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Chairman's Letter - Hillside a high quality Project

Dear fellow Shareholder,

I write to you at a time of important change, increased public and community scrutiny, but also of great opportunity for your Company.

My overriding message to you is that, as a Company, Rex Minerals Ltd remains committed to the development of a large-scale copper-gold-iron ore project at Hillside (Project).

A feasibility study is nearing completion and the work to date reaffirms Hillside as one of the world's best, near-term, low-capital intensity, high-quality, copper-gold projects.

A mix of positive and negative commentary about Rex and Hillside has been broadcast in the past week, so I want to address these issues and reinforce your Board's absolute commitment to advancing Hillside as expeditiously as possible and in a way that maximises shareholder returns and respects community concerns.

Our Vision remains unchanged

Some of the recent public and media commentary might suggest Rex has abandoned a larger scale mining option. I can assure you this is not the case. We wish to make best use of and fully exploit, the Hillside copper-gold resource.

Since its discovery through to the concept study (2011) and pre-feasibility study (2012), it has been clear that Hillside is a Project with a competitively low capital intensity and low operating cost. The recent work for the feasibility study continues to reinforce this view.

Furthermore and with the benefit of recent competitive pricing and tendering, we have identified the potential for a lower capital start-up option which the Board considers represents a great opportunity for the Company.

This is why we have decided to embark on a short-term review, which we are calling an extended feasibility study.

Opportunities from a low cost start up

There are a number of opportunities that a smaller start up could provide. These include:

- contracting - a broader range of contractors can bid for small works packages leading to greater competitive tension. For example, contract mining;
- infrastructure - make better use of existing regional port, logistics and transport infrastructure;
- Project construction - further simplify the schedule with the potential to implement a staged plant build for iron ore;
- finance - a lower initial capital requirement could provide more diverse funding options; and
- community - a smaller initial impact and the opportunity to obtain a broader understanding of a well-managed Project.

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The combination of these factors, we believe, can significantly reduce the Project's start-up capital cost.

Hillside is economically robust. A smaller scale start-up will, by its very nature, be easier to finance and allow for a broader range of possible partners, or greater opportunity to 'go it alone'. The greater share of equity we retain for shareholders, the more value we believe will be created and returned.

Government Approvals

As you would be aware, late last month the South Australian Government offered Rex a mining lease for Hillside.

It is a very detailed document. Neither the Company, nor the Regulator wishes to rush the approvals process. Rex wants to ensure that all of the key issues are given due consideration. This is the normal process for an important development project like Hillside.

Rex remains focussed on developing a large scale copper-gold-iron ore mine at Hillside, and we wish to ensure that even with a smaller scale start-up option, we will have security of access for the larger development.

Rex is continuing to work with the state regulator towards the granting of the Mining Licence for this scale of Project.

Community Interaction

Rex takes its community interaction and responsibilities very seriously.

Since 2008 Rex has actively engaged with the community. Formalised consultations have taken place since 2011 and more than 350 community engagement activities, meetings and events have already been undertaken. At every stage, Rex has sought to address and put into context community concerns regarding potential impacts.

There are a number of existing open pit mining operations on the Yorke Peninsula, some of which have been operating for decades, and which are much closer to local townships than Hillside.

An advantage of starting with a smaller scale initial development, with a footprint similar to the other existing mines in the district, is that it will allow the Company to demonstrate that it can manage the principal community concerns associated with dust, noise and visual amenity.

I look forward to providing you with further updates in the coming weeks and months as we advance the Hillside Project.

Yours sincerely,



David Carland
Executive Chairman