

4 September 2023

## Strategic Partner Interest Strong

### NEED TO KNOW

- Strong strategic partner interest key to Hillside funding
- Capital raise shores up funding through to FID
- Hog Ranch strategic review seeks to maximise value

**Range of potential strategic partners in evaluation stage:** Rex Minerals' (RXM) world-class Hillside copper-gold project in South Australia is targeting annual payable metal of circa 42kt Cu and 30koz Au, while only extracting around half of the current Ore Reserve, for a pre-production capital cost of A\$854m (Stage 1). The company's 100% ownership gives funding flexibility, including the potential introduction of a strategic partner. A broad range of parties is currently evaluating the project, including Tier-1 mining companies, private equity groups, metals trading houses and refiners.

**Extra time requested as parties look to Stage 2:** Several parties have now expressed interest regarding the potential of the Hillside Project beyond Stage 1. The subsequent Stage 2 extends the mine life past 20 years and adds an additional 479Kt of contained copper to the operational plan. The parties have requested time extensions to finalise bids, which the company expects will extend the execution date to late CY2023.

**Hog Ranch strategic review underway to maximise value:** The Hog Ranch Gold Project in Nevada has a resource of 2.3moz of gold. The project is in a Tier-1 mining precinct and presents strong potential for RXM. RXM has implemented a strategic review to maximise the value of this project.

**Capital raising funds RXM through to FID:** At 30 June, RXM had A\$6.6m in cash. With the additional time requested by potential strategic partners, RXM considered it prudent to raise additional capital in order to shore up funding through to Hillside FID, and accordingly raised \$8m in August.

### Investment Thesis

**Right project and place – Hillside 100%-owned; SA is a Tier-1 jurisdiction:** Hillside is 100%-owned by RXM and situated in SA, a Tier-1 mining jurisdiction. Hillside is a world-class copper project which is fully permitted and primed for funding and development. The 100% ownership gives RXM funding flexibility, including the ability to source a strategic partner to de-risk the project and reduce RXM's capital requirements.

**Right management – experience counts:** RXM's board and management have broad and lengthy experience in large project development and operations, having held senior positions with companies including Newcrest, Orica, Western Mining and BHP.

**Right commodity – copper: you can't electrify and decarbonise without it:** Copper has high conductivity and is the preferred metal for use in electrical applications. The current decarbonisation and electrification thematics support strong demand and pricing fundamentals for copper in particular as the electrification of vehicles advances.

### Valuation – A\$0.90 Per Share (Previous A\$0.87)

Our sum-of-the-parts valuation of A\$0.90 per share is driven by our risked NPV valuation for the Hillside Project. We see significant upside from the current share price as RXM first successfully funds and then develops the project.

### Risks

The key risk to our valuation is funding. RXM is looking at a mix of debt, project sell-down and equity capital to fund the project. Failure of any of these components will place at risk the execution of the project. The other key risks relate to timely execution and construction of the project.

### Equities Research Australia

#### Metals and Mining

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Rex is developing its 100%-owned Hillside Project, located 12km south of the Ardrossan township on the Yorke Peninsula, South Australia. Hillside is an iron oxide-copper-gold (IOCG) deposit in the Gawler Craton.

Hillside is one of the largest undeveloped copper projects in Australia and currently contains a Mineral Resource of 1.9Mt of copper (Cu) and 1.5Moz of gold (Au). In July 2020, Hillside's PEPR for Stage 1 of the Project was approved by the South Australian Government. Stage 1 has a 11-year mine life.

<https://www.rexminerals.com.au>

Valuation	<b>A\$0.90</b> (Previous A\$0.87)
Current price	<b>A\$0.19</b>
Market cap	<b>A\$120m</b>
Cash on hand	<b>A\$6.6m</b> (30 June 2023 pre raising)

**Video Link:** [Interview with Peter Bird, EGM/IR & BD](#)

### Upcoming Catalysts and Newsflow

Period	
2HCY23	Potential strategic partner investment into Hillside Project; completion of funding
Late CY23	FID for Hillside

### Share Price (A\$) – 1 Year



Source: FactSet, MST Access.

# FINANCIAL SUMMARY REX MINERALS LTD. Year End 30 June

REX MINERALS LIMITED							RXM.AX					
<b>MARKET DATA</b>							<b>12-Month Relative Performance vs S&amp;P/ASX Metals &amp; Mining</b>					
Share Price	A\$/sh											
52 week low/high	A\$/sh	0.14 - 0.31										
Valuation	A\$/sh	0.90										
Market Cap (A\$m)	A\$m	117										
Net Cash / (Debt) (A\$m)	A\$m	13										
Enterprise Value (A\$m)	A\$m	104										
Shares on Issue	m	633										
Options/Performance shares	m	80										
Other Equity	m	467										
Potential Diluted Shares on Issue	m	1,179										
<b>INVESTMENT FUNDAMENTALS</b>							<b>Profit &amp; Loss (A\$m)</b>					
Reported NPAT	A\$m	Jun-21	Jun-22	Jun-23e	Jun-24e	Jun-25e	Jun-21	Jun-22	Jun-23e	Jun-24e	Jun-25e	
Underlying NPAT	A\$m	(9)	(13)	(9)	(13)	(14)	-	-	-	-	-	
EPS Reported (undiluted)	¢ps	(2.4¢)	(2.3¢)	(1.5¢)	(1.5¢)	(1.2¢)	(8)	(13)	(11)	(14)	(14)	
EPS Underlying (undiluted)	¢ps	(2.4¢)	(2.3¢)	(1.5¢)	(1.5¢)	(1.2¢)	(0)	(0)	(0)	(0)	(0)	
Underlying EPS Growth	%	39.1%	-2.7%	-35.1%	3.1%	-21.5%	(8)	(13)	(11)	(14)	(14)	
P/E Reported (undiluted)	x	n/m	n/m	n/m	n/m	n/m	(1)	0	2	0	-	
P/E Underlying (undiluted)	x	n/m	n/m	n/m	n/m	n/m	-	-	-	-	-	
Operating Cash Flow / Share	A\$	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	<b>Underlying NPAT</b>					
Price / Operating Cash Flow	x	n/m	n/m	n/m	n/m	n/m	(9)	(13)	(9)	(13)	(14)	
Free Cash Flow / Share	A\$	(0.02)	(0.02)	(0.06)	(0.26)	(0.29)	Exceptionals					
Price / Free Cash Flow	x	(10.7)	(8.3)	(3.0)	(0.7)	(0.6)	0	-	-	-	-	
Free Cash Flow Yield	%	-9.3%	-12.0%	-33.7%	-139.2%	-157.3%	<b>Reported Profit</b>					
Book Value / Share	A\$	0.07	0.11	0.12	0.41	0.40	(9)	(13)	(9)	(13)	(14)	
Price / Book	x	2.59	1.68	1.49	0.45	0.46	<b>Balance Sheet (A\$m)</b>					
NTA / Share	A\$	0.07	0.11	0.12	0.41	0.40	Jun-21	Jun-22	Jun-23e	Jun-24e	Jun-25e	
Price / NTA	x	2.59	1.68	1.49	0.45	0.46	Cash	10	44	7	118	101
Year End Shares	m	422	593	593	1,139	1,139	Receivables	0	0	0	0	0
Market Cap (spot)	A\$m	78	110	110	211	211	Inventory	-	-	-	-	-
Net Cash / (Debt)	A\$m	10	44	7	118	(214)	PP&E	14	14	43	326	646
Enterprise Value	A\$m	68	66	102	93	424	Exploration	3	3	20	20	20
EV / EBITDA	x	n/m	n/m	n/m	n/m	n/m	Other	4	5	5	5	5
Net Debt / Enterprise Value		(0.1)	(0.4)	(0.1)	(1.1)	2.1	<b>Assets</b>	<b>31</b>	<b>67</b>	<b>76</b>	<b>469</b>	<b>773</b>
<b>PRODUCTION AND PRICING</b>							<b>Liabilities</b>					
Copper in Concentrate Production	kt	-	-	-	-	-	Creditors	1	1	1	1	1
Gold in Concentrate Production	koz	-	-	-	-	-	Debt	-	-	-	-	315
Copper Price (US\$/lb)	US\$/lb	-	-	-	4.2	4.3	Other	1	1	1	1	1
Gold Price (US\$/oz)	US\$/oz	-	-	-	1,786	1,831	<b>Net Assets</b>	<b>30</b>	<b>65</b>	<b>74</b>	<b>467</b>	<b>456</b>
AUDUSD	:	-	-	-	0.65	0.65	<b>Cashflow (A\$m)</b>					
Source: RXM; MST Estimates							Jun-21	Jun-22	Jun-23e	Jun-24e	Jun-25e	
							Cash From Operations	(3)	(4)	(9)	(11)	(11)
							Interest	0	1	-	-	-
							Tax	0	0	1	0	-
							<b>Net Cash From Operations</b>	<b>(3)</b>	<b>(4)</b>	<b>(8)</b>	<b>(11)</b>	<b>(11)</b>
							Capex	0	(1)	(12)	(280)	(318)
							Exploration	(4)	(9)	(17)	(3)	(3)
							Investments	-	-	-	-	-
							<b>Free Cash Flow</b>	<b>(7)</b>	<b>(13)</b>	<b>(37)</b>	<b>(293)</b>	<b>(332)</b>
							Equity	19	47	-	404	-
							Borrowings	(5)	-	-	-	315
							Dividend	-	-	-	-	-
							<b>Net Increase / (Decrease) in Cash</b>	<b>7</b>	<b>34</b>	<b>(37)</b>	<b>111</b>	<b>(17)</b>

