

REX MINERALS LTD



**DELIVERING AUSTRALIA'S LARGEST
UNDEVELOPED COPPER PROJECT**

HILLSIDE: SOUTH AUSTRALIA

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ANNUAL REPORT
14



REX MINERALS LTD



ANNUAL REPORT

2014

DELIVERING AUSTRALIA'S LARGEST UNDEVELOPED COPPER PROJECT

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OPERATION LOCATIONS



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Introduction

Rex Minerals Ltd ("Rex" or "the Company") is an Australian minerals exploration and development company with large-scale copper-gold-iron ore projects on the Yorke Peninsula, South Australia.

In 2008, Rex discovered the Hillside project ("Project") beneath shallow cover rocks approximately 12 kilometres from the port of Ardrossan. After the initial discovery, Rex committed to a Resource drilling program at Hillside at the beginning of 2010. The most recent Mineral Resource estimate, based on the drilling completed by Rex, has contained metal of 2Mt copper, 1.5Mozs gold and 54Mt iron ore. In 2013, Rex announced a maiden Ore Reserve in February and then in June announced a further update to this Ore Reserve which currently has contained metal of 936,000 tonnes of copper, 752,300 ounces of gold and 25.7Mt iron ore. Hillside is now Australia's largest open pit copper project with the first 12 years of production covered as Ore Reserves.

Hillside is the first project in the Company's plans to discover and develop multiple copper-gold deposits on the Yorke Peninsula.

Highlights

Hillside Feasibility Study – Rex remains committed to the development of a large-scale copper-gold-iron ore project at Hillside. Rex completed extensive work programs on all aspects associated with a large scale mining operation, focussing on a mining processing rate of 15Mtpa. As part of the Feasibility Study, a number of open pit mining options were reviewed, resulting in the mine design associated with the large scale open-pit. As part of this review, a smaller scale open pit was identified which, combined with the recent competitive pricing and tendering, has the potential for a lower capital start up option which represents a great opportunity for the Company. The further investigation of these options are part of the Extended Feasibility Study.

Mining Lease Granted – On 29 July 2014, Rex announced that it had received a formal offer of mineral tenements ("Mining Lease") from the South Australian Government for its Hillside Copper Project. Subsequent to this on 16 September 2014, Rex announced that it had formally accepted the terms and conditions associated with the Mining Lease and that the Government had granted the Mining Lease for the Hillside Project to Rex.

Financing Options – The Company remains free from debt, has not given up any of its future offtake for copper or iron ore and does not have any commercial royalties attached to the Project. All of these assets remain with the Company and are a valid part of the options that the Company can draw on when financing the Hillside Project.

As the results from the extended feasibility study are revealed, the size of the capital required for a smaller start-up option will determine the way in which the Company will position the financing options for the project. There are many interested parties that Rex continues to engage with in this regard and the successful financing leading to the successful development of the Hillside project remains the key objective for the Company.

Near-term Objectives

- > **Feasibility Study** – The existing work completed on the large scale mining options will be expanded to include the potential for a smaller scale and lower capital start up option. This work is anticipated to link directly with opening up additional financing options for the Company. The Rex Board believes it is in the best interests of all shareholders to broaden the scope of the Feasibility Study into an Extended Feasibility Study, and include these alternate development options.
- > **Cost Reduction Plan** – Rex will restructure the Company to enable it to focus on its core objectives. A number of cost saving measures are being implemented to ensure that the Company can focus its cash reserves to support the Extended Feasibility Study, new development plan and subsequent financing alternatives.
- > **Financing** – The Company will put in place an optimal financing package with the goal of maximising shareholder exposure to the future cash flows from a new copper-gold-iron ore operation at Hillside.

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LETTER FROM THE CHAIRMAN

For the year ended 30 June 2014

Dear Fellow Shareholder,

We would like to take this opportunity to provide our summary of the last year, the outlook for the year ahead and reinforce our vision to create value from the Company's flagship assets on the Yorke Peninsula in South Australia.

