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Letter to Shareholders - Hillside's Many Achievements

Dear Shareholder,

It is almost six months since my last letter to you and in that time a great deal has changed in our external and internal environments. In an effort to keep you informed I would like to take this opportunity to provide you an update.

We continue to see volatility within the equity markets and in particular poor market sentiment towards the mining sector. At the same time we have seen the Australian dollar fall against the US dollar by more than ten cents in the past six months.

The decrease in the A\$ to US\$ is an important change. Many analysts believe that the A\$ has been overvalued and that over time it should return to levels that are more a reflection of our terms of trade and commodity prices. A decline in the value of the A\$ is a positive for the potential economic returns for Hillside, as commodity prices and future revenues are based on US\$ amounts whilst costs are based on A\$ amounts.

In addition, it is worth noting that although we have seen some downward movements in copper and gold prices in US\$ terms, the current prices for copper, gold and iron ore are all higher than those used in the financial model for Hillside. Indeed the long term outlook for copper is still good.

The quality and value of the Hillside Project ("Hillside") should not be underestimated. We remain committed to realising this value and focused on doing all of the necessary work to get the project fully funded and into production.

A great deal has been achieved at Hillside in the past six months, including:

- an Ore Reserve Statement and open pit mine plan for the first 12 years of operation,
- the selection of a proposed construction group (NFC) to provide a fixed priced construction contract for Hillside.
- in-principle agreement with Chinese banks to provide 70% of the project finance, and
- completion of metallurgical testing providing increased confidence in the concentrates we will produce. This is important data for copper smelters and 'offtake' groups which in turn could provide the balance of project funding.

Whilst many companies are talking of re-engineering projects and delays, at Rex we are about to enter the most important 3-6 months in the Company's development with the completion of the Bankable Feasibility Study ("BFS") and closure of finance for our \$800-850m Hillside Project. In many respects, this is a good time to be building a project. Equipment lead times are decreasing and there is a lot of competition from companies within the mining and project construction sector as they seek to secure work.

Rex is working to achieve, by the end of this calendar year, a fully funded Hillside Project with the clock commencing on an 18 to 24 month construction schedule in order to see first copper produced in late calendar 2015.

Whilst we have seen changes in the external environment over the past six months and in particular commodity prices and the exchange rates, internally we have worked on enhancing revenue fundamentals for Hillside, particularly over the first 10 years of what should be a 15+ year mine life.

Based on the recently announced 12 year Ore Reserve, Rex has developed an open pit mine plan. This mine plan is capable of delivering at a rate of 110,000 tonnes per annum ("tpa") of copper equivalent² ("CuEq") production (that is an average of 75,000tpa copper, 60koz gold, 1.2mtpa magnetite) production for the first 10 years.

As we indicated in our ASX announcement of 1st July 2013, this can generate in the order of \$2.5 billion in after tax cash flows¹ in its first 10 years. This provides significant cover against, and confidence in, repaying the Hillside financing package as well as being attractive to our potential funding partners.

During the past six months, I have met with construction groups, financiers and many shareholders. We have also had a number of common questions raised by shareholders about Hillside, which are worth briefly addressing now:

Q1 - How can you be confident that Rex won't suffer a capital cost blow similar to some other projects?

The answer is by having a conventional project so close to existing infrastructure and by having a fixed price, lump sum, turnkey contract. The BFS in October will be based on a fixed price costing by China-based NFC and it is with this fixed price that we expect to secure up to 70% of the project finance with long term debt provided by banks including China's Minsheng Banking Corporation.

Q2 - If 70% of Hillside is debt funded, how will you fund the remaining 30%?

We have a number of potential options for securing the balance of the funding required. Having reached this stage in our development, remaining debt free and having total control of the Project and all of the available offtake does put us in a good position. The two concentrate products, the copper-gold concentrate and the magnetite concentrate, are much sought after products. Many of the parties who are talking with us are interested in how best they can help us secure funding so that they can have access to some or all of the offtake. This may include us agreeing to joint venture the Project in exchange for full funding. This is only one of several options. Success is being fully funded with the most appropriate short and long term partner.

Q3 - What is the underground potential for Hillside, will operations continue beyond the first 12 years of Ore Reserves?