# Strategic Partner Process Attracts Strong Interest

## RXM seeks a partner in developing Hillside

RXM is actively pursuing a suitable funding package via a structured process to align with the Optimised Feasibility Study (OFS). The potential introduction of a strategic partner is a key plank of the funding. However, we note that RXM has stated that it is looking to introduce a partner only if doing so would enhance the value of the project.

### Potential benefits of strategic partner involvement

Given the large capex of the Hillside Project, the inclusion of a strategic partner would have a number of benefits for RXM, including:

- an immediate injection of cash, contributing to RXM's funding of the capital cost
- a lower capex requirement (e.g. requiring RXM to fund 70% of A\$854m, rather than 100%)
- lower equity funding requirements
- upside relating to potential expansion of the project or exploration success for both RXM and the strategic partner.

### Hillside minority partnering process attracts strong interest

RXM commenced a formal process in February 2023 to assess partnering options for the Hillside Project. The company has fielded a number of inbound enquiries regarding the potential participation of strategic partners in the project and product offtake at Hillside. RXM's preferred transaction structure is minority participation at the Hillside project level.

A broad range of parties is evaluating the information provided in the data room. Participants include Tier-1 mining companies, private equity groups, metals trading houses and refiners.

RXM has received positive feedback from the parties through the due diligence (DD) process, with highlights including the project's:

- very low geopolitical risk
- strong ESG credentials
- production and metal inventory growth upside over and above the current defined Stage 1 development and the overall 1.9Mt copper Mineral Resource
- strong exploration potential in a developed economy.

### Interest in Stage 2 extends timeline but potentially adds value

RXM had previously targeted closure of the strategic partner process, final funding and Final Investment Decision (FID) by mid-CY2023. However, several parties have now expressed interest and have commenced DD on the project's potential beyond Stage 1 and the subsequent Stage 2 extension of mine life past 20 years, which adds an addition of 479Kt of contained copper to the operational plan.

The interested parties have requested time extensions to finalise their bids, which RXM has granted, stating that doing so is in the best interest of shareholders. RXM has guided that this process will extend the execution date late CY2023.

### Extension of Hillside mine life – Stage 2 potential

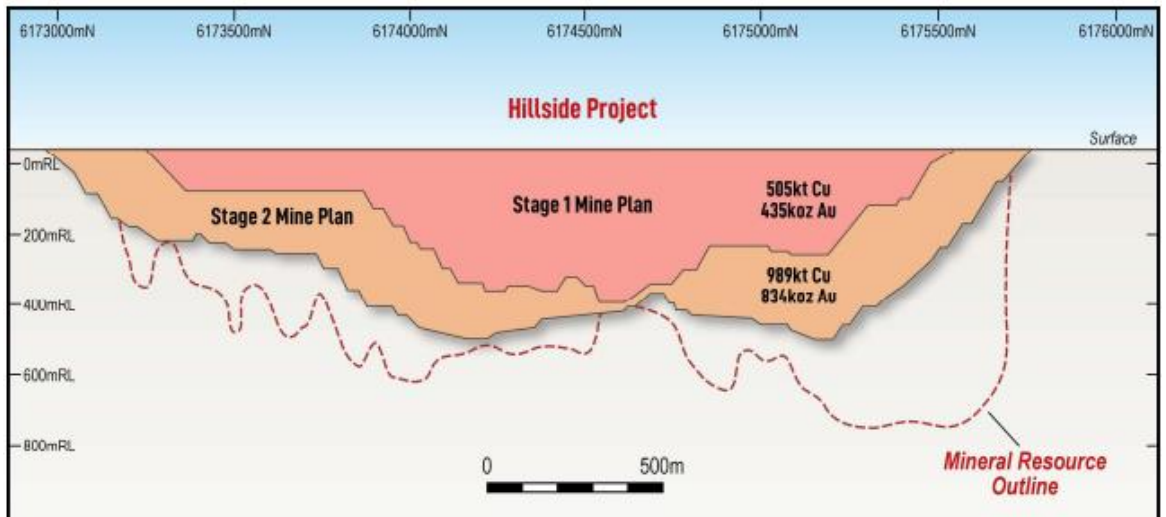
RXM has stated that 'Stage One (11 years) lays the foundation for a 20 plus year operation and extracts around half of the current Ore Reserve. Substantial potential exists for Resource and Ore Reserves growth, leading to mine life extension and higher processing rates beyond Stage One.'

