

ASX Release: 31 July 2019



ABN 12 124 960 523

Quarterly Activities Report for the period ended 30 June 2019

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HIGHLIGHTS

- The Program for Environment Protection and Rehabilitation (PEPR) for Rex Minerals' flagship asset, the Hillside Copper-Gold Project, was lodged with the South Australian Government on 24 June 2019.
- Rex Minerals has signed a Heads of Agreement to complete due diligence and finalise commercial terms to acquire the 'exciting' Hog Ranch Gold Project in Nevada, USA.
- Hog Ranch offers Rex Minerals' investors immediate exposure to the gold sector in a proven destination for successful gold exploration, discovery and production.
- While back in South Australia, a bipartisan approach in State Parliament sees considerable progress towards reform of the SA Mining Act.

CORPORATE

Hog Ranch Heads of Agreement

Rex Minerals (Rex or the Company) has executed a non-binding Heads of Agreement (HOA) to complete due diligence and finalise commercial terms to acquire Hog Ranch Group Pty Ltd (HRG) and the Hog Ranch Gold Project in Nevada, USA.

The Rex Board considers that this investment into highly-prospective gold mining tenements/claims in a mining friendly jurisdiction is an attractive, strategic fit with our flagship asset, the Hillside Copper-Gold Project in South Australia. In a world with significant growing global uncertainty, reflected increasingly in complex sovereign risk layering, Rex is able to leverage our skills and proven excellence in exploration and discovery with our knowledge of the gold sector, diversifying our commodity spread and geographical risk.

An investment in Hog Ranch offers Rex investors immediate exposure to the gold sector in one of the world's most well-endowed gold regions. Nevada is a proven destination for successful gold exploration, discovery and production. The Hog Ranch Gold Project, more specifically, provides camp-scale opportunities for small and large low-grade surface projects in addition to exciting high-grade underground epithermal deposits.

The Hog Ranch Gold Project has produced approximately 200,000ozs of gold. As part of its mining history, Hog Ranch was owned and operated by Western Mining Corporation from 1988-1994.

Extensive historical near-surface exploration, including the work from WMC, has included a drilling database of over 2,575 drill holes. The assay results identified in the historical drill hole database have highlighted the presence of a large blanket of low-grade gold mineralisation previously considered uneconomic at a time when the gold price was circa US\$350 an ounce. Rex is in the process of completing an initial Mineral Resource estimate, based on this large historical database.

The non-binding HOA allows Rex exclusivity, through to 30 September 2019, to complete due diligence and finalise commercial terms required to prepare formal documentation to allow Rex to acquire HRG via a scrip offer being made to HRG shareholders.

HRG is an Australian private company formed in 2013 which has an exclusive Mining Lease with Purchase Option over the Hog Ranch Gold Project. HRG has eight shareholders including the CEO and CFO of Rex.

The opportunity was presented to Rex by the CEO. The Rex Board has created an independent sub-committee to formally consider the details of the transaction and Offer Terms. Any shares issued to the CEO as part of this transaction will be subject to shareholder approval.

SA Mining Act

Rex is pleased to note that, subsequent to quarter end, the South Australian Parliament passed the Statutes Amendment (Mineral Resources) Bill – (SA Mining Act Amendments Bill) through the House of Assembly (Lower House). Rex, the South Australian Chamber of Mines & Energy and the industry generally, have consistently supported this bill because it provides a range of improvements including a remodelled land access regime for both landholders and the industry.

We are hopeful that this bipartisan approach to reform by the SA Government and Opposition will continue through the Legislative Council (Upper House) without amendment. We also note that bipartisan support for the collective sovereign rights of South Australians to continue to have access to minerals remains firm for the potential growth of the State.

Rex continues to support the minerals development industry's efforts to work constructively with stakeholders to support a modernisation of the SA Mining Act, which will include a review of the approvals process and land access. It is hoped that these efforts will restore some of the certainty within the exploration industry within South Australia.

HILLSIDE PROJECT

Program for Environment Protection and Rehabilitation (PEPR)

Understandably, there is a great deal of interest in our progress in working with the SA Government on the PEPR. Following years in gestation, including extensive community consultation, the PEPR was submitted to government in February 2018.

