potential for a 250ktpa operation treating high-grade underground Querosene and Dona Maria ores supplemented with open pit Crentes lower grade material could result in a 30-50kozpa operation reasonably easily dependent on the cost of locally available processing infrastructure. We also await further drilling to assess the depth extents of the existing mineralised zones and the results of metallurgical work at Dona Maria and Crentes. We maintain our Add recommendation and DCF-based price target of \$0.32ps.

Financial Summary	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (A\$m)	2.01	16.94	15.05	15.05	15.05
Operating EBITDA (A\$m)	-7.13	0.19	0.52	1.52	1.52
Net Profit (A\$m)	-7.40	-3.96	-0.32	0.52	1.47
Normalised EPS (A\$)	(0.052)	(0.029)	(0.003)	0.003	0.010
Normalised EPS Growth	(48%)	(44%)	(89%)	NA	244%
FD Normalised P/E (x)	NA	NA	NA	50.73	14.74
DPS (A\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	107.2	38.4	12.7	11.6
P/FCFE (x)	NA	NA	NA	36.07	13.00
Net Gearing	3.82%	2.85%	0.84%	(2.05%)	(8.14%)
P/BV (x)	0.80	0.82	0.83	0.81	0.76
ROE	(30.7%)	(16.7%)	(1.9%)	1.6%	5.3%
Normalised EPS/consensus EPS (x)			-0.32	0.14	0.48

SOURCE: MORGANS, COMPANY REPORTS

CAS Financial Data

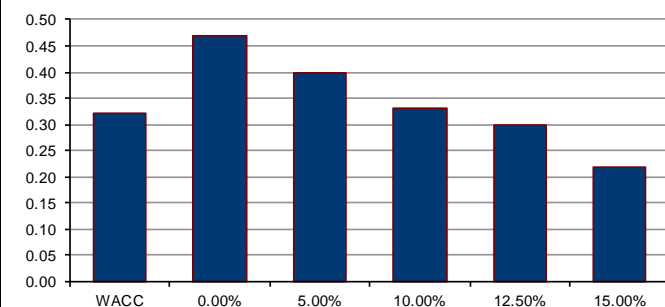
Year to 30 Jun (A\$m)	AIFRS	AIFRS	AIFRS	AIFRS	AIFRS
Income statement	2013A	2014A	2015F	2016F	2017F
Divisional sales	2.0	16.9	15.0	15.0	15.0
Total revenues	2.2	17.3	15.0	15.0	15.0
EBITDA	-7.1	0.2	0.5	1.5	1.5
Depreciation & amortisation	-0.3	-1.3	0.0	0.0	0.0
EBIT	-7.5	-1.1	0.5	1.5	1.5
Net interest expense	0.0	-1.5	-1.0	-1.0	0.1
Pre-tax profit	-7.4	-4.0	-0.4	0.6	1.8
Tax expense	0.0	0.0	0.1	-0.1	-0.3
Abnormals - pre-tax	-0.1	0.1	0.1	0.1	0.1
NPAT	-7.5	-3.8	-0.2	0.7	1.6
Abnormals - post-tax	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Reported NPAT	-7.4	-4.0	-0.3	0.5	1.5

Growth ratios	2013A	2014A	2015F	2016F	2017F
Sales growth				0%	0%
Operating cost growth				-7%	0%

Cash flow statement	2013A	2014A	2015F	2016F	2017F
EBITDA	-7.1	0.2	0.5	1.5	1.5
Cash flow from operations	-6.9	0.5	-0.5	0.5	1.5
Capex	-1.4	-4.2	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	-1.4	-4.2	0.0	0.0	0.0
Incr/(decr) in equity	7.9	4.0	0.0	0.0	0.0
Incr/(decr) in debt	5.0	-0.1	0.0	0.0	0.0
Ordinary dividend paid	0.0	0.0	0.0	0.0	0.0
Other financing cash flow	-0.4	0.0	0.0	0.0	0.0
Cash flow from financing	12.5	3.9	0.0	0.0	0.0
Incr/(decr) cash	4.3	0.1	-0.5	0.5	1.5
Equity FCF	-8	-4	0	1	2