The current Stage 1 plan utilises approximately 51% of the Ore Reserve and 26% of the MRE.

Figure 1 shows the Stage 2 preliminary mine plan, utilising the remaining 49% of the Reserve. This would add approximately another 10 years to the project. The Mineral Resource is also indicated in Figure 1, showing the potential for further mine life extension.



**Figure 1: 989kt Cu Reserve – Hillside Stage 1 and Stage 2 open pit mine, looking west**



Source: RXM.

## Asset overview: Hillside

### Hillside: one of Australia’s largest undeveloped copper assets; a large resource in a great spot

The 100%-owned Hillside Project is located 12km south of the town of Ardrossan on the Yorke Peninsula, SA, some 155km or 2 hours’ drive from Adelaide. Hillside is an iron oxide–copper–gold (IOCG) deposit in the Gawler Craton. Hillside was approved by the South Australian Government in July 2020.

Hillside is one of the largest undeveloped copper projects in Australia and currently contains:

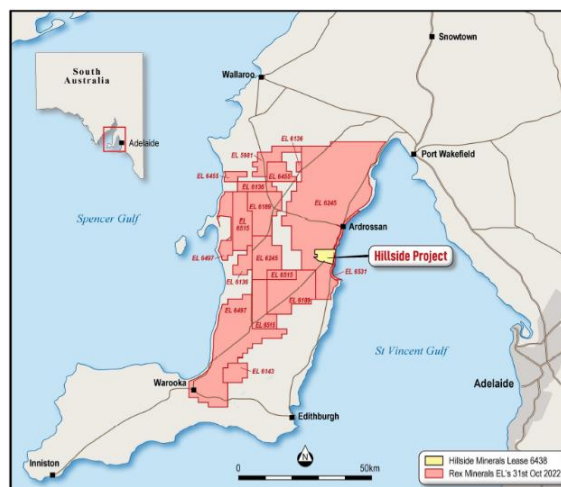
- a Mineral Resource of 1.9Mt copper (Cu) and 1.5Moz of gold (Au)
- an Ore Reserve of 0.99Mt Cu and 834koz Au.

The project has an optimised and updated feasibility study completed. Stage 1 has a 11-year mine life with annual payable metal of circa 42kt Cu and 30koz Au.

The project involves the development of an open-pit mine and associated processing plant and other infrastructure to mine and process ore, then ship the marketable concentrates. The capital expenditure for the development of the project is estimated by RXM to be A\$854m (US\$598m).

The site has access to mains power through the network grid. Saline bore water will be used for processing and mining operations as per the licence conditions. The final product will be transported via trucks to Port Adelaide.

**Figure 2: Hillside: project location, minerals lease and large exploration licence area**



Source: RXM.

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# Hog Ranch Strategic Review to Maximise Value

## Hog Ranch – a refresher: gold in the USA

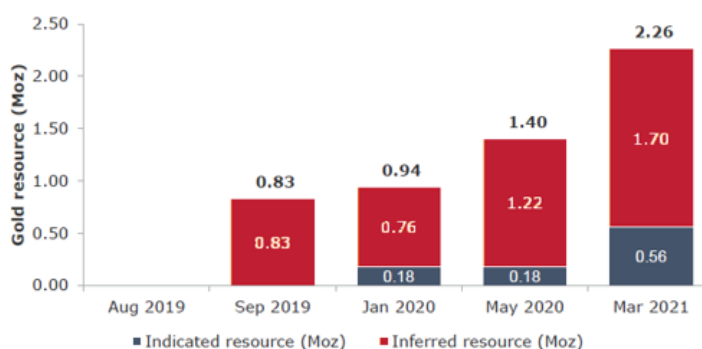
Acquired by RXM in August 2019, Hog Ranch is a large-scale epithermal gold asset in Nevada, USA, that was mined from 1988 to 1992. The geological environment that led to the creation of the gold mineralisation at Hog Ranch is an epithermal style of gold deposit which formed close to the surface, similar to a modern-day hot spring setting. There are also numerous similar epithermal gold deposits close to Hog Ranch which have all been dated and interpreted to have formed at the same time.

### Mineral Resource of 2.3Moz Au

RXM took the Mineral Resource from zero to 2.3Moz within 18 months of ownership at a cost of US\$0.69/oz.

**Figure 3: Hog Ranch: Mineral Resource (top) and growth in Mineral Resource (bottom)**

OXIDE				
Deposit	Cut-off Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Gold (koz)
Bells - Indicated	0.2	24	0.50	390
Bells - Inferred	0.2	13	0.40	170
<b>Bells - Total</b>		<b>37</b>	<b>0.47</b>	<b>560</b>
Krista - Indicated	0.2	11	0.48	170
Krista - Inferred	0.2	110	0.39	1380
<b>Krista - Total</b>		<b>121</b>	<b>0.40</b>	<b>1550</b>
<b>Oxide Total</b>		<b>158</b>	<b>0.41</b>	<b>2110</b>
SULPHIDE				
Deposit	Cut-off Grade (g/t)	Tonnage (Mt)	Grade (g/t)	Gold (koz)
Cameco - Inferred	0.3	2.9	0.75	90
Airport - Inferred	0.3	2.8	0.63	60
<b>Sulphide - Total</b>		<b>6.7</b>	<b>0.70</b>	<b>150</b>
<b>TOTAL</b>		<b>165</b>	<b>0.43</b>	<b>2260</b>



Source: RXM.

The gold mineralisation at Hog Ranch is contained within four separate deposits. The gold mineralisation at Krista and Bells is all classified as oxide where the rocks have been weathered and the associated gold mineralisation has been demonstrated (by historical mining and more recent test work) to be amenable to low-cost open pit and heap leach mining. The gold mineralisation at the Cameco and Airport deposits are sulphide, where heap leach testing information to date indicates that lower gold recoveries will occur and therefore higher cut-off grades have been used in the reporting of the Mineral Resource.

### Potential for further exploration success

The geological setting at Hog Ranch is interpreted by RXM to be a large caldera complex which has the potential to host multiple styles of gold mineralisation at multiple locations throughout the caldera.

The current Mineral Resource estimate is solely based on shallow disseminated gold mineralisation which is amenable to open-pit mining and heap-leach processing. RXM has interpreted that there are further extensions to this style of gold mineralisation at Hog Ranch and other potentially very large-scale gold mineralisation styles.



## RXM's plans for Hog Ranch

RXM's plan for the project is as follows:

- expand the shallow oxide Mineral Resource at the Krista and Bells Project locations
- build on the gravity, soil sampling and 3D induced polarisation (IP) data which indicates that considerable sulphide hosted gold exists around the Airport Project location
- explore for the most well-endowed part of Hog Ranch which is interpreted to exist at depth at Krista West and the White Mountain Project locations
- commence feasibility studies focusing on a new large-scale open-pit and heap leach gold operation at Bells and Krista combined, targeting over 200koz gold per annum.

## Strategic review – evaluating options to maximise value

RXM has initiated a strategic review of the Hog Ranch Project. This process is designed to review RXM's options to accelerate exploration and increase the scale of the property, and will also consider funding alternatives. RXM has indicated that there has been recent inbound interest in the property.

