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Chairman's Address – 2013

Over the past year, Rex Minerals Ltd (“**Rex**”) has continued to make significant progress towards delivering a large number of key activities and milestones required to secure full funding for the development of the Hillside Copper Gold Iron Ore Project (“Hillside”). This work has been undertaken by a small but dedicated work force being supplemented and assisted by a range of consultants and contractors. We have also commenced building corporate capacity and capability to assist in our transition from an explorer to developer/producer.

I think it is worth covering some of these achievements:

- Converted the Hillside discovery into Australia's largest undeveloped open pit copper Ore Reserve,
- Signed a non-binding Memorandum of Understanding with China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (“NFC”) for financing, construction and development of Hillside.
- This proposal is now in parallel with a Korean/Australian consortium led by Hyundai and AMEC.
- Released an updated production plan which, based on the 12 year Ore Reserve and an updated initial open pit mine plan, indicates an estimated A\$2.5bn in after-tax cash flows for the first 10 years of production.
- Completed a scale pilot plant test program that allowed for the processing of ore samples indicative of the first 5 to 8 years of production. Results showed that copper in concentrate would be higher than previously assumed, increasing to an average grade of 23%, and that further improvements in copper recoveries and concentrate cleanliness can be achieved through further optimisation of the grinding and washing circuit. This has the added benefits of potentially lower capital and operating costs for the copper/gold circuit.
- Submitted the required information, documentation and independent assessments to the South Australian Government to progress final regulatory approval for Hillside.

Successfully initiated the often difficult transition from an explorer to developer/producer. This began with the recruitment of Mark Parry (CEO/MD) whilst retaining the service of REX founder and previous MD Steve Olsen. More recently Mark has been joined by Rachel Rees (CFO). We are now proactive in broadening the management team and evolving the board composition.

Despite this significant progress, the equity markets sentiment to resources in general and juniors in particular has been persistently negative. However, due to some of the unique attributes of Hillside including the size of the resource, closeness to existing and available infrastructure and its location being so close to Adelaide, there has been and remains significant interest in Hillside funding options to-date.

Looking forward we are aiming to complete a number of important milestones that will be necessary to reach full financial close and move into the development phase. These include:

- Finalisation of a bankable feasibility study prior to the end of 2013.
- Refine the fixed price turnkey EPC (engineer, procure and construct) contract options for the construction of the plant and major infrastructure.
- Finalise regulatory approval from the State Government of South Australia.
- Close finance ahead of construction start.
- Continue to develop organisational capability and capacity to effectively undertake and deliver the project and transition into a producer.

While the funding, development and successful on time on budget delivery of Hillside is our overriding objective and priority, we do have some exceptional regional exploration targets that can add real value. Our focus here are the tenements on the Yorke Peninsula, South Australia.

It is worthwhile touching on our role within the community and our desire to ensure that we engage with a large range of stakeholders with particular reference to the communities across the Yorke Peninsula. Rex has developed an excellent reputation for being an explorer that is able to access and explore targets in consultation and consideration with landowners. It is this strong reputation and approach that we will look to carry into the next stage of our development and beyond.

We acknowledge and respect the right of passionate individuals to have a position that is not supportive of mining. We also strongly believe that it is not simply a case of farming or mining. Both can coexist. However, we do commit to continue to engage in an open and transparent way, to seek to involve people in assisting us and holding us accountable and ensure that the impacts of our operations are managed in a way that does not unduly impact or cause harm or damage to our neighbours. This will be a requirement of the regulator and is a part of how we want to continue to operate.

Hillside will disturb approximately 2,080 hectares of land that is currently farmed. This is less than 0.3% of the Yorke Peninsula. We plan to progressively rehabilitate the site returning up to two thirds of this for a range of agricultural pursuits as we reach the end of the mine life.

Furthermore, communities can and will benefit from developments such as these. This includes tangibles such as the 600 plus jobs that will be created when Hillside is in production, increased access to water, improvements to electricity supply and reliability, improvements to the local infrastructure, community support programs including training and job opportunities for indigenous and young community members. There are also many intangibles such as the diversity of skills that are created, the potential for more families to settle into communities bringing with them family members who may be trained in much needed skills.

Even if we ignore the multiplier effect that a project such as Hillside provides, more than A\$600m of royalties and taxes will be paid to the South Australian Government over the life of Hillside. This in itself will assist the State Government to deliver greater services and investment opportunities across the state.

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So on balance, we do believe that we will play a constructive and active role within the community, we can coexist with farming and we can and will be a valued member of the communities in which we work. We have demonstrated this to date and believe that we will continue to do so.

On behalf of the Board, we would like to take this opportunity to thank our employees and contractors for their efforts, contribution and achievements this year. Welcome some of the newer members of our team who have joined us at this exciting time. We would finally like to acknowledge the support of our suppliers and our shareholders for your continued patience and support.

For more information about Rex and its projects please visit our website www.rexminerals.com.au or contact:

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