

Rex Minerals Ltd

(RXM \$0.18) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Mike Millikan	29 th August 2022	\$0.80/sh

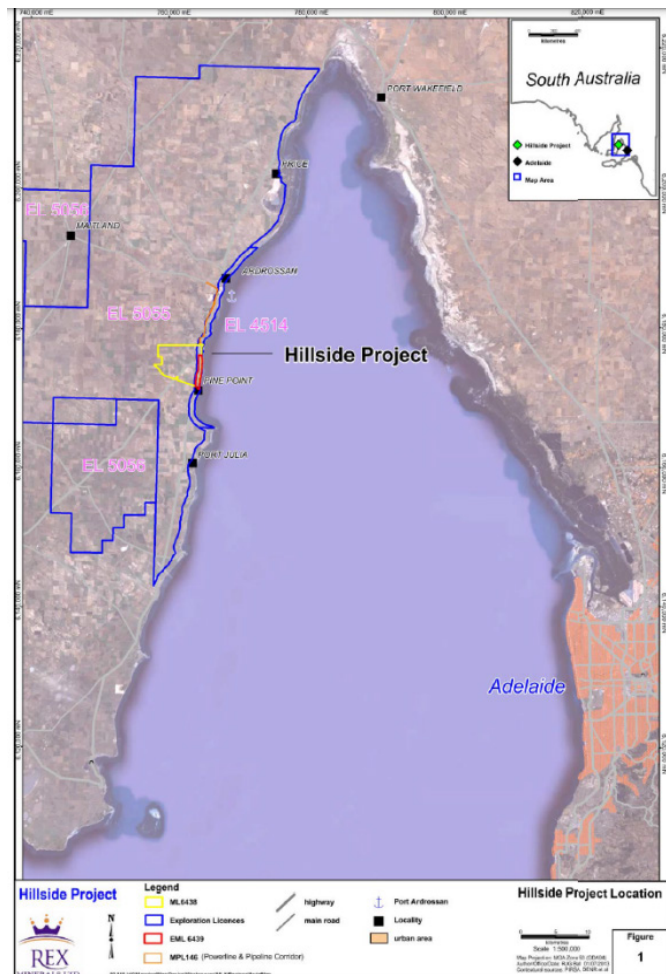
Hillside Copper Site Visit

Key Points

We visited Rex Minerals' (RXM) 100%-owned Hillside Copper Project, located ~150km from Adelaide and ~12km south from the town of Ardrossan, Yorke Peninsula, SA.

- RXM continues to advance pre-development activities at Hillside, with planning well underway for some early works including the Yorke Highway realignment, finalisation of additional land access agreements and project enhancements (optimised FS expected early Q4CY22).
- High-quality Board and Management Team in place to progress the project towards construction, with extensive large-scale mining project development and operational experience (good track record).
- Hillside is expected to be a long-life, scalable copper project development. It has the attraction of simple open pit mining, conventional copper flotation, large-scale (+988kt copper reserve from +1,967kt copper resource), fully-permitted and finance-ready.

Project Location



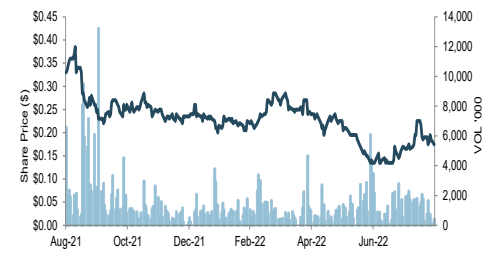
Source: Rex Minerals Ltd

Rex Minerals Ltd (RXM)

Share Price	0.18	A\$/sh
Price Target	0.80	A\$/sh
Valuation	0.87	A\$/sh
Shares on issue	593	m(dil)
Market Capitalisation	109	A\$m

Enterprise Value	65	A\$m
Debt	0	A\$m
Cash	44	A\$m
Largest Shareholder	Ellerston	8.1%

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to RXM during the last year. Euroz Hartleys has received a fee for these services.