The considerable amount of work that RXM has completed on the project suggests that it considers Hog Ranch to have the geological signature of a large-scale gold camp.

Acceleration of exploration will provide RXM the opportunity to explore, define and develop a world-class gold operation with the current mineralised trend extending for approximately 16km. RXM considers the project has potential for scalability.

The strategic review will explore various options for Hog Ranch and includes a review of:

- recent inbound expressions of interest
- joint ventures
- other funding options or partnerships

The large potential of the Hog Ranch Project presents opportunities for RXM. With the focus on Hillside funding and development taking the majority of management's time, the potential to bring a JV partner into the Hog Ranch project makes sense for RXM and has potential to accelerate the project and create value for RXM shareholders.

## Capital Raising Shores Up Balance Sheet Through to Hillside FID

### Prudent cash raising given extension of time request from potential strategic partners

As of 30 June 2023, RXM had A\$6.6m in the bank. RXM previously indicated that it was aiming to finalise the strategic partner process, debt funding and FID for Hillside around mid-CY2023. However, given the strong interest from potential strategic partners to participate in Stage 2 of the Hillside Project, RXM has extended the timeline to the late CY2023.

RXM has prudently raised an additional A\$8m in a placement as a 'buffer' to ensure that the process of operational readiness for Hillside is not slowed. The placement to institutional and sophisticated investors on 3 August 2023 was at A\$0.20, representing a 20% discount to the last closing price and a 16.8% discount to the 30-day VWAP. The raising included one unlisted option for every two shares subscribed for under the placement, with an exercise price of A\$0.30 and an expiry date of 9 August 2024.

### Uses of cash raised in placement

RXM has indicated that the key uses of the \$8m raised will be:

- A\$1.7m: corporate, including completion of equity and debt funding processes for Hillside
- A\$5.0m: Hillside operational readiness including major mining and processing contracts
- A\$0.7m: Hog Ranch exploration tenure and permitting
- A\$0.6m: costs of the placement offer

The placement leaves RXM with approximately A\$14m in cash to take it through to the finalisation of the funding processes and FID.



# Investment Thesis Recap: RXM Has Got It Just Right

## Right project – flagship project, Hillside Copper: final investment decision targeted for late CY2023

The Hillside Project has an optimised and updated feasibility study completed. Key project metrics include:

- 1.9Mt Cu + 1.5Moz Au Mineral Resource and 0.99Mt Cu + 834koz Au Ore Reserve
- fully permitted with key transport and power infrastructure in place
- Stage 1 (11 years) with annual payable metal of c. 42kt Cu and 30koz Au while only extracting around half of the current Ore Reserve
- pre-production capital cost of A\$854m
- 100% ownership giving funding flexibility, including the potential introduction of a strategic partner
- final investment decision targeted for late CY23
- Stage 2 development shows potential for 20+ year operation
- substantial potential for Mineral Resource and Ore Reserve growth, leading to further potential mine life extension and higher production rates.

## Right place – South Australia: a Tier-1 jurisdiction

The Hillside Project is located on the Yorke Peninsula in SA, 150km from Adelaide in an established mining area. SA is home to some of Australia's largest mining and energy developments including the BHP's giant Olympic Dam copper/gold/uranium mine, OZ Minerals' Prominent Hill copper mine, iron ore and the huge gas reserves of the Cooper Basin. SA is one of the world's safest jurisdictions in which to operate a mine with established regulations, strong infrastructure, security of tenure and supportive state and federal governments.

## Right management in place – experience counts

RXM's strategy is to rapidly fund and develop the Hillside copper project and take advantage of strong demand for copper and a dwindling supply outlook. RXM's management is experienced in project development and operation globally and has strong on-the-ground experience and established relationships with government, suppliers and community. Chairman Ian Smith and director Greg Robinson are both former CEOs of Newcrest, while CEO Richard Laufmann has extensive global project development experience and has also listed company CEO experience, having run Indophil Resources. The Board and CEO are backed by a team with engineering, geological and financial expertise with up to 45 years' experience in their field.

## ESG – doing the right thing

**Environmental:** Copper has an appealing environmental angle, as it is a crucial input into the major global themes of electrification and decarbonisation. The Hillside Project will initially be a large open-cut mining operation. RXM will seek to minimise carbon output, and will source green power: ~70% of the SA electricity grid is renewable, moving to 85% in 2025/26 and 100% by 2030. The company will aim to have a positive impact on the local community and fully rehabilitate the site at the end of its life.

**Social:** Hillside will provide employment for over 500 people during construction and over 400 during operations (over \$600m in payroll) and contribute over A\$200m in state royalties.

**Governance:** RXM has a strong board structure in place with 5 directors, 3 of which are independent. The board is appropriately qualified for RXM's size and stage of development.



## Right commodities – copper and gold

### Copper: everything electric depends on it

Copper is RXM's primary commodity exposure. Copper has high conductivity and is the preferred metal for use in electrical applications. Copper demand growth will be shaped by copper's role in creating a greener, more sustainable world economy and meeting increased electrical network needs. As an example of the increased usage of copper, an EV uses 80kg of copper vs. 22kg for a petrol engine car.

Within this picture of increased demand, global mine supply appears to be contracting. Copper's deep and liquid underlying markets are underpinned by industrial usage, from basic infrastructure investment to advanced high-tech requirements for the electrifying automotive/power generation industries. The constrained supply side of the market gives further potential for strong medium-term copper pricing as global miners try to meet high demand.

### Gold: defensive secondary exposure

The company has secondary exposure to gold, a counter-cyclical defensive asset. Increasing economic and geopolitical instability have reaffirmed gold's position as a store of value and defensive commodity exposure in uncertain times.

### Recent events

- August 2023: Completed capital raising of A\$8m
- July 2023: Extended strategic partner process to late CY 2023
- May 2023: Signed Letter of Intent with Hitachi for mining fleet
- May 2023: Commenced Hog Ranch strategic review
- February 2023: Commenced a formal process to assess partnering options for Hillside
- December 2022: Extended Hog Ranch gold trend
- December 2022: Decided to move ahead with project financing and operational readiness plans
- December 2022: Optimised Feasibility and Definition Phase Engineering Study completed
- December 2022: Updated Mineral Resource and Ore Reserve, first update since 2015
- August 2022: Appointed Theiss to provide mining services at Hillside
- June 2022: Conducted 3D seismic survey which indicated a large copper target under Hillside

### Upcoming events

- Ongoing (CY2023): Continue copper concentrate marketing discussions
- Post strategic partner confirmation: Secure long-lead capital items
- Post strategic partner confirmation: Further detailed engineering works
- Late CY23: Secure strategic investors/partners and committed funding
- 2HCY23: Finalise electrical power, water and services agreements
- Late CY23: FID
- 1HCY24: Commence construction





# Valuation: A\$0.90/Share Using DCF-Driven SOTP (Previous A\$0.87)

## SOTP valuation largely driven by Hillside

### Methodology – risked NPV of A\$0.90/share assuming 70% Hillside ownership

We value RXM using a sum-of-the-parts (SOTP) methodology. Our base-case risked NPV-based valuation for RXM is A\$0.90/share on a fully diluted basis (see Figure 4). Our small increase relates revising AUD/USD exchange rate from 0.70 to 0.65, offset by an increase to the share count due to the recent capital raise and the assumption that the attached options to that raise will be exercised. The most material component of our overall RXM valuation is the Hillside Project, which we value using discounted cash flow (DCF). This is added to our Hog Ranch valuation, which we estimate using EV/Resources, to obtain our overall SOTP-based valuation.