The reserve base provides the basis for a 12 year mine plan. At the northern end of Hillside the ore body becomes thicker at depth and provides great potential for its second decade of life. We have not fully drilled out this portion of the ore body simply because it would make more sense to do so once Hillside is up and running and when access is easier. Importantly, our geological assessment suggests the orebody may continue to grow in this northern area.

Q4 - When will Rex pick up the pace on exploring the regional potential of the Yorke Peninsula?

The answer is we want to do it in a methodical and sensitive way. Methodical in the sense that we have undertaken a lot of base line studies to build up a picture of the area. Sensitive in that we want to work closely with the community and not rush our regional exploration activities. To date, it is been more important to focus on areas closer to the mine. The recent quarterly report highlighted a new, potentially significant area of copper mineralisation at Westbrook north-west of Hillside. It is these nearer term opportunities we will look to explore in the coming 6-12 months.

Q5 - Why isn't the share price higher? What do stockbroking analysts think of Hillside and Rex?

We would all like the share price to be higher, but our share price has followed the general market for junior explorers in the past year. I have little doubt once we have completed the financing for Hillside Rex will see a significant re-rating, as occurred some years ago when other major copper companies such as PanAust, Oz Minerals and Sandfire moved from exploration to development and then production and became significant

copper producers. Until we can demonstrate that we have secured funding, many people will continue to discount their view of the project based on risk rather than looking at the project economics.

Q6 - What can we expect from Rex in the next 3-6 months?

We have a busy time ahead with completion of a number of activities just before or during the December quarter, such as (i) completion of the BFS and fixed price construction contract for Hillside (ii) expected approvals and delivery of Mining Licence (iii) completion of concentrate sales discussions and finance of the Hillside project, and (iv) the relocation of the Corporate office to Adelaide and Ballarat office closure.

Hillside is in the sweet spot.

In June, I attended the Australian Copper Conference in Brisbane. Among the presentations at the conference was a study by international mining consultants InfoMine which discussed the lack of new and large scale copper developments and the challenges of meeting China's future copper needs. A number of points during the presentation stood out, namely the grade profile and capex intensity of new projects.

InfoMine's database showed that the average resource grade of 309 operating mines was 0.55% copper. Of the 55 mines in development they had an average resource grade of 0.42% copper and the 84 projects in feasibility study had an average resource grade of 0.38% copper.

By way of comparison, Hillside's resource grade is 0.6% copper and its ore reserve grade is 0.52% copper, before the inclusion of any gold or magnetite credits which lifts its CuEq² grade to 0.9%.

InfoMine also asked the question 'Is Bigger Always Better?' and looked at the differences in small, mid, and large scale copper projects in the USA all based on an assumed average strip ratio. As expected the analysis found larger projects (7Mtpa and 15Mtpa plants) have higher capital costs but enjoy lower operating cost – in the order of 20-25% lower opex than projects with mills of 3-7Mtpa.

However while the development costs of a mega project such as a 30Mtpa plant were double that of a mid-scale 15Mtpa project the operating costs were virtually the same. In other words the 'sweet spot' for projects seems to be at 15Mtpa. This just happens to be the scale of plant for Hillside. .

InfoMine's research seems to agree with our own; that Hillside with its many location advantages is large enough to enjoy significant economies of scale but is not so large as a \$3-\$5 billion mega project to require the added capital costs of ancillary infrastructure.

Hillside is, in our view, unique among modern copper projects being in a first world location, blessed with good infrastructure (no need for camps, ports, railways or hydro schemes), of scale and size (at least 110,000tpa CuEq²), using conventional technology (no major metallurgical issues) and simple to model and mine (at least 12 years of open pit reserves).

We have a great project in readiness for development and I look forward to updating you when our BFS is complete.

