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Shareholder letter from the CEO

Dear Shareholder,

It has been almost three months since I joined Rex Minerals Ltd. (“**Rex**”) as Managing Director and Chief Executive Officer. With 100 days under my belt, I would like to take the opportunity to update you on the plans we have for Rex in 2013 and our Hillside Copper Project (“**Hillside**”) on South Australia’s Yorke Peninsula.

At the outset let me say what a privilege it is to be involved with such a company and such a quality project and team put together by founding Managing Director, Steve Olsen.

The experience of the past three months on site tours, investor road shows, meetings with bankers, brokers, contractors and suppliers reinforces my confidence in Hillside as Australia’s next great copper mine.

Having worked for BHP/One Steel for 28 years during which I led the \$500m iron ore expansion, Project Magnet, near Whyalla, I fully understand the Eyre and Yorke Peninsulas of South Australia and the demands of delivering large projects on time and on budget. This experience confirms my belief in the quality of the Hillside deposit and its advantages in being so close to people, power and ports.

Last week, Rex announced the first Reserve statement for Hillside – now Australia’s largest undeveloped copper reserves - and I also presented to the Sydney Mining Club. The announcement, the presentation and a short video which gives a comprehensive summary of the plans for Hillside are available on our website. I encourage you to review them, and would welcome your feedback to info@rexminerals.com.au.

Let me outline where Rex is at and how I see a busy year ahead for the company.

1. Reserves - Eight years of open pit Reserves, and 15+ years in mine plan

I have had a number of questions in regard to our recent Reserve announcement and it appears people are confused about our announcement of an eight year Reserve versus previous statements that Hillside will have a 15 year plus mine life. In simple terms, completing enough drilling to announce a Reserve gives us a great deal of confidence during the first eight years of the planned 15 year mine life.

Reserves are a very important indicator for providing further confidence to potential funders of the project. We will now be looking to undertake further drilling to extend the Reserve beyond 10 years. Reserves provide more certainty to investors than Resources.

To put this into perspective, in the space of two and a half years, Rex has delivered five Resource statements and now its first Ore Reserve estimate. Hillside is currently Australia’s largest open pit copper

Reserve and the ability to convert such a large amount of Resources into Reserves is a significant achievement. In addition, we are progressing the various funding options for development.

The Resources of 330Mt at 0.6% Cu (0.8% CuEq) provide a Resource inventory for at least 15 years of production. The Reserves – of 120Mt @ 0.53% Cu (0.77% CuEq) allow bankers, brokers and possibly product off-take groups to more closely model the first 8 years of Hillside production and cash flow generation. In addition, the work program for 2013 aims to establish a Reserve profile for over 10 years of production. This will reinforce Hillside as the largest copper project in Australia outside of the giant Olympic Dam deposit.

The economics of Hillside at a Resource grade of 0.6% Cu (0.8% CuEq) compare favourably with even higher-grade deposits in Australia or other parts of world. Large scale mining and processing techniques have changed the copper industry's economies of scale and its long-term grade profile. Crucial nowadays to a successful copper project are many other equally important and distinguishing features such as underground versus open pit cost developments, large versus small scale cost structures, projects with ready access to quality infrastructure such as ports, water and the provision of consistent power.

In talking with major institutional investors and financiers it is clear that most are just as interested in total project cash flows and the capital intensity of new projects.

As the Hillside pre-feasibility study (“PFS”) shows, proximity to infrastructure and access to shallow open pit ore delivers a project low in start-up capital costs compared to most new projects around the globe. Therefore, whilst the A\$900 million capital cost is a relatively large sum in an Australian context, most of our potential international financing partners recognise that similar projects would on average cost well over A\$1.5 billion, and this is where Rex has an important capital cost advantage.

On the operating cost front, we continue to work on reducing the operating cost structure at Hillside. In this regard, every tonne counts. If we can reduce waste removal, increase the grade profile, or limit the potential for dilution (the mixing of waste and ore) by say 5-10% we further enhance Hillside's economics and long-term value. This is the current, and indeed will be the ongoing, focus of our mine planning team and metallurgical experts.

The drilling and modelling used in developing the initial eight year Reserve provide us with greater confidence in optimising the life-of-mine plan and mine schedule (how we will mine, at what rate, in what sequence and with what fleet). This provides us with the opportunity to more closely review our mining options including whether we own or lease the fleet, what activities we may contract out and the most economic method of opening up the ore body in Hillside's start up years.

2. Feasibility Study, Project Contracting and Financing Discussions

The PFS for Hillside released last year showcased a A\$900 million project development (including A\$90m contingency) for a 15mtpa plant producing annually 70,000 tonnes of copper, 50,000 ounces of gold and 1.1-1.3 million tonnes magnetite.

This is a robust study. The aim now is to deliver an update on this, tested by contractor and supplier bidding, as part of a Feasibility Study (“FS”) in the second half of 2013.