We believe RXM shares are currently trading at a substantial discount to fair value based on our assessment of the fundamental value of the flagship Hillside Project as well as broader portfolio optionality which is present in Hillside as well as the Hog Ranch Gold Project in Nevada.

Figure 4: RXM valuation summary

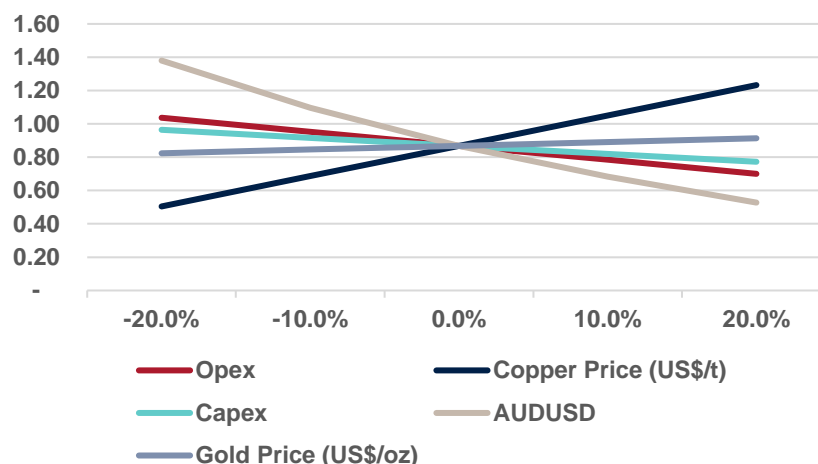
NPV OF PROJECTS	A\$M Valuation (Unrisked 100% Ownership)	Assumed Ownership %	Risk Probability	A\$M Risked Valuation (70% Ownership)	Equity Value A\$/Share Fully Diluted	Valuation Methodology
Hillside - Stage 1	1,026	70%	90%	646	0.55	Risked Project NPV
Hillside - Stage 2	788	70%	60%	331	0.29	Risked Project NPV
Hog Ranch	85	100%	100%	85	0.07	EV/ Resource Multiple
<b>ENTERPRISE NPV</b>	<b>1,899</b>			<b>1063</b>	<b>0.90</b>	
Add: Cash	14	100%	100%	14	0.01	Pro forma post placement
<b>EQUITY VALUE PRE SG&amp;A</b>	<b>1,913</b>			<b>1077</b>	<b>0.91</b>	
SG&A	(30)	100%	100%	-30	-0.02	NPV of Corporate Costs
<b>EQUITY VALUE</b>	<b>1,883</b>			<b>1047</b>	<b>0.90</b>	

Source: MST estimates.

### Key sensitivities: commodity prices, forex, costs, discount rate

The key sensitivities for our valuation are copper and gold prices and the AUD/USD exchange rate. To a lesser extent, our valuation is also sensitive to capital and operating costs. Figure 5 illustrates how our base-case valuation changes from a variation in these assumptions.

Figure 5: Key sensitivities for our valuation



Source: MST estimates.

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## Hillside valuation

### Base-case for Hillside component: DCF

We apply a risk-weighted DCF analysis to Hillside, which is RXM's primary value driver. The project is well advanced, with a completed Optimised Feasibility and Definition Phase Engineering Study (OFS). Our risked NPV includes a 90% probability for Stage 1 and a 60% probability for Stage 2.

The OFS outlines a robust project with an 11-year mine life for Stage 1. The Ore Reserve supports a significantly longer mine life of 20 years. The Mineral Resource is substantially larger and, if converted to a Reserve, could support a mine life of some 30 years. The company has completed a PFS on Stage 2 (details not released publicly). We have assumed that Stage 2 will be executed and will begin production in FY2032. The project also has strong exploration potential.

RXM is actively pursuing a suitable funding package via a structured process to align with the OFS.

FID is targeted for late-CY23 and RXM is only looking to introduce a partner if it will enhance the project's value. We assume that RXM will sell 30% of the project for RXM's NPV valuation of Stage 1 (allowing the partner to participate in Stage 2 upside) and that, going forward, RXM will own 70% of the project.

Based on the existing Ore Reserve and using the production profile defined under the OFS as well as our own assumptions on the Stage 2 project, we model a combined mine life (Stages 1 and 2) of 25 years. Given the scale of the existing Mineral Resource, further mine life extension is probable at Hillside; however, we have not taken that into consideration in our valuation of RXM.

### Key assumptions for Hillside DCF valuation

Our base-case NPV valuation is built upon a mine plan which aligns with the recently published OFS for Stage 1. The key headline assumptions in our valuation are as follows:

- construction to take place across FY2024 and FY2025, with the first full year of production in FY2026
- 8mtpa throughput capacity until 2036, expanding to 10mtpa thereafter with Stage 2 commencing
- A\$854m Stage 1 capex, A\$100m Stage 2 capex (mine cut-back, additional plant tankage)
- operation life to 2050
- ~42ktpa average copper production (Stage 1), ~45ktpa average copper production (Stage 2)
- ~30kozpa average gold production (Stage 1), ~20kozpa average gold production (Stage 2)
- AISC of ~A\$2.56/lb (life-of-mine).

We use a 10% discount rate, 0.65 AUD/USD, copper price of US\$4.00/lb and gold price of US\$1,700/oz.

We assume funding of \$900m raised with 50% debt funding (A\$450m), 30% project sell-down (A\$250m) and a \$140m equity capital raise (at A\$0.35 per share).

Our valuation does not incorporate the benefit of any additional exploration upside which may increase the grade, boost production and lower unit costs.

Figure 6: RXM valuation summary

PROJECT ASSUMPTIONS		COST & FINANCING ASSUMPTIONS	
Project Ownership (%)	70%	Discount Rate (%)	10.0%
Strip Ratio (waste : ore)	6.90	Inflation Rate (%)	2.5%
Grade (% Cu)	0.62%	AISC (A\$/lb)	2.56
Average Production (ktpa)	42.5	Pre-Tax NPV (A\$m)	1,626
Mine Life (years)	11.0	Post-Tax NPV (A\$m)	1,026
Capex (A\$m, real)	854	<b>PRICING &amp; EXCHANGE RATE ASSUMPTIONS</b>	
Ore Reserve (mt)	186	AUDUSD	0.65
Ore Reserve Grade (% Cu)	0.53%	Copper Price (US\$/lb)	4.00
		Gold Price (US\$/oz)	1,700
		Corporate Tax Rate (%)	30.0%

Source: MST estimates.