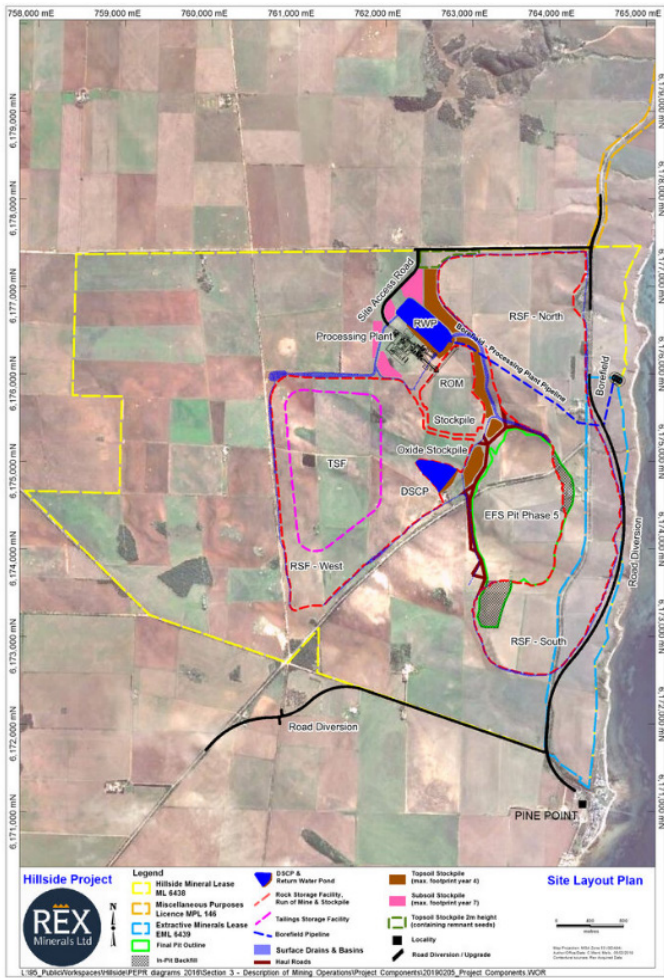
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Proposed Site Layout



Source: Rex Minerals Ltd

- **Well-serviced by infrastructure:** grid power, sealed roads, water are all available for the project development
 - Power direct connection to grid with potential renewable power additions from third party wind farms planned nearby
 - Section of the Yorke Highway needs to be re-aligned ~5km, road design complete and gazetted
 - Water to be sourced from saline groundwaters and seawater - RO plant to be used for potable water and concentrate cleaners
 - Concentrates are proposed to be transported via sealed road to Port Adelaide, a distance of ~160km
- Hillside mineral lease spans ~3,000Ha, ~43% disturbance expected from the Stage 1 plans, with ~97% of the land already cleared for agriculture, and the proposed pre-strip has an element of free-dig.

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Hillside Site = cleared agricultural lands



Source: Euroz Hartleys

- **Theiss strategic alliance** and expected to provide **mining services**:
 - Theiss to provide mining equipment options, reduces potential lead times for equipment due to existing fleet inventory.
 - We see the potential appointment of a mining contractor positive for reducing some of the pre-production capex for RXM, as some ~A\$158m was previously assumed for the mining fleet in the initial capex (now in the process of being updated).
 - Stage 1 open pit has ~13 years mine life at the assumed 6Mtpa, this is expected to be scalable to 8Mtpa and then 10Mtpa overtime to increase production levels and compress life. The Stage 2 open pit is currently un-optimised but could add another +20 years of mine life highlighting the significant scale of the project (excluding underground potential).
 - Final pit dimensions of ~2.3km north-south, ~1.2km east-west and to ~450m depth (remains open); for comparison the Kalgoorlie Super Pit has rough dimensions ~3.5km long, ~1.5km wide and ~600m deep.

