

HILLSIDE ATTRACTION: REX MOVES BASE TO ADELAIDE TO TAP COPPER RICHES



FitzGERALD

The \$900m project should hearten the SA government

It is a rare thing for Ballarat to lose an ASX-listed company's head office, and just as rare for the fly-over capital city of Adelaide to be picking it up. But that is what is happening with the decision by Rex Minerals (RXM) to relocate to Adelaide as a precursor to the development of its Hillside copper-gold-magnetite project on South Australia's Yorke Peninsula.

As it stands, Hillside is the biggest copper project getting readied for the starting stalls in the country, thanks to expected annual copper output of 70,000 tonnes for at least 15 years, along with handy amounts of gold (50,000 ounces annually) and magnetite (1.3 million tonnes annually).

It will be an open-cut mine which, because of its location and easy access to infrastructure, should be capable of producing its copper in a robust \$US1.10-\$US1.20 a pound sort of range.

It will be welcomed with open arms by the SA government, which is still hurting from BHP Billiton's recent decision to walk away from the \$30 billion expansion of the Olympic Dam project. BHP's decision should also make Rex's development all that much easier when it comes to accessing the skills and equipment needed to get Hillside up and running.

That's because, as another SA copper producer, OZ Minerals, put it yesterday, the mining cost bubble in SA was well and truly popped by BHP's move.

Now none of that is reflected in Rex's market value, not yet anyway. At yesterday's closing price of 83c, Rex was being valued at about \$156 million against which it was holding cash at the end of June of \$70m. Compare that with Pan Aust (\$2bn), Wayne McCrae's Cudoco (\$880m) and even OZ Minerals (\$2.5bn), and it's clear

Rex has some work to do in convincing the market that Hillside is the real McCoy.

As luck would have it, Rex is not far off from beginning that journey. It will start off with the release, expected within the next couple of weeks, of a pre-feasibility study into the development. It will take to a higher order of certainty the broad scale of Hillside outlined in a previously released scoping study. That pointed to a \$900m development at the sort of production rates referred to earlier. That would be followed up with a reserve statement that would clear the way for financing to be pinned down sometime next year.

If all goes according to plan, construction could start in 2014, and first production could follow in 2015. The \$900m price tag in the scoping study rattled some punters in the past. But the reality is that on a cost-per-annual-tonne

basis, Hillside could be as much as 30 per cent cheaper than the world average for new copper projects of all descriptions.

Unlike Olympic Dam, Rex will not have to first remove 400m of soil on top of the Hillside orebody to begin mining. It also won't have to build a desalination plant, a power plant, and so on. That's getting back to Hillside's key strength — its proximity to existing infrastructure. It is within a two-hour drive of a city with a population of 1.2 million people, otherwise known as Adelaide.

Crusader Resources (CAS)

BRAZIL-FOCUSED Crusader Resources is another junior that will begin the journey up the value curve as the hopes and dreams of becoming a producer finally begin to take shape.

First up, probably early next month, Crusader will announce a mining reserve for its Borborema gold project. It is expected to be well north of one million ounces (from a current resource base of 2.4 million ounces) and means that some hard numbers can be plugged into a bankable feasibility study, expected by the end of the year, into a 150,000 ounce-a-year development.

Assuming robust cash costs of production of about \$US750 an ounce, and Crusader's ability to tap into the greatly improved debt market for gold projects, Crusader could be heading towards first production in the first half of 2014 after expenditure of \$US220m to \$US250m. Like Rex, Crusader's current market value of \$64m (51c a share) makes for an interesting comparison with other ASX-listed gold developers.

Remember that as there are lots

of highly priced gold stocks out there with lots of "resources" but no mineable reserves, the November release of a reserve statement by Crusader could well kick the stock out of its slumber.

Failing that, its Posse iron ore project could provide the spark.

There have been more false dawns on Posse getting the all-clear from the authorities than there have been Brazilians on Copacabana beach at any given time.

But it is all dressed up and ready to go — once the final approvals are in. There are rumours that it could be imminent. Best to wait on that one. What is known is that there is nothing for Posse in Crusader's share price.

TNG Limited (TNG)

NORTHERN Territory specialist TNG Limited (TNG) has more on the go than most companies of its

size, with a revolutionary and Chinese-backed vanadium-titanium-iron project called Mount Peake clearly one to watch for the longer term.

But for pure near-term excitement, it is TNG's recent entry in to copper exploration at its Mount Hardy project that has got the punters sitting upright.

A taste of that came with TNG's recent share price run to 12.5c on news that rock chip samples with peak grades of 35 per cent copper (plus zinc, lead and gold) had been returned from fieldwork on coincident electromagnetic targets.

That's all well and good. But the real test of Mount Hardy's potential will come from the end of a drill bit.

That is about to happen with drilling at Mount Hardy expected to get under way by the end of the month. It will be closely watched. TNG last traded at 11c.