

**ASX and Media Release: 15 November 2012**

**ASX code: RXM**

## Chairman's Address – 2012

Over the last year, Rex Minerals Ltd (“Rex”) has continued to advance the available Resource and economic studies at the Company’s flagship Hillside Copper Project. This work has advanced Hillside to the status of Australia’s largest undeveloped copper project. The milestones achieved over the past year set the scene for an exciting new phase in the Company’s growth profile.

To be more specific, it is pleasing to be able to report on such milestones against the goals and targets we set at our previous AGM.

- **Resource Growth:** Total Mineral Resources increased to near the top end of guidance (1.6 to 2.1 million tonnes copper) with an update announced on 30 July 2012 defining a total Resource at Hillside containing 2.0 million tonnes copper, 1.7 million ounces gold and 44 million tonnes of iron ore. Inclusive of this Resource update was a substantial increase in the higher confidence category of Resource (Indicated Resource), which increased from 200,000 to 800,000 tonnes copper. This will enable Rex to deliver a maiden Reserve statement for the Hillside project in coming months.
- **Regional Program:** Rex completed a number of diamond drilling campaigns over the past 12 months targeting five high priority targets within 15km of Hillside. The early results are yet to deliver a conclusive outcome in terms of clearly defining a new discovery. However, the potential for substantial new copper discoveries in the region remains. It is important not to underestimate the significance of the build-up of new information that has been gained from the regional exploration program. Exploration success is built on hard work and the application of good science, and rarely comes overnight.
- **Project Studies & Economics:** Almost 12 months on from the release of a scoping study on the Hillside Project, Rex last month announced the results of its Pre-feasibility Study (“PFS”). This significant body of work has been completed by the team at Rex, AMEC, Mining Plus and other specialised consultants. The results have continued to expand the scope of the Hillside Project. The PFS identifies an average annual production rate of 70,000 tonnes of copper plus by-product credits of gold and iron ore, and an expanded mine plan from 10 years to potentially over 15 years. This has been a significant milestone for Rex.
- **Financing and Organisation:** The results from the PFS now place Rex in a position to discuss important financing options with various parties and financial institutions for the development of Hillside. In addition, Rex has commenced the transition of the organisation from an exploration company to a developer and producer. To date we have been successfully lead through the exploration and discovery phase by Steven Olsen. We have recently appointed Mark Parry into the role of Managing Director to lead us through the development and production phase. Mark’s background and skill set is very complimentary to the next phase of growth at Rex. We are fortunate to have been led by such high calibre individuals in the key role of Managing Director.

At this point in time, Rex is now reviewing the results of the PFS to refine the way forward with the final mine plan as part of the Bankable Feasibility Study (“BFS”) and development strategy. The planning completed up to the end of 2012 is expected to create the platform which will enable Rex to meet its key milestones into 2013. These include:

- **Reserves:** Establish a reserve base for up to 10 years of production at Hillside as part of the BFS in 2013.
- **Approvals:** Complete the required planning, consultation and documentation for the successful acceptance of the Hillside Mining Licence applications and approval documentation.
- **Exploration:** Continue to test and refine the high priority targets on Rex’s exploration licences surrounding Hillside. This has the potential to add significant new mine life or production capacity to our production profile on the Yorke Peninsula.
- **Economics:** Complete the Hillside BFS with a focus on securing the remaining infrastructure requirements, ordering long-lead time items, and negotiation of key contracts for the successful commencement of construction.

**Financing:** Continue to advance financing options, focused on maximising returns to shareholders in time for the successful commencement of development of the Hillside Project.

- **Organisation:** Continue to build up the leadership and project management team for the successful transition of the organisation from explorer to developer to producer.

Adding to this backdrop of important work programs at Rex, the investment case for Hillside continues to build. As noted in our 2012 Annual Report, the Hillside Project compares favourably to many other undeveloped copper projects that are required to maintain expected global copper supply. Many of these projects are located in developing countries and they share common characteristics of high capital intensity primarily driven by poor existing infrastructure and increasing degrees of political risk. Hillside has a clear competitive advantage on these fronts.

So while on paper and in theory, it may be possible for copper supply to keep up with demand, the reality has proven otherwise. The inter-relationship between new supply and capital hurdles was highlighted earlier this year in a report by Goldman Sachs in a review of the world’s top 40 undeveloped copper mines. The report estimated new capital expenditure on large copper mines was running at US\$15,000 per copper equivalent tonne of annual production. Based on the PFS, Rex’s equivalent capital intensity is estimated at over 30% less.

If we assume CRU’s estimate of a need to find an additional 10 million tonnes per annum from new mine supply over the next 10-12 years, the global copper industry would need to invest US\$150 billion in building new capacity. However, the outlook for new copper supply would appear to be diminishing, not increasing.

In our view, this will ultimately underpin strength in the copper price, but also bring into sharp focus the low cost operating economics and low to moderate capital intensity of Hillside, particularly in comparison against other large undeveloped copper projects around the world.

In short, Hillside is a strategically significant global copper asset. As a starting point, our PFS for the Hillside Project outlines a mine plan for over 100,000 tonnes of copper equivalent production for over 15 years. On current estimates, Hillside will be Australia’s largest undeveloped open pit copper resource.

Many companies, including major mining companies, have focussed on finding new copper supply in new and remote locations, sometimes with success, only to find that the capital costs to develop these projects are too high, or access to water and power is difficult. At Rex we have never lost sight of how important the location and access to infrastructure

is when developing a new large-scale mining operation. Where else can you find a new large-scale and long-life copper project within 12km of a port with spare capacity and with the ability to connect to the State's power and water supply?

We firmly believe that the Company's continued focus on both copper and our logistical advantages at Hillside will ultimately reward shareholders. This will become more apparent with the release of the Hillside BFS.

Over the year the Company's employees have worked hard to deliver a new and substantial Resource update for our flagship Hillside project which now contains 2 million tonnes of contained copper plus significant gold and iron ore credits. The work involved with the feasibility studies is ongoing, the results of which will be shown over the coming months.

On behalf of the Board, we would like to thank our employees for their efforts and achievements during the year. We would also like to acknowledge the support of our suppliers and our shareholders for their continued confidence in Rex.

### **Competent Person's 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](http://www.rexminerals.com.au) or contact:

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