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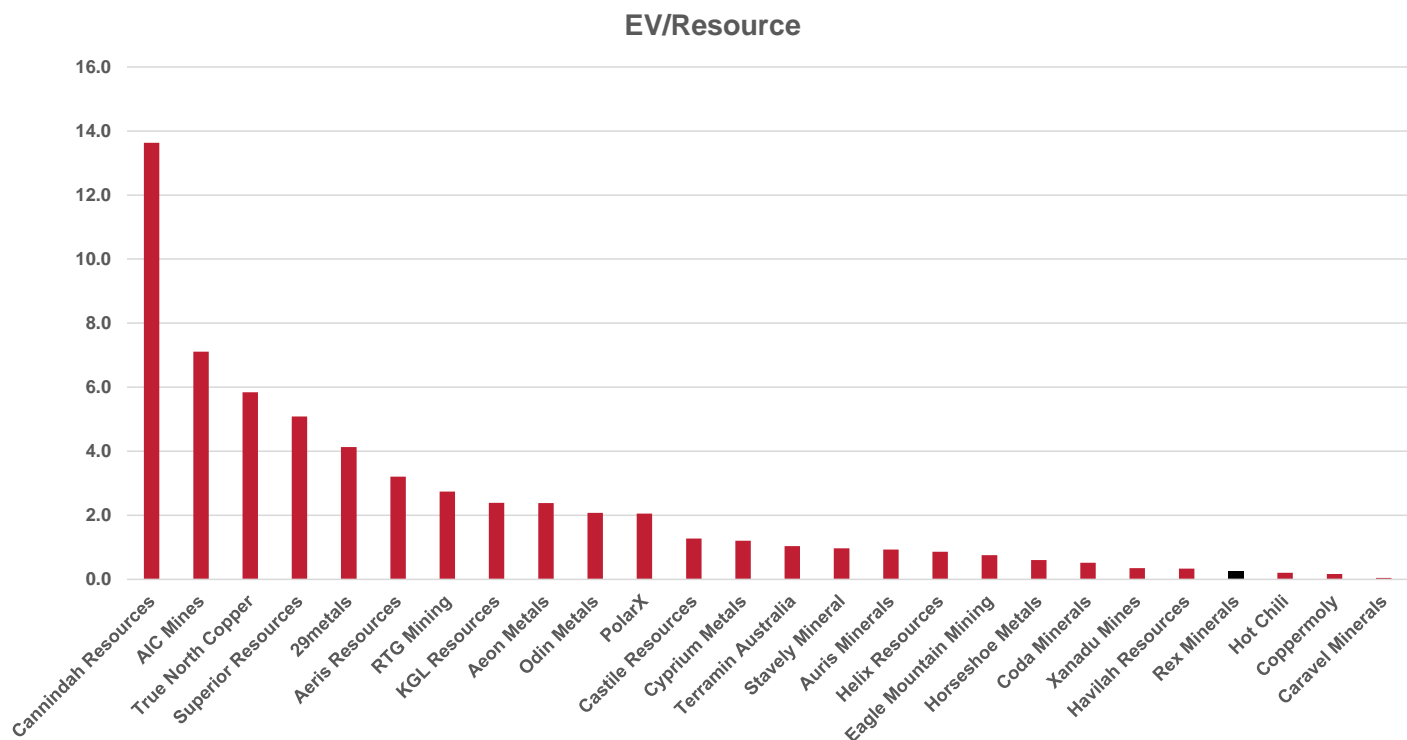
### Alternative valuation for Hillside component: EV/Resources (valuation = A\$430m)

A common tool used to assess the value of mining companies in their pre-production phase is to compare the enterprise value (EV) to the resource base to see what value the market places on the company's resource and its potential.

Our alternative valuation for Hillside looks at the average EV/Resource multiples paid by the market for a broader section of Australian-listed copper explorers and developers. We have used the average EV/Resource, calculated at A\$226/kt of Cu Resource (see Figure 7).

RXM is currently trading well below its peers' average EV/Resource multiple. If we apply the average market multiple to RXM, we obtain a valuation of A\$430m compared to the current EV of RXM of A\$148m. We note that this comparison is not exactly precise due to the different natures of the ore bodies, the comparative stages of development (exploration vs operational), relative cost bases, and Cu grade.

Figure 7: EV/Resources comparables for Hillside



Source: MST estimates.

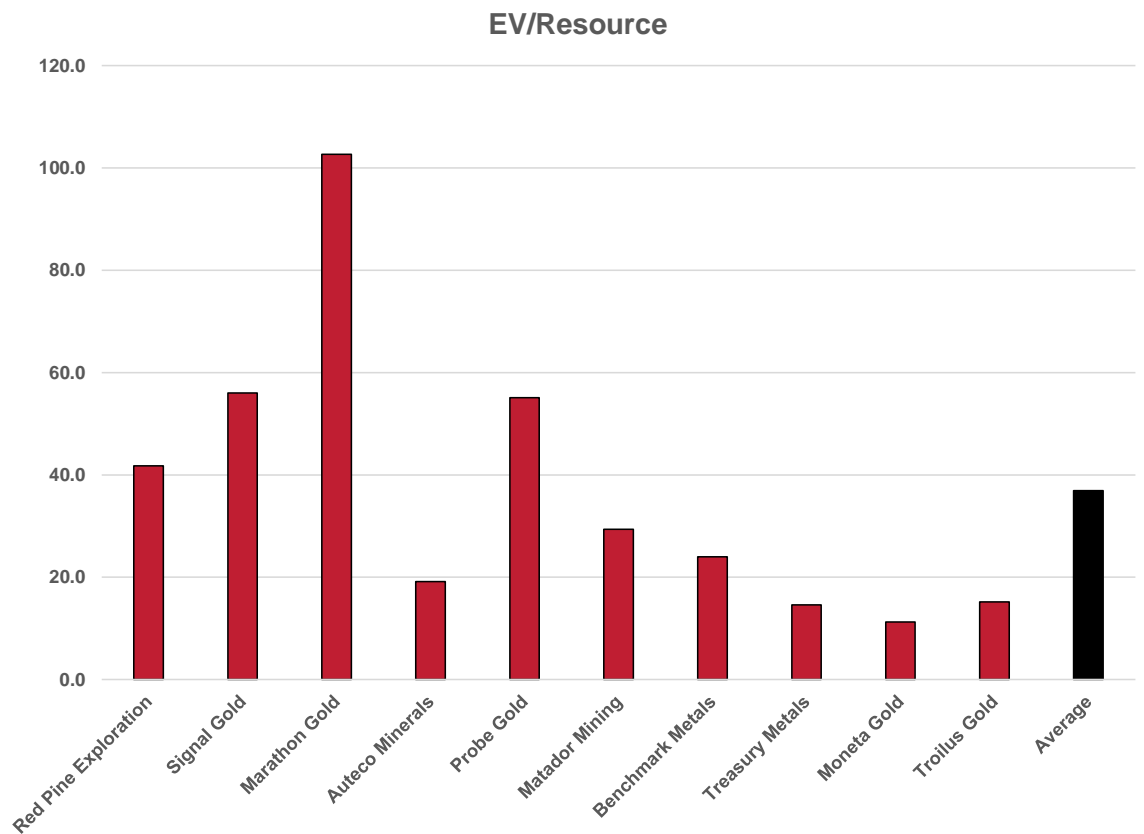


## Hog Ranch valuation: EV/Resources (valuation = A\$85m)

Hog Ranch is at an early stage but has a Mineral Resource. We compare its 2.3moz gold Resource at a cost of US\$0.69/oz to the EV to assess how the market values the Resource and its potential.

