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Chairman's Address – 2011

Over the last year, Rex Minerals Ltd (“**Rex**”) has maintained a clear focus on advancing the Hillside Copper Project (“**Hillside**”) while continuing to explore its substantial ground holding on South Australia’s Yorke Peninsula.

Rex has also achieved a number of significant milestones during this period. These milestones include:

- Fund Raising: Rex completed an \$87 million capital raising in late 2010. This left Rex strongly placed to progress Hillside all the way through to a development decision upon completion of a bankable feasibility study. Importantly, Rex still retained 100% ownership of its projects after this financing.
- Resource Growth: An intense resource drilling program at Hillside saw Rex achieve a remarkable discovery rate, growing our Mineral Resource to 1.5 million tonnes of copper and 1.4 million ounces of gold over only 18 months. Iron ore has also been included in the resource estimate for the first time. Maintaining this aggressive work schedule is a credit to the Rex operating team.
- Regional Programme: The regional potential remains an exciting part of the growth opportunity for Rex. Aside from Hillside, early exploration work is adding confidence that targeting of additional large-scale copper-gold deposits in the region, is a valid short to medium term priority.
- Project Studies: Rex delivered a conceptual study in July 2011 which was the first review of a potential mining operation at Hillside. Since then, continued exploration success at Hillside has led to an expanded development option which is the current focus of the Hillside pre-feasibility study now well underway. The expanded development option identifies a project which could deliver over 100,000t of copper equivalent production (made up of approximately 70,000t copper, 1.3Mt iron ore and 50,000ozs gold) for more than 10 years. The drilling at Hillside continues to add additional options to Rex which will be investigated further as the work continues there.

The metallurgical test work indicates that the copper-gold and magnetite concentrates which could be produced at Hillside are low in impurities and are potentially attractive to a large number of international customers. The study results also indicate that Hillside will have competitive cash costs.

The final mine life is dependent on how much ore is discovered over the next six months and regionally beyond that. Further exploration results and other opportunities will all become part of the Hillside pre-feasibility study which is due for completion in mid-2012.

To summarise, we believe it is important to realise and distinguish Hillside based on our work to date.

- Infrastructure advantages, providing access to established power, water and port facilities, allowing for minimal new infrastructure upgrades and facilities;
- Preferred access to skilled labour and suppliers, at a time when remote project development is struggling to access these key resources;
- Low-cost surface mining, boosting economies of scale; and
- Excellent metallurgy, already evidenced by good copper recoveries and the ability to produce a high quality copper-gold and iron ore concentrate.

Adding to this, we believe that the business case for fundamental resources such as copper and iron remain firmly embedded in the global growth outlook of the next millennium. Short term financial market volatility cannot seriously alter this scenario over time. Hence the fundamentals for copper and iron ore remain positive, with gold maintaining its hedge protection.

For copper:

- Mine production is getting deeper and more expensive. Today, 74% of world copper production comes from open pits, in 2025 this is estimated to fall to 60%.
- Average mined grade is decreasing. Since 1960, mined grades have fallen from about 2% to the current level of 1.1% and that is expected to fall to around 1% by 2025. Consider specific, recent examples: at Escondida the grade has fallen from 1.24% to 0.97%; at Grasberg from 0.92% to 0.76%; and at Kennecott from 0.55% to 0.39%.
- Similarly, production capacity in perceived low risk regions is expected to fall by 10% over the next 15 years.

Downward pressure on production continued over the last year. The five largest listed copper producers' production results showed a disappointing overall theme. These producers represent more than 25% of global mined copper. There are a number of recurring issues which explain their fall in production (compared to estimates and prior periods). Namely lower grades, bad weather, strikes and other technical difficulties. Declining grades continue to impact production at major operations including Escondida, Collahuasi and Kennecott, while there is ongoing labour unrest at Freeport's Grasberg and Cerro Verde mines.

So all things being equal, the copper industry is getting deeper, more costly, grade is falling and extraction risk increasing.

It is a similar story for gold. Grades across the industry are falling. World discovery trends are down and average discovery costs are nearing US\$80oz.

On the longer term demand side:

- Emerging economies are increasing demand. This will serve to underpin demand for our magnetite product too.
- There is greater participation in the market from financial investors as they see copper and gold as portfolio diversifiers away from property, fixed income, equities and currency volatility.

Therefore, we see the overall outlook for our products remaining strong notwithstanding shorter term volatility.

This all sets the scene for the next year with our goals for 2012 being:

Resource: Complete the Resource drilling at Hillside focussing on two key outcomes:

- Detailed ore definition for the purpose of upgrading the Minerals Resource into a Reserve;
- Expand the existing Resource, targeting a range of 1.6Mt to 2.1Mt¹.

New Discovery: Effectively test the highest priority targets generated regionally on the Yorke Peninsula.

Economics: Complete the Hillside pre-feasibility study, targeting production of more than 70,000 tonnes per annum of copper and associated by-products of gold and magnetite for a minimum 10 year mine life.

Financing: Continue to progress financing options for Hillside.

Organisation: Plan for transition of the organisation from explorer to developer to producer.

With all this before us, we believe Rex continues to offer shareholders substantial upside through: exposure to copper/gold/iron ore prices, further de-risking of Hillside and ongoing exploration success.

Over the next year we will continue to apply a disciplined and methodical approach to the exploration for, and the discovery of, mineral deposits in Australia. The discovery of new mineral resources in Australia is essential to maintaining and growing the country's largest export industry. A strong mining industry is crucial to maintaining and improving the

standard of living for all Australians. Of concern on this front is the increasingly adverse regulatory environment in Australia. We are witnessing increasing cost imposts and development hurdles via the mining tax proposals, future carbon taxes, royalty increases and industrial relations changes. Australia's largest export earning industry should be encouraged to explore and to grow so as to provide real flow-on benefits to Australians.

In closing, I would like to thank our committed team for their professionalism and dedication. We have an exceptional team in place, an exciting suite of large scale exploration targets and we are well funded to complete our exploration and development plans. We have also become an important member of the Yorke Peninsula community and we look forward to our continued engagement with the community. I would also like to acknowledge the support of our contractors, suppliers and our shareholders for their ongoing confidence in Rex.

¹*The total potential and grade is conceptual in nature, there has been insufficient exploration to define a Mineral Resource in excess of that currently announced, and while Rex has confidence in this target statement, it is uncertain if further exploration will result in the determination of additional Mineral Resources.*

Competent Persons Report

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Patrick Say who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Rex Minerals Ltd. Mr Say has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Say consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For Comment and Further Details

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

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