Quarterly Activities Report

Since then, Rex has worked closely with the government's Department for Energy and Mining (DEM) and other agencies in ensuring that we capably and competently address matters raised by government. The next milestone in this process has now been completed and Rex's PEPR is before government for determination. The completion of this updated PEPR has included an independent peer review for flaws as well as reformatting of the document for clarity and readability. Given the high level of regulator engagement, it is anticipated any further comments will be minor and will provide for a rapid amendment and approval of the PEPR.

Once the PEPR itself is approved by the regulator, Rex can embark upon the final land access agreements (including any waivers).

The process from here

The Hillside Copper-Gold Project is Rex Minerals' flagship asset. To date, the approval process for the Project's PEPR has taken more than five years at a cost exceeding \$15M.

Below is an update of the process which is intrinsically linked to the delivery, consideration and approval of the PEPR.

Our priorities remain:

- Complete the PEPR and then the remaining land access agreements;
- The ongoing revision of the 2015 Extended Feasibility Study (more simply now known as the Australian Feasibility Study – AFS) will be finalised once certainty of the PEPR approval is received;
- Use all this information to allow informed consideration by the Rex Board to determine financing and decision-making in respect of the go-ahead to build the Hillside mine.

Community Engagement

Rex continues to engage and meet with a variety of community members, businesses and other stakeholders around the Hillside Project and more broadly on the Yorke Peninsula.

During the recent updates to PEPR documentation, Rex has quantified its engagements with community and stakeholders, dating back to August 2013 (ie: the approximate date of submission of the Mining Lease Proposal) through to the current time.

In total, Rex has had 549 communications, consultations and engagements since this time to cover updates, progress reports, interactions, and community and individual feedback on plans and information regarding the Hillside Project. Of these, 325 were local Yorke Peninsula engagement meetings and communications, including but not limited to:

- 98 with local landowners / residents;
- 84 with the Hillside Mine Community Voice (HMCV) and its working groups and members (including a predecessor community group);
- 38 with local councils, staff and progress associations;

Quarterly Activities Report

- 31 with local businesses, service organisations and education groups (including schools);
- 24 meetings or communications with regional MPs or candidates;
- 22 public meetings, hosted by either the HMCV or Rex Minerals, including site tours; and
- 9 with local agronomists, agricultural and landcare groups.

In line with Rex's Social Management Plan (submitted to the SA Government and made public in September 2017) and its Community Engagement Plan, the Company will continue to meet with and update the local community, stakeholders and the broader industry about its plans for safe and effective mine construction and operations as well as the opportunities in employment and business that this Project will create.

COMMODITY MARKET INSIGHT

In the period since our last Quarterly Report (30 April 2019), the copper price has fallen from US\$2.88/lb to around US\$2.68/lb which, by even a cursory glance of the state of the current and projected market balance, has analysts questioning how long bearish sentiment can defy the reality of the underlying fundamentals.

One of Wall Street's most highly-regarded research and brokerage firms, Bernstein, summed up the copper price's abandonment of fundamentals towards sentiment as "an apparent violation of economic theory."

In a very recent report, it said in explanation: "The first half of 2019 saw the continued unusual phenomenon in the copper market with the copper price remaining positively rather than negatively correlated with declining terminal market inventories. Put another way, this meant that the copper price fell despite supply-demand fundamentals of the industry holding steady."

Bernstein went on to say: "... industry fundamentals must, eventually, win out over sentiment. Once the level of available inventory falls ... the relationship between the copper price and supply-demand fundamentals must dominate all other factors. We believe that continued demand growth for copper implies the need for higher prices to generate the required investment."

It concluded: "There must come a point at which sentiment moves to reflect the fact that there is a genuine scarcity of metal and that the opportunity cost of not having access to copper is larger for the real economy than it is for those who are using the metal as a speculative proxy for global growth or political risk or whatever else they might want to use it for."

