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ASX Release: 31 January 2017

Quarterly Activities Report - for the period ended 31 December 2016

ASX Code: RXM

Cash on hand: A\$3.94M

Shares on Issue: 220.5M

Options on Issue: 16.8M
(Unquoted)

Market Capitalisation:

A\$14.11M (at 6.4cps)

Share price range in quarter:

4.3c to 5.8c

Website: www.rexminerals.com.au

HIGHLIGHTS

- Rex Minerals held its Annual General Meeting on 25 November 2016, with both resolutions for consideration receiving strong shareholder support and approval.
- Key messages from the AGM included:
 - A comprehensive explanation of the value components that characterise Rex Minerals;
 - An insight into the development challenges at the Hillside Copper-Gold Project; and
 - An understanding of strategy options and considerations.
- Also during the quarter, Rex Minerals maintained its community and government engagement programs.

During calendar year 2016, Rex Minerals (Rex) continued to work on improving the costs identified in the Extended Feasibility Study (EFS) results for a stand-alone Hillside Project with an initial 13+ year mine life at a processing rate of 6Mtpa (what we describe as the Initial Project).

While we are aware of the emerging shoots of recovery in the global copper market, we are naturally cautious and of course, the timing and magnitude of the correction is beyond our control. For more detail, see pages 2-4 of this report.

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Rex has progressed the Program for Environment Protection and Rehabilitation (PEPR) in and around the Hillside Project to secure and maintain our development license to operate. Rex has not only intensified engagement with the community but, perhaps more importantly, has also made efforts to improve the quality of dialogue.

During the quarter, the key activities within Rex's community engagement program on the Yorke Peninsula of South Australia (SA) were, on request of the HMCV, participation in a public meeting organised to convey the work they were undertaking to focus on PEPR inputs and the provision of additional information to the SA Government.

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CORPORATE

The Annual General Meeting of shareholders of Rex Minerals (Rex or the Company) was held on 25 November 2016. Two resolutions were under consideration, and both were approved with strong shareholder support.

While the complete Chairman's Address is available on the Rex website and via its lodgement with the ASX, we provide the following extract:

To understand our strategy, it is important to appreciate how the Directors characterise the major value components of the Company.

We see Rex Minerals' "value package" as comprised of several elements.

The basis of Rex's value package is our large Mineral Resource at Hillside of 337Mt @ 0.6% copper and 0.14g/t gold, equating to approximately 2.0Mt of copper and 1.4Moz of gold.

The Initial Project would capture approximately 24% of the total Mineral Resource, with scope within the existing design for expansion of both the open pit and processing plant to capture the large Mineral Resource that exists at Hillside.

The EFS results indicated that the Initial Project can yield a 14% internal rate of return (IRR) based on a US\$3.00/lb copper price, US\$1,250/oz gold price and a long-term exchange rate of AUD:USD \$0.70.

Beyond the Initial Project, with further commodity price improvements there are significant extensions to the copper-gold deposit, both open pit and underground. At some point in the future – if or when iron ore prices exceed A\$90 per tonne – Rex will have the option to process the iron ore which will be pre-crushed and stored in the Hillside tailings facility.

In addition, Rex is enhancing its strong resource base in two very significant ways.

First, Rex has taken the approval process for the Initial Project to an advanced stage. Second, Rex is working hard to engage in an open and effective manner with the local and regional groups on Yorke Peninsula, and the broader community.

In addition to these elements of our value package, Rex also owns a number of valuable, prospective exploration tenements in South Australia, which have the potential for additional copper discoveries and provide Rex with an opportunity to add significant value to the Hillside Project.

The challenge we face is to ensure that we retain for shareholders the maximum amount possible of this value package while having full regard for the requirements of all our stakeholders.

We believe that the best way to realise this value is to continue to progress the development of the Initial Project. In this regard, we remain confident that our capital and operating costs are well founded and conservative in that we can expect better outcomes when we enter the active development phase of the Initial Project.

One major obstacle to the Company's capacity to finance the Initial Project in the near term is the state of the commodity and exchange rate markets over which we have no control.

Quarterly Activities Report

Thus, your Directors are pursuing a financing strategy that we believe will allow us to move to the development phase of the Initial Project as soon as the market recovery emerges.

The heart of this strategy is to seek providers of funds who are prepared to recognise Rex's value, having already factored in the market recovery.

Our current share price clearly does not reflect Rex's value package. It barely reflects cash backing and is not a basis for funding the Initial Project.

Consequently, we have been discussing various development strategies with potential partners including offtake, EPC contractor, and strategic and joint development partnerships. Many of these parties are prepared to take a longer-term view on such a strategic metal as copper and to base their analyses of our value package on the copper prices and exchange rates that they expect to face when the Project is developed.

In short, we are looking for potential partners who have a more bullish view of the copper market and are prepared to value appropriately the access to the Initial Project as well as the access to our broader and significant Hillside asset base and its potential to deliver beyond the known Mineral Resource.

Our cash balance is sufficient for the medium term. However, given our confidence in Rex's value package, we will not rush into pursuing overly-expensive financing options even if our preferred strategy takes longer than we expect.

