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Chairman's Address – 2014

Introductory comments

In the past year Rex has obtained the key approvals required for the development of the Hillside Project and is now well advanced towards developing a lower capital cost option that will set the direction for the financing and development of the Hillside Project.

While we have come a long way since we first started the work on the feasibility study, financial conditions are significantly more challenging and difficult to lock down. Commodity markets – and with them market sentiment – have moved adversely lower. Iron ore prices fell 23% over the last year. This fall was exacerbated by volatility and a lack of consensus on the direction of the Australian dollar versus the US dollar exchange rate. Notwithstanding that there was some improvement in the gold price and that the copper price was stable over the year, the recent gold and copper price trends and sentiment is providing no relief.

We have witnessed a raft of resource projects and operations coming under stress in Australia and in the region. Of particular relevance to Rex shareholders were the cancellation by BHP Billiton of the Olympic Dam open cut expansion, citing spiralling costs and weak markets and the suspension of magnetite production at Ernest Henry by Glencore highlighting that the business case was no longer supportable in the current market.

In this environment, the saving grace for Rex is and always will be, the quality of our existing Hillside asset base and its potential to deliver beyond the known resource.

Given these tough conditions in the capital and commodity markets, your Board concluded that the capital exposure, associated risk and cost of management of the large-scale Hillside Project became unacceptable. Therefore, in August this year, the Board decided to extend the Feasibility Study, based on previously-identified options for a lower capital, staged, start-up of the Project.

In the current commodities environment, that decision is proving to have been well founded.

I would like to add some colour to this decision in order to be clear about what we face and what we wish to achieve.

Following discovery, the initial concept study (2011) and then pre-feasibility study (2012) both highlighted that the Hillside resource supports a large copper, gold and iron ore development that, by virtue of its location and quality, offered competitive access to existing infrastructure and workforce. The Feasibility Study leveraged this and focused on reducing operating costs through maximising scale. The Board is very keen to develop Hillside in the most efficient and cost effective manner possible and as such, has given Steve Olsen, the company's founding CEO, the task of chairing an Advisory Board to recommend and then oversee the scope of the Extended Feasibility Study.

This approach allowed Rex access to experienced and talented specialists to assist the company in creating a financially viable, staged development plan for the Hillside Project. The results of the Advisory Board's work to date have shown that Rex can develop the Project in a staged, lower cost manner.

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Rex has identified a way to develop Hillside in a staged manner, at an up-front capital cost which is less than half of the previous plan but which ultimately arrives at the same large-scale Project as originally planned and as is defined within our Mining Lease conditions.

Extended Feasibility Study update

We have not yet reached the point where we can report definitive outcomes. However, we can inform you on the work in progress.

We have:

- Reviewed a range of 'copper/gold only' start-up options that sit inside the original large-scale copper, gold and iron ore plan.
- These options can stand alone and then be expanded to a large-scale copper-gold-iron ore mine as originally defined in the earlier studies.
- The capital options available for a staged start-up have been confirmed to be less than half of the previously reported capital required for the larger scale start-up.

The next stage is to complete more detailed design work and mine scheduling required to evaluate the funding options for this staged approach.

We will provide an update in the New Year.

Hillside Project Mining Lease

On 16 September 2014, Rex announced that it had formally accepted the offer of the Mining Lease for the Hillside Project. Rex has now received all of the necessary State and Commonwealth government consents/approvals to develop the Hillside Project.

The Mining Lease and associated terms and conditions were based on three years of work which included over 50 community meetings, an assessment of 237 submissions and numerous independent technical reports covering all aspects of the proposed operation.

Funding options

The lower up-front capital cost of the staged development defined in the Extended Feasibility Study, should make project financing more achievable. Ongoing discussions with potential funding sources such as offtake and strategic partnerships, EPC contractor funding and debt funding, continue to confirm that an appetite for Hillside financing exists.

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 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 in South Australia, some of which have been operating for decades and which are much closer to local townships than Hillside.

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Conclusion

On behalf of your Board, I would like to take this opportunity to thank our employees and contractors for their efforts, through what has been a difficult year for Rex and our industry.

As a result of our restructuring program, several employees, including the Chief Executive, have left the Company and on behalf of the Board, I would like to thank them for their efforts and wish them well in their future endeavours.

We would finally like to acknowledge the support of our suppliers and our shareholders for your continued support.

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

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