Balance sheet	2013A	2014A	2015F	2016F	2017F
Cash & deposits	2.7	3.4	2.9	3.5	5.0
Inventory	0.3	0.9	0.5	0.5	0.5
Investments	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	2.0	1.7	1.7	1.7	4.7
Other assets	25.3	24.8	23.0	23.0	21.0
Total assets	32.2	32.0	30.6	31.4	33.9
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Long-term borrowings	3.6	4.0	3.1	2.9	2.9
Interest bearing debt	4	4	3	3	3
Provisions	0.1	0.7	0.0	0.4	0.4
Total liabilities	7.3	7.7	6.7	6.9	8.0
Share capital	55.3	58.0	58.0	58.0	58.0
Other reserves	0.0	0.0	0.0	0.0	0.0
Retained earnings	-38.8	-44.8	-45.1	-44.6	-43.1
Total equity	24.9	24.3	23.9	24.5	25.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total shareholders' equity	24.9	24.3	23.9	24.5	25.9
Total liabilities & SE	32.2	32.0	30.6	31.4	33.9

Valuation sensitivity to discount rate (A\$/share)



Price target (A\$)	0.32		
Valuation (A\$)	\$ 0.32		
Valuation summary	A\$m	A\$ps	DCF valuation inputs
Posse Iron	22.7	0.14	Rf 5.25%
Borborema Gold	20.0	0.12	Rm-Rf 6.00%
Options	2.0	0.01	Beta 0.97
Exploration (Jurueña)	10.0	0.06	CAPM (Rf+B) 11.0%
Total operations	54.7	0.33	Tax rate (t) 15.8%
Net debt / cash	0.3	0.00	WACC 9.97%
Corporate Overheads	-2.0	-0.01	Shares 164.0
Total valuation	53.0	0.32	

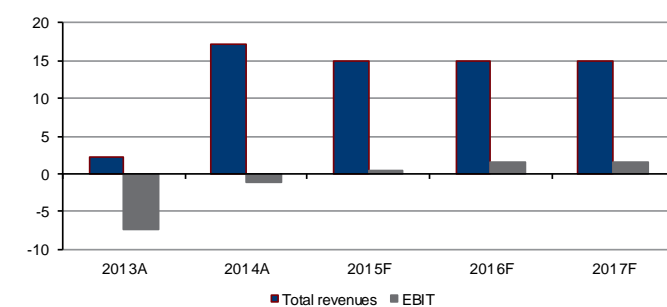
Production (koz)	2014A	2015F	2016F	2017F
Iron ore production (kt)	0.0	0.3	0.3	0.3
Cash costs (US\$/t)		12	12	12

Key assumptions	2014A	2015F	2016F	2017F
USD / AUD exchange rate	0.91	0.75	0.80	0.80
Iron ore price (US\$/t) local sales price	0	48	48	48

Per share data	2014A	2015F	2016F	2017F
No. shares	1415	1415	1415	1415
EPS (cps)	-0.03	0.00	0.00	0.01
EPS (normalised) (c)	-0.03	0.00	0.00	0.01
Dividend per share (c)	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0%	0%	0%	0%
Dividend yield (%)	0%	0%	0%	0%

Operating performance	2014A	2015F	2016F	2017F
EBIT growth	#N/A	192%	0%	0%
NPAT growth	-92%	#N/A	163%	163%
Normalised EPS growth	-89%	#N/A	244%	244%
Asset turnover (%)	53%	48%	49%	46%
EBITDA margin (%)	1%	3%	10%	10%
EBIT margin (%)	-7%	3%	10%	10%
Net profit margin (%)	-24%	-3%	3%	9%
Return on net assets (%)	-8%	2%	5%	4%
Net debt / (cash) (A\$m)	0.7	0.2	-0.5	-2.1
Net debt/equity (%)	3%	1%	-2%	-8%
Net interest/EBIT cover (x)		1.5	-1.5	-1.2
ROIC (%)	-4%	2%	6%	6%

Total revenues and EBIT (A\$m)



SOURCE: MORGANS RESEARCH, COMPANY

Key points of interest

Juruena maiden resource

The initial resource at Juruena of 1.3Mt @ 5.6g/t Au for 230,000oz of gold was built on existing drilling from the previous owners since the acquisition of the project in mid-2014. CAS has targeted mineralisation at Querosene, Dona Maria and Crentes prospects initially since these areas had a larger drill database and had been actively mined previously.

Numerous other prospects in the region still require testing, but the initial phase of drilling was designed to focus on achieving a maiden resource that is a good base to build from.

CAS maiden resource sets a base to build a high-grade inventory that could lead to a near-term production scenario.