HILLSIDE PROJECT

Community Engagement

In early October, the Hillside Mine Community Voice (HMCV) held a public meeting to inform the local and regional community about the work of the representative community group and, in particular, the HMCV Working Groups established to provide input into the Program for Environment Protection and Rehabilitation (PEPR) which is planned to be submitted by September 2017. Rex is continuing to work with the HMCV to encourage community input into the key areas of the PEPR.

Rex has provided additional information to the South Australian Government's Department of State Development in support of the Company's previous submission regarding the revised Hillside Project.

The Company continued to provide information regarding the Project to the HMCV and directly to local landowners, businesses and other local stakeholders. Rex recognises that during the busy harvest season and tourist period on the Yorke Peninsula in recent times, landowners and local businesses have other key priorities and hence there was reduced direct community contact during this period. Meetings with the HMCV and community will recommence during late January/early February.

At the Hillside site, the lease farmer of Rex's 100%-owned property has completed harvest work and summer weed control. Activities to reduce fire danger during the fire season have been undertaken.

Quarterly Activities Report

COMMODITY MARKETS INSIGHT

Since Rex's last quarterly report, issued on 28 October 2016, the copper price has risen strongly from around US\$4,800 per tonne (US\$2.18 per lb) to around US\$5,850 per tonne (US\$2.65 per lb). It is worth remembering that at the start of 2016, the copper price was around US\$4,300 per tonne (US\$1.95 per lb – a near-six-year low). As we also said in our last quarterly report, recovery in copper demand and price is underway.

More generally, and according to the Office of the Chief Economist within the Australian Government, in a report released in early January 2017: "Despite recent high prices, expectations of challenging operating and market conditions have resulted in delays to final investment decisions for many (resources and energy) projects, as producers divert their focus to reducing costs and ensuring the commercial viability of existing assets. Nevertheless, the overall prospects and opportunities for further investment in Australia's resources and energy sector remain broadly positive. Australia has many high-quality mineral and petroleum deposits which can be developed when the price cycle rebounds."

On copper, a key focus for Rex Minerals, this government report offers a range of observations or extracts including:

- World copper prices have staged a remarkable turnaround in the final quarter of 2016. The rise has been driven by higher consumption in China's construction sector and lower-than-expected mine supply.
- Copper demand remains heavily reliant on government stimulus programs in countries such as China. Any further depreciation in the RMB may subdue Chinese copper demand.
- The US dollar is expected to rise, making copper more expensive to non-US consumers.
- Increased investment in infrastructure and construction in the US and the emerging economies is expected to drive much of the growth in copper consumption over the next two years.

ABOUT THE HILLSIDE PROJECT

Located 12kms south of the township of Ardrossan on South Australia's Yorke Peninsula, the EFS into the Hillside Copper-Gold Project was initiated in mid-2014. Key findings to date from the EFS include:

- a A\$480 million development, including an open pit mine and processing plant;
- an initial 13+ year mine life, with a Mineral Resource (measured, indicated and inferred) of 337Mt @ 0.6% copper and 0.14g/t gold, equating to approximately 2.0Mt of copper and 1.4Moz of gold;
- an Ore Reserve (proved and probable) of 82Mt;
- an annual minerals processing rate of six million tonnes to produce approximately 35,000 tonnes of copper and 24,000 ounces of gold per year; and
- an estimated construction workforce of 550 people and an estimated production workforce of about 500 people.

Quarterly Activities Report

Tenement Schedule for the quarter ending 31 December 2016

Tenement	Location	Lease Status	Area Type	Current Area	Date
EL5056	Moonta South	Granted	km ²	416	02/08/2012
EL5055	Moonta South	Granted	km ²	1,262	02/08/2012
EL5683	Moonta South	Granted	km ²	21	10/06/2015
EL5508	Moonta South	Granted	km ²	74	05/11/2014
EL5133	Wandearah	Granted	km ²	72	01/08/2012
EL5883	Wandearah	Granted	km ²	29	13/10/2016
EL5070	Cowell	Granted	km ²	42	24/10/2012
ML6438	Hillside	Granted	Ha	2,998	16/09/2014
EML6439	Hillside	Granted	Ha	225	16/09/2014
MPL146	Hillside	Granted	Ha	94	16/09/2014

Note:

EL5883 was previously EL4779 – new EL number following granting of a renewal for a further two (2) years and a reduction in area from 41km² to 29km².

NEXT QUARTER

During the next quarter, Rex will continue to progress the PEPR process. The Company will also maintain its important community and government consultation process, with an emphasis on the Yorke Peninsula community.

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")

December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(119)	(548)
(b) development	-	-
(c) production	-	-
(d) staff costs	(497)	(1,007)
(e) administration and corporate costs	(340)	(761)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	47	55
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(909)	(2,261)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(3)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	-	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,850	6,205
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(909)	(2,261)

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,941	3,941

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	3,941	4,850
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)	3,941	4,850

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
	129
	-

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	(68)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(545)
9.5 Administration and corporate costs	(299)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(912)

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	EL5883 (prev EL4779)	Ownership	41km ²	29km ²
		EL5508	Ownership	151km ²	74km ²
		EL5070	Ownership	85km ²	42km ²
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 January 2017

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.