Hillside Proposed Pit Dimensions



Source: Rex Minerals Ltd

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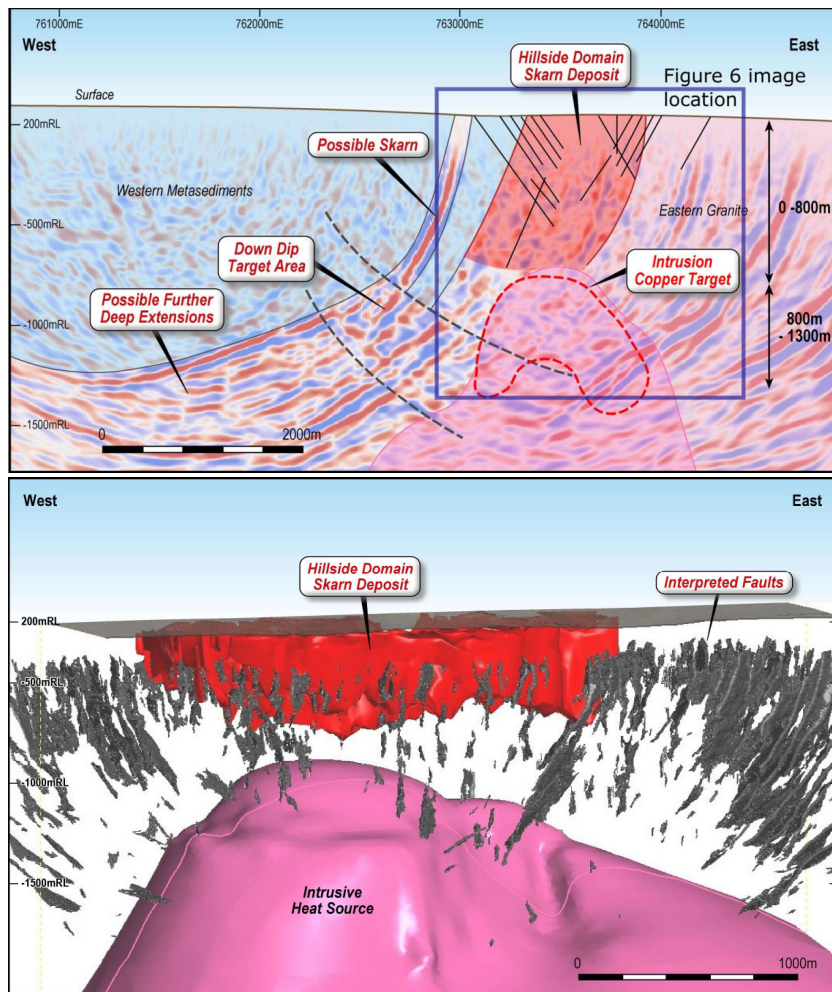
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- **Ausenco partnership** to finalise project design and costs:
 - Final EPCM contract expected to be delivered prior to FID targeted for Q4CY22.
 - On the previous the FS (to be updated) the plant build and associated infrastructure was forecast to be ~A\$200m for 6Mtpa operation.
 - Flagged plant enhancements include: an upgrade to the frontend design with jaw-gyratory crusher and direct tip/feed options (for higher throughput capacity), coarse flotation feed for opportunity to lift copper production from 35ktpa to +40-50ktpa, recoveries largely unchanged (96% Cu and 93.5%), but less power consumption due to coarser grind (~355 μ as opposed original 125-150 μ)
 - Conventional crushing and grinding (SAG mill) before a first stage (rougher) flotation, followed by a fine-grind and second stage (cleaner) flotation, before preparation for transport as a copper-gold concentrate.
 - The layout for the processing plant allows for expansion capacity to a nominal +10Mtpa and the inclusion of an iron ore recovery circuit (if deemed appropriate).
 - At the initial 6Mtpa ave production of ~35ktpa of copper and ~24kozpa of gold in concentrates at AISC of <US\$2/lb Cu, to be updated in the optimised FS. Interesting to note at 8Mtpa ave production would be ~42ktpa of copper and ~30kozpa of gold in concentrates, and 10Mtpa ave production would be ~52ktpa of copper and ~40kozpa of gold in concentrates (potentially more on further optimisation).
- **High quality copper concentrates:** The dominant primary copper mineral at Hillside is chalcopyrite and as such quality concentrates are produced (~27% copper concentrate grades at a very good 92% recoveries).
 - The low arsenic (<45ppm), low uranium (<45ppm) and low halides (F <100ppm & Cl <100ppm) makes it an attractive concentrate, which is expected to be highly sought after by potential offtake partners.
 - The surrounding carbonate rocks in the waste rock is also a clear advantage for minimising any potential acid mine drainage
- **Capex/opex being tailored for a scaleable project and optimal financial outcomes:** we envisage an increase on the previous pre-production capex (which was <A\$600m) due to likely higher-scale production levels, improved process design, current inflationary cost environment, adjusted by move to contract mining (ie lower capex but likely slightly higher opex).
- **Exciting exploration drilling underway:** Following from the release of highly encouraging 3D seismic data, which appears to define radiating structures from an interpreted “large intrusive body” below Hillside
 - This interpreted body may represent the “source porphyry intrusion”
 - A diamond drill program has commence to test both the radiating structures for potential higher-grade copper-gold and also to target the potential intrusion (porphyry) at depth.
 - Confirmation of copper porphyry at depth would elevate the project from mid-tier to major appeal; especially given the already large inventory near-surface.

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Hillside Seismic Data and Interpretation



Source: Rex Minerals Ltd

- Key near-term catalysts: release of the **Optimised FS** expected in the early Q4 CY22, FID later Q4CY22 and completion of debt financing late CY22/early CY23; and ongoing exploration and results.
- We maintain our **Speculative Buy**.

Investment Thesis

Hillside remains a compelling copper-gold development opportunity (large-scale, shovel-ready, fully permitted) but construction remains subject to financing. Hillside Stage 1 open pit forecast to produce payable copper of ~35ktpa and payable gold of ~24kozpa at an estimated AISC of <US\$2/lb Cu. Pre-production capex estimate is expected to be updated in the optimised FS (due soon) for FID decision by CY22 end. Large reserve position for 988kt of contained copper and 823koz gold, for a long mine-life which has potential to be adjusted by higher processing throughputs over time. M&A activity within the SA copper space (BHP interest in OZL) and we anticipate more consolidations to come, highlighting the appeal of significant-scale copper projects (such as Hillside). Speculative Buy retained, PT 80cps.

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