The Swiss-based commodities trading group specialising in non-ferrous raw materials, Transamine, reminds us in its July 2019 report that "there is only limited new copper mine supply coming on line," adding, for lead-time supply-demand context in the current and future pricing environment, that "... copper premiums in China have started to edge higher."

Australian-based ANZ Banking Group builds on the China focus (especially for steel, but having broader implications) by reporting that "... Chinese demand is set to receive a boost from policy measures designed to protect economic growth," adding that "... supply side issues are having a bigger impact on commodity markets."

Quarterly Activities Report

Speaking to the online Mining News specialist news service about the broader issue of a US-China trade dispute and the related issues surrounding copper, one CEO of an Australian ASX company made the sage observation in respect of copper: “It’s not about demand – it’s really about supply destruction.”

Morgan Stanley, in its popular Commodity Thermometer assessments, summarised the copper market as “continued high rates of supply disruption counter(ed) a weaker demand outlook to drive the market into deficit in 2019 – we remain bullish into year-end,” adding that while gold has risen to the top of the MS Commodity Thermometer, “. . . we also remain bulls on copper, which still features a supply-driven market sentiment.”

In a separate report, Morgan Stanley provides a near-term and timely perspective when it says “. . . unlike a year ago, copper’s balanced market is turning to deficit and by Q4, supply losses may be too substantial for the market to overlook, bringing fresh price upside into the end of the year.”

The final, and perhaps most sobering, word for this Quarterly Report comes from Macquarie Wealth Management which says there is a significant short- and medium-term downside risk to base metal price forecasts, with all base metals trading below their short-term forecasts, adding that the “most significant of which are lead, tin and copper . . .” Having said that, Macquarie WM rates copper as one of its three “5-year winners,” along with EV battery metals and uranium, tagging copper as “stable demand versus underperforming mine supply growth.”

Tenement Schedule for the quarter ending 30 June 2019

Tenement	Location	Lease Status	Area Type	Current Area	Date
EL5508	Moonta South	Granted	km ²	74	04/11/2019
EL5683	Moonta South	Granted	km ²	21	09/06/2020
EL5981	Moonta South	Granted *	km ²	122	22/06/2019
EL6100	Moonta South	Granted	km ²	94	16/01/2020
EL6136	Moonta South	Granted	km ²	185	19/03/2020
EL6143	Moonta South	Granted	km ²	104	15/04/2020
EL6189	Moonta South	Granted	Km ²	354	01/08/2019
EL6245	Moonta South	Granted	Km ²	1,168	01/08/2019
ML6438	Hillside	Granted	Ha	2,998	15/09/2035
EML6439	Hillside	Granted	Ha	225	15/09/2022
MPL146	Hillside	Granted	Ha	94	15/09/2035

* Renewal documentation submitted to the SA Government and currently being processed

CORPORATE INFORMATION

ASX Code: RXM

Issued Share Capital 30 June 2019

Ordinary Shares	287,234,215
Options on Issue (Unquoted)	15,824,017

Share Price Activity for the 30 June 2019 Quarter

Low	4.7c
High	7.4c
Last (30 July 2019)	6.1c

Share Registry

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Rex Minerals Ltd

ABN

12 124 960 523

Quarter ended ("current quarter")

June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(157)	(1,386)
(b) development	-	-
(c) production	-	-
(d) staff costs	(472)	(1,770)
(e) administration and corporate costs	(271)	(1,281)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	94
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (one-off lease incentive payment, net of return of rental bond - YTD)	(484)	(251)
1.9 Net cash from / (used in) operating activities	(1,365)	(4,594)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(12)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(4)	(12)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,373
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	187
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(215)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	3,345

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,092	3,984
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,365)	(4,594)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	3,345
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,723	2,723

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,723	4,092
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (current quarter should equal item 4.6 above)	2,723	4,092

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
162
-

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(425)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(452)
9.5 Administration and corporate costs	(325)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(1,202)

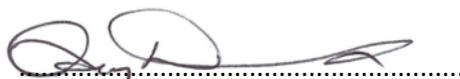
Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



 Company Secretary

Date: ...31 July 2019

Print name: KAY DONEHUE

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.