Therefore, in the months ahead we will continue to hold a series of discussions and negotiations with a selection of Australian and international engineering, procurement and construction (“EPC”) consortiums. All of these parties came to Rex based on their understanding of the attractiveness of the Hillside project and their desire to be involved.

These negotiations are aimed at developing a number of fixed-price contracts for Hillside’s development. As part of these discussions we will be working in parallel with these parties to review and assess project finance options through construction financing. I certainly believe this process has the ability to provide a significant proportion of the money required to fund the project.

3. Project Estimation and Delivery

I am often asked what confidence we have in our costs given the capital cost increases in recent years on projects worldwide.

The project discussions we will have in coming quarters will provide the strongest guide, but my sense is Hillside is a very different proposition to most new projects. The key points I made in my Sydney Mining Club speech last week touched on this.

The Hillside PFS estimate includes A\$680 million of process plant and related surface infrastructure, A\$120 million to process the waste-tailings into magnetite and A\$90 million of contingency.

This project is not hostage to the vagaries of say building a lengthy rail line, or dredging a port, or building a camp, or designing, building and commissioning new technologies.

The location advantages of Hillside should not be underestimated. The advantages of being in a first world country so close to people, power, port and water are fortuitous. I would be concerned if we had to build, recruit and manage a camp and a team in a remote location, with the added time and costs of fly in fly out logistics and the extra incentives to retain teams and crews. Hillside is in an ideal location.

One of the greatest concerns for project owners is the inherent risks associated with new technologies and having to do something that has not been done before.

In the case of Hillside, you cannot get much more traditional or conventional than a crush, grind and float circuit for producing copper-gold concentrates or a magnet separating out the magnetite from the processed and ground-up tailings.

Ideally you want to do enough drilling and test work to fully understand the ore body that is in the ground, how it will present and behave during processing and what products it will produce. This allows you to define and lock in the scope of the project and the design for the processing plant.

Based on the extensive drilling, test work and pre-engineering undertaken by Rex over the past 18 months we will be in a position to fully lock in scope and design within the first half of 2013. This will allow healthy competitive tension in the bids from our competing manufacturing construction contractors.

My speech in Sydney also mentioned that I believe that the intense heat in the world's construction and engineering sector is dissipating and that the availability and cost of equipment is improving. Evidence of this includes significant reductions in lead times to procure large mining equipment and processing mills. In some instances we have seen order lead times reduce from 24 months to less than 12 months. This is pointing to more competition and reductions in prices.

So for a combination of reasons I believe the timing for Hillside is right. The groundwork has been done and the engineering, procurement and construction cycle is moving in our favour which provides us with a measure of confidence in project delivery.

4. Funding

So how do we plan to fund the A\$900 million project? While it is difficult to go into details at this stage, based on the level of interest in Hillside from groups interested in construction finance and potential off-take agreements for our concentrates, we are in a good position to secure sufficient funds to advance Hillside.

In summary we have in train and are progressing good options to get Hillside underway. Rex has a big year ahead in 2013 to turn these options into reality.

5. Regional Exploration

Rex has proved that a commitment to exploration can lead to the discovery of a quality copper-gold project of scale. Hillside sits across just 2km of the 75km Pine Point Fault and the regional potential is yet to be fully tested.

We remain committed to unearthing another Hillside on the Yorke Peninsula, however for the time being in 2013, we are focusing our drilling at Hillside and limiting our regional exploration work. This is due in part to ensure the geological team drill out Hillside and to ensure that the mining model is as robust and optimised as it can be.

We will conduct some small scale regional exploration in the year ahead and look to new programmes in 2014 once the major activity of the year – crystallising Hillside's finance and development - is in place.

6. Approvals and Community Consultation

Rex has been working closely with the South Australian Government and local community with the twin aims of keeping these groups informed of our progress and plans and securing the necessary permits and approvals. We have developed a strong reputation for listening, engaging and responding. We recognise and acknowledge our continued obligation to be a responsible corporate citizen and the key role we can play in creating economic returns to South Australia, the Yorke Peninsula and our shareholders.

There is a large body of research and work associated with submitting and securing approvals and permits. We are well advanced in this area and remain on target to secure approvals during 2013.

It has been a fascinating first three months at Rex and there is much more to be achieved. I look forward to updating you on progress throughout the year on Australia's next great copper project.

Yours sincerely,



Mark Parry
Managing Director

Competent Persons Report – Ore Reserves

The information in this report that relates to Ore Reserves is based on information compiled by Mr Colin McVie and Mr John Speck who are Members of the Australasian Institute of Mining and Metallurgy and are full time employees of Mining Plus Pty Ltd. Mr McVie and Mr Speck have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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 McVie and Mr Speck consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Competent Persons Report – Mineral Resources

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.