We have compared the EV/Resource valuations for similar Australian and Canadian-listed gold companies to obtain our valuation for Hog Ranch, based on the market multiples paid for similar projects. The average multiple paid for the selected assets is A\$37/oz. Using this multiple, the Hog Ranch asset has a valuation of \$85.1m or A\$0.08/share on a fully diluted basis.

Figure 8: Canadian (most relevant) comps, EV/Resource – Hog Ranch



Source: Company reports.



## **Positive catalysts for share price and valuation: strategic partner, FID could propel RXM shares higher**

We believe that RXM has significant potential for further share price and valuation upside and highlight a number of key milestones/catalysts which may deliver valuation upside over the near term.

### **Strategic partner for Hillside**

RXM is seeking a strategic partner to invest at a project level, and take an interest of around 30%. A strategic partner investment would give a see-through value for Hillside, inject cash into RXM and reduce the upfront capex to be funded by RXM.

### **Total funding for Hillside**

Hillside has a large upfront capex. In addition to the strategic partner, RXM will require both debt and equity funding. We believe the completion of a funding package would be a catalyst for share price appreciation.

### **Hillside FID Stage 1**

RXM expects FID for Hillside Stage 1 in late CY23. Completion of FID would be a positive for the share price, in our view.

### **New discoveries or high-grade extensions at Hillside**

Further exploration success at Hillside would accelerate the potential to develop the project and provide further optionality, as well as potentially improve the valuation if the grade and production profile can be increased as a result.

### **Early project delivery**

The early commencement of the projects relative to the currently outlined timeline of development would provide earlier cash flows and reflect positively on the management team, which would likely increase the valuation.

### **Stage 2 PFS for Hillside**

We have included Stage 2 in our valuation but have risked it at 60%. We consider Stage 2 as a significant value add for RXM. The release of the PFS would enable the market to be better informed on inputs such as capex and opex.

### **Stage 2 FID Hillside**

Stage 2 FID would be a positive for the valuation and a significant de-risking event.

### **Successful exploration results at Hillside**

Exploration success at Hillside would be a significant positive for the stock, extending mine life and possibly grade.

### **Price increases in key commodities**

The valuation is sensitive to the underlying commodity prices (copper and gold). Price increases would have a positive effect on the valuation and share price.

### **Capital and operating cost optimisation**

Capital and operating cost savings would have a positive impact on margins, cash flows and the valuation and would be a positive reflection on the company's management team. As the project advances, there is an opportunity to optimise and improve on the current estimates provided in the OFS, which could lead to an increase in the project valuation.

### **Hog Ranch strategic review**

The Hog Ranch Project in Nevada already has a significant Mineral Resource. However, any further devel RXM has initiated a strategic review of the Hog Ranch Project. This process is designed to review RXM's options to accelerate exploration and increase the scale of the property, and will also consider funding alternatives. The strategic review has potential to crystallise value for Hog Ranch.

### **Hog Ranch development**

The Hog Ranch Project in Nevada already has a significant Mineral Resource. However, any further developments such as an increase to Resources, conversion to Reserve, feasibility studies or potential sale could be a positive for the share price and valuation.



## **Risks to share price and valuation: offset by low technical complexity, strong projected returns**

The project's location in SA with beneficial access to existing critical infrastructure, as well as the simple technical aspects of the mining/processing, are all notable positives for the project and provide an offset to the risk inherent to a mining development in general as well as project-specific risks identified.

Risks to our valuation and share price are detailed below.

### **Concentrated commodity exposure**

The asset base has a concentrated commodity exposure. We believe this risk is offset by:

- the company's operations in a Tier-1 jurisdiction
- significant exploration prospectivity and project expansion opportunity
- strong ESG fundamentals
- the fact that the project is fully permitted.

### **Inability to attract strategic partner**

Attracting a strategic partner to the project is a key pillar to the delivery of the Hillside Project. The inability to attract such a partner is the most significant risk to Hillside's development. We see this risk has decreased substantially given the interest in the project

### **Other funding risk for Hillside**

Hillside has a large upfront capex. In addition to the strategic partner, RXM will require both debt and equity funding. The inability to complete a funding package would be a significant negative for RXM.

### **Hillside FID delay**

RXM expects FID for Hillside in Late CY23. We believe any delay in completion of FID would be a negative for the share price.

### **Project delivery delay**

The later-than-expected commencement of the projects relative to the currently outlined timeline of development would provide delay cash flows and reflect negatively on the management team, which would likely decrease the valuation.

### **Stage 2 PFS delay or non-delivery**

We have included Stage 2 in our valuation but have risked it at 60%. We consider Stage 2 as a significant value add for RXM, and any delay or non-completion of PFS to the market would be a negative for the shares.

### **Stage 2 FID delay or non-delivery**

A delay or non-delivery Stage 2 FID would be a negative for the valuation and would significantly increase the market's perception of the stock's risk.

### **Price decreases in key commodities**

The valuation is sensitive to the underlying commodity prices (copper and gold). Price decreases would have a negative effect on the valuation and share price.

### **Capital and operating cost increases**

Capital and operating cost increases have a negative impact on margins, cash flows and the valuation and would be a negative reflection on the company's management team.



## Financials: Strategic Partner/Funding Focus; End-4Q Cash + Capital Raise = \$14.6m Position (Pro-Rata)

RXM has indicated that approximately A\$854m in funding will be required to bring Hillside into production as defined under the OFS. The company is actively pursuing a suitable funding package via a structured process to align with detailed engineering, construction and operational readiness plans. In order to secure this funding a number of project funding options will be considered.

RXM is targeting funding of approximately 50–60% senior debt, with the remaining capital to be funded via a combination of minority asset selldown and equity.

### Current cash position made stronger by A\$8m capital raise

Overall, we believe that the company is in a strong position to secure the project finance required to take Hillside into production. The company had cash in hand of A\$6.6m as of 30 June 2023, in addition to the recent capital raise of \$8m, bringing proforma 30 June 2023 cash to A\$14.6m. This provides sufficient funding for ongoing corporate expenses, working capital and funds required to take Hillside to FID.

### Project funding options

#### Strategic partner investment in project

Potential strategic partnerships via a minority interest are being pursued by RXM. We expect that RXM will look to sell approximately 30% of the project and retain 70%. RXM has stated that it will only introduce a partner should it enhance the value of the project.