Yours sincerely,



Mark Parry
Managing Director

ADDITIONAL INFORMATION:

Table 1: Hillside Ore Reserve – June 2013

Category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Iron (%)	Contained Copper (t)	Contained Gold (oz)	Contained Iron ore (t)
Proved	65	0.47	0.15	15.4	304,560	312,505	10,180,342
Probable	115	0.55	0.12	13.9	632,500	443,680	15,637,388
Total	180	0.52	0.13	14.4	936,000	752,327	25,743,517

Table 2: Hillside Measured, Indicated and Inferred Mineral Resource Summary Table – June 2013

Zone	Resource Category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Iron (%)	Contained Copper (t)	Contained Gold (oz)	Contained Iron ore (t)
Oxide Copper	Measured	16	0.55	0.23	16.69	88,000	118,315	2,804,369
	Indicated	4	0.49	0.13	14.30	19,600	16,718	566,444
	Inferred	0.2	0.6	0.2	14.6	1,200	1,286	29,167
Secondary Sulphide	Measured	9	0.60	0.20	18.13	54,000	57,871	1,759,993
	Indicated	3	0.58	0.13	14.90	17,400	12,539	450,185
	Inferred	0.1	0.6	0.1	7.9	600	322	5,147
Primary Sulphide	Measured	48	0.53	0.17	16.95	254,400	262,350	8,588,882
	Indicated	144	0.60	0.13	15.25	864,000	601,862	22,318,757
	Inferred	113	0.6	0.1	15.6	678,000	363,303	18,071,067
Total		337	0.6	0.14	15.7	2,022,000	1,516,872	54,368,007

Copper Resources reported above 0.2% cut-off grade. Measured and Indicated Resources are rounded to two significant figures and Inferred Resources are rounded to one significant figure.

The estimates of production and cash flow as reported here are within the Company's 12 year Ore Reserve and represent the best estimate to date of the production profile of the Hillside project over an initial 10 year period.

Revenues are based on the increased production schedule and commodity price forecasts shown in Table 3. Rex has also completed further refinements and confirmation of the costs identified in the Hillside PFS which has given Rex further confidence in the potential cash flows reported in this announcement.

Whilst the current estimates of production and cash flows from Hillside represent the best estimate from existing information and work completed to date, Rex will continue to refine and optimise the financial outcomes from the development of the Hillside project. Greater detail in regard to the financial estimates from the Hillside project will be released upon completion of the Hillside BFS. These forecasts are all dependant on the timely and successful completion of the required mining approvals and permits, financing and successful commissioning of the Hillside project.

Table 3: Table of Commodity Prices used in estimates of Cash Flow.

	2016	2017	2018	Long Term
Copper Price (US\$/lb)	3.2	3.0	3.0	3.0
Gold Price (US\$/oz)	1300	1300	1250	1250
Iron Ore Price (US\$/t) *for 62% Fe content	100	100	100	100
USD:AUD exchange rate	0.9	0.8	0.8	0.8
Inflation	2.5%	2.5%	2.5%	2.5%

Commodity price assumptions have been based on a review of broker consensus and research on the projected supply and demand for each commodity supplied to Rex Minerals by CRU strategies.

¹ Notes on forward looking statements

This announcement contains “forward-looking statements”. All statements other than those of historical facts included in this announcement are forward-looking statements. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, copper and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any “forward-looking statement”.

² Notes on Copper Equivalent (CuEq)

- Copper price used = 3.00 US\$/lb
- Gold price used = 1250 US\$/ounce
- Iron ore price used = 100 US\$/tonne:
 - US\$100 equates to the industry benchmark at 62% iron
 - Plus US\$25 premium for a concentrate grade of 67% at Hillside
- Testing has confirmed conventional processing options.
- Total Cu grade is used in the CuEq calculation
- Gold recoveries estimated at 84%
- Iron ore recoveries estimated at 43%
- Iron ore concentrate grade = 67%
- It is the Company’s opinion that all elements included in the metal equivalents calculation have a reasonable potential to be recovered.
- Formula for calculating copper equivalent = 1 + 2 + 3
 1. Copper Grade = Cu
 2. Copper Equivalent grade for Au = $(\text{Au}/10000) * ((1250/0.06857142)/3.00) * 84\%$
 3. Copper Equivalent grade for Iron Ore = $((\text{Fe} * 43\%)/67%) * ((125/2204.623)/3.00)$
 - *0.06857142 = conversion from oz’s to lb’s
 - *2204.623 = conversion from tonnes to lb’s

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 Ben Brown 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 Brown 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 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr McVie and Mr Brown 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 2012 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.