Figure 1: Juruena maiden resource

Prospect Name	Resource Category	Lower cut-off	Metric Tonnes	Au (g/t)	Ounces
Dona Maria	Inferred	2.5 g/t	196,300	11.8	74,700
Querosene	Inferred	2.5 g/t	263,500	12.3	104,100
Sub-total high-grade ounces			459,800	12.1	178,800
Crentes	Inferred	1.0 g/t	846,450	2.0	55,100
Total Combined Inferred Resources			1,306,250	5.6	233,900

SOURCE: COMPANY

A high-grade core shows the upside

CAS has outlined higher grade zones within the maiden resource. The Dona Maria and Querosene prospects have a combined resource of 460kt @ 12.1g/t Au for 179koz of gold. Ore zones at both prospects remain open at depth with limited drilling along the 950m gap between the two areas.

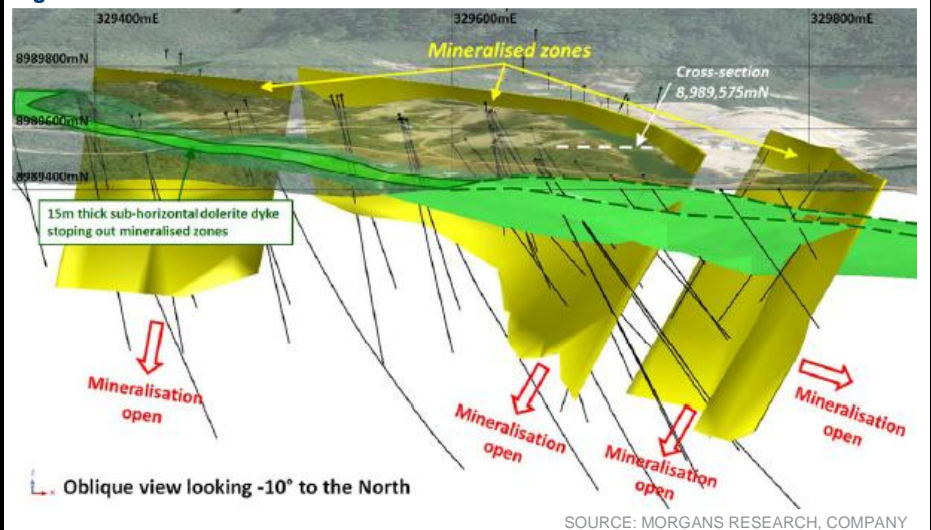
We see further expansion of the resource inventory since most of the drilling across the Querosene, Dona Maria and Crentes prospects was limited to within ~150m of surface and remains open at depth. Mineralisation is associated with narrow shear zones in quartz veins and is 1-4m in width.

Open at depth

The Querosene, Dona Maria and Crentes prospect mineralised zones remain open at depth. Importantly the presence of a thick sub-horizontal dolerite dyke has effectively discouraged activity by local artisanal miners below this level and it remains largely untested. We view this as a significant potential upside for resources in the region.

Querosene ore zones are open at depth and offer the potential for high-grade extensions to current resources. The thick blanket of dolerite in the upper areas has limited artisanal mining activity which we view as a key positive.