We believe that RXM will seek around NPV in payment from a partner. RXM's post-tax NPV for the project is A\$847m, meaning a figure of around A\$250m would represent the likely consideration for a 30% stake.

The key benefit of introducing a strategic partner to the project is that it would significantly reduce the funding burden on RXM, as follows:

- cash is received from the partner into RXM
- RXM would only need to fund 70% of the project
- a smaller equity raise would be required.

#### Senior debt: targeting 50–60%

RXM is targeting funding of approximately 50–60% senior debt (at the 50% level, this would mean \$427m for the project but we assume A\$450m as we have projected higher capital costs).

The company has received strong interest from a range of external financiers, traditional and non-traditional lenders, equipment suppliers and major copper smelters and metal trading companies.

#### Equity raising

We estimate the balance of RXM's equity contribution would be around A\$140m.

**Figure 9: Financing breakdown for RXM Hillside (assuming 30% selldown, \$900m funding)**

FINANCING ASSUMPTIONS		A\$m
Project Debt	50%	450
Project selldown	30%	250
Equity - RXM share only	0.35	140
<b>TOTAL FUNDING REQUIRED</b>		<b>900</b>

Source: MST estimates.



# Appendix 1: Copper – Key to Electrification

## A quick look at the 2023 copper market: demand a bit softer, some supply coming through, but stocks still relatively low

Copper prices hit an all-time high in 2022, surpassing the US\$10,000 per metric ton (MT) mark for the first time ever. However, the metal was unable to sustain these gains and was volatile for most of the year. Macroeconomic factors (including rising inflation, the Russia-Ukraine war, increasing energy costs and climbing interest rates), along with the effects of subdued demand, put pressure on prices in 2022.

In 2023, upbeat sentiment on the post-pandemic reopening of China saw gains early in the year, however as 2023 has progressed copper prices have been range-bound after a May rebound from a slump below \$8,000 a metric ton.

Mine supplies have ramped up and Chinese demand has not been strong enough yet to stop prices from falling.

However, copper stocks are bouncing around 5-year lows. The market is becoming increasingly reliant on countries that have been unstable and chaotic in the recent past, with the Democratic Republic of Congo (DRC) a particular concern. The DRC now accounts for 11% of global mine output, and there are lots of projects in the pipeline in the country that are due to come onstream in 2024 and 2025.

**Figure 10: Copper price, 12 months \$US/lb**



Source: Factset.





## The bigger demand picture: electrification

Copper has high conductivity and is a key metal used in electrical applications. The current decarbonisation and electrification thematic supports strong demand and pricing fundamentals for copper as the electrification of vehicles advances and household heating converts from natural gas to air-to-water heat pumps, while populations in warmer climates expand their use of air conditioning. The main use of refined copper is in electrical applications, but it is also used in housing (pipes and fittings), cars, telecommunication and industrial machines.

Annualised growth (2009–2022) in global refined copper demand has been around 3%. China has for many years been the key driver of demand growth. Going forward, India's electrification and urbanisation will begin to play a bigger role, creating a more steady and diversified demand picture.

The medium- to long-term picture for copper remains strong. Some key points driving this are:

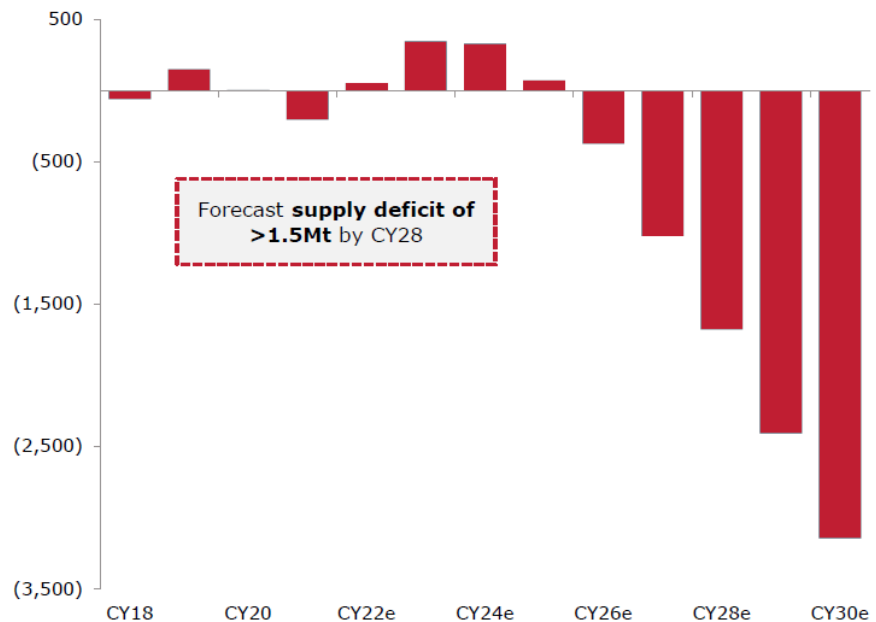
- Copper will maintain its key role within the energy transition. Demand growth will be shaped by copper's role in creating a greener, more sustainable world economy. For example, an EV uses 80kg of copper (vs. 22kg in a petrol engine car).
- Base-case global mine supply looks to be contracting while demand growth, shaped by decarbonisation, remains robust.
- As a result of the renewed interest in public healthcare and hygiene, the application of copper is likely to be expanded in medical equipment.
- Electrical network needs are increasing.

## The bigger supply picture: massive issues

The copper market faces large supply issues and is fundamentally undersupplied as a result of a weak project pipeline, including the following factors:

- a lack of new large-scale discoveries globally
- increased capital intensity to bring new operations into production due to depth, geological complexity and water scarcity
- the trend of declining head grades
- increased regulation and approval time frames.

**Figure 11: The demand-supply balance for copper – supply is tightening**



Source: Macquarie / RXM.



## Appendix 2: Resources and Reserves Definition

**Figure 12: A quick definition of a Resource and a Reserve**

A **Mineral Resource** is a concentration or occurrence of material of intrinsic economic interest in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into the categories of Inferred, Indicated and Measured.

- An **Inferred Mineral Resource** is the part of a Mineral Resource for which quantity, grade (or quality) and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological or grade continuity.
- An **Indicated Resource** is simply an economic mineral occurrence that has been sampled (from locations such as outcrops, trenches, pits and drill holes) to a point where an estimate has been made, at a reasonable level of confidence.
- A **Measured Resource** is an Indicated Resource that has undergone enough further sampling that a 'competent person' (defined by the norms of the relevant mining code, usually a geologist) has declared it to be an acceptable estimate, at a high degree of confidence.

A **Mineral Reserve** is the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource.

- A **Probable Mineral Reserve** is the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource. It includes diluting material and allowances for losses which may occur when the material is mined. A Probable Mineral Reserve has a lower level of confidence than a Proved Mineral Reserve but is of sufficient quality to serve as the basis for a decision on the development of a deposit.
- A **Proved Mineral Reserve** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which occur when the material is mined.

Source: Industry



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