Figure 1: Querosene mineralised zones

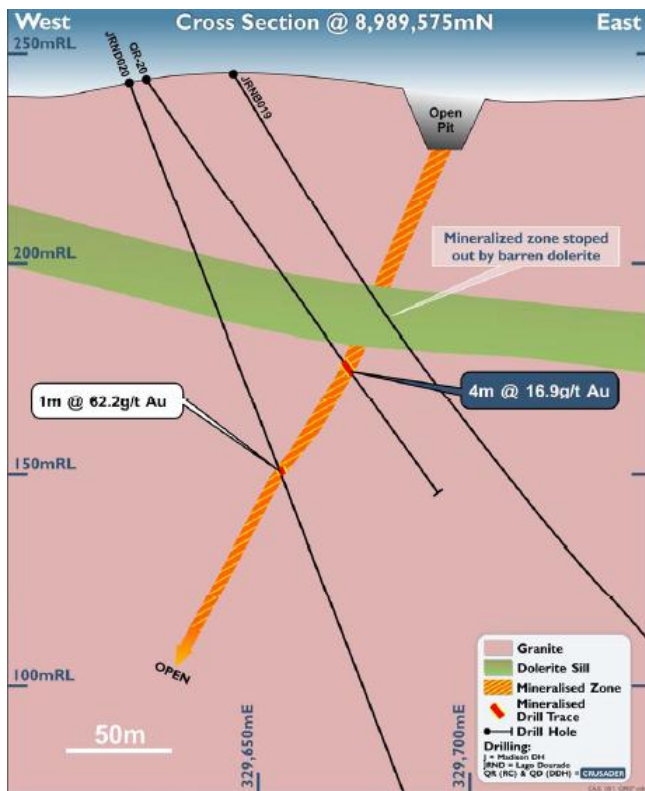


SOURCE: MORGANS RESEARCH, COMPANY

High-grade underground potential

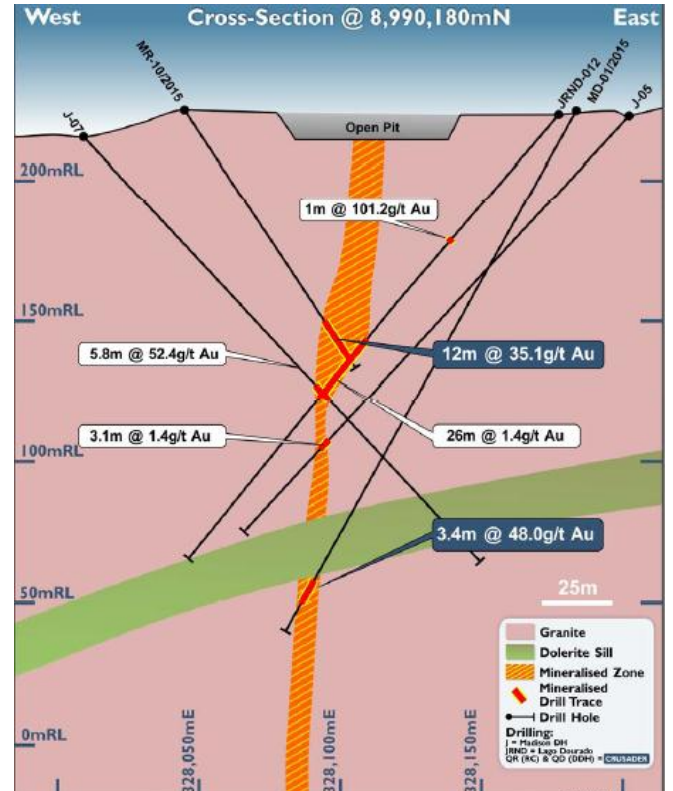
The ore shoots at Querosene and Dona Maria persist at depth and remain open. Further drill testing of these zones could see an increase to the mineral resource inventory. Both prospects exhibit high grade but narrow mineralisation with best results of 3.4m @ 48g/t Au and 5.8m @ 52.4g/t Au. Drilling has defined mineralisation down to 100-150m below surface and deeper drilling could see an increase to the resource inventory if mineralisation persists. The current mineralisation style lends itself to reasonably simple underground mining methods.

Figure 2: Querosene prospect ore zones



SOURCE: COMPANY

Figure 3: Dona Maria prospect ore zones



SOURCE: COMPANY

Comparable to other peers

We argue that Juruena has comparable width and grade to similar operations in Brazil such as Troy Resources' (ASX.TRY) Andorinhas project. The project was acquired by TRY with a resource of 126koz and has since generated 232koz of gold over a 7 year mine life and generated US\$25.7m in project cash flow. Doray Minerals (ASX.DRM) also exhibits similar orebody geometry and grade at its Andy Well project. CAS requires further ounces to have confidence in a longer term operation, but we see production of 50-80kozpa as possible from these operations using a small 250ktpa processing plant.

Valuation

Our valuation remains unchanged at \$0.32ps. We have previously ascribed a value of A\$10m to the Juruena project. The enterprise value per resource ounce valuations in the gold sector based on our research suggests ~A\$15-A\$20/oz is being paid for in-ground resources and this would initially suggest the current 220koz gold resource would be valued at around A\$3m. We forecast the resource will increase significantly with deeper and extensional drilling so we remain comfortable with our current value on the project.

We make no changes to our forecasts and we await further drilling and metallurgical test work at Juruena. In accordance with our recommendation structure, we maintain our ADD recommendation and our price target of A\$0.32ps. Risks to our price target include not being able to achieve stated production targets at Posse or limited upside in resources at Juruena.

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