Over the past 12 months your Company has been working hard to achieve some important milestones, some of which are still underway. One area of focus has been the work with the state regulator towards the granting of the mineral tenements (Mining Lease) for the large-scale Project.

Since year end, the Company has announced its acceptance of the offer of a Mining Lease for the Project which means that we have now received all the necessary state and Commonwealth consents/approvals to develop the Hillside Project. This is a very significant milestone for the Company and one to which all of the people who worked on this outcome should be proud.

While this process has taken considerable time, the work completed by both the Company and the South Australian Government will ultimately strengthen the security of the Project in the long term which will create substantial benefits to Shareholders, the local community and the state of South Australia. The Company takes its community interaction and responsibilities very seriously and continued its efforts to work with the community of the Yorke Peninsula to ensure the Project strikes the right balance for all stakeholders.

The Hillside Project is one of great importance to both the Company and the state of South Australia and I can assure you that the conditions that your Company has agreed to in relation to the Hillside Project will allow for the safe and effective development of the Project as we progress towards our vision to create a new large scale copper-gold-iron ore operation.

Another area of focus has been the work associated with the feasibility study for the Hillside Project.

This work is ongoing and has to date confirmed the Project's low capital intensity, low operating cost and identified the potential for a lower capital start-up option which represents a great opportunity for the Company.

The potential to commence production at Hillside for a much lower up-front cost is what we believe to be an important part of maximising the inherent value that you, as Shareholders, own with the very large Hillside Mineral Resource and its future potential.

This is why the Board decided to undertake the extended feasibility study (EFS) to review intensively the several areas of opportunity that a smaller start-up option could provide in order to reduce the Project's start-up capital cost significantly.

The optimal value remains with the development of a large-scale, open pit mine at Hillside. However, the copper, gold and iron at Hillside starts at a very shallow depth which provides numerous options for the Company to consider.

This is an important feature of the Hillside Project as the inclusion of smaller development options may enable the Company to tailor a more efficient financing package and allow for either a broader range of possible partners or for the Company to 'go it alone'. The greater share of equity we retain for Shareholders, the more value we believe will be created and returned.

The Company remains debt free, has not given up any of its future offtake for copper or iron ore and does not have any commercial royalties attached to the Project. All of the Hillside Resource remains with the Company, a significant factor that can be drawn on when financing the Hillside Project.

With the currently constrained capital for new large scale projects comes a lack of future production to deliver into the world's expanding economies. This will, at some stage in the future, lead to a significant shortfall in copper and a period where we will see further pressure and strengthening of the copper price.

Therefore, looking beyond the near term, we see that commencing production even at smaller scale could prepare the Company well for what we see is the inevitable upturn in the copper market.

In the meantime, as we work through the final details of the EFS and look to establish the associated financing plan we are working to reduce our cost base. This includes lowering overheads, ensuring that contractors either reduce costs or increase efficiencies and reducing discretionary expenditure in areas such as exploration. This is an important part of ensuring that we conserve our valuable cash resources and preserve the value of the assets that the Company owns.

You can be confident that the Board remains focused on delivering on its vision to position the Company well for the development of a new large scale copper-gold-iron ore project in South Australia, with potential for many decades of production in the region.

In addition, 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.

The Company is also proud to be a member of the community on the Yorke Peninsula and we look forward to increasing our contribution to the community and many other businesses and services in the region as the Project develops.

Yours sincerely,

David Carland
Executive Chairman

REX MINERALS LTD

REVIEW OF OPERATIONS for the year ended 30 June 2014

Rex Minerals Ltd ("Rex") has completed the following important milestones over the year.

| | |
|----------------|--|
| September 2013 | Rex announced that the ML Proposal for the Hillside Project was now available for public comment. This was an important step and process associated with obtaining the required Mining Lease for the development of a new mine in South Australia. |
| December 2013 | Dr David Carland appointed to the Board and Mr Paul Chapman retires. Dr Carland was appointed as Non-Executive Chairman on the 1 January 2014. |
| January 2014 | Agreement reached with Hyundai-AMEC for Early Contractor Involvement (ECI), which included detailed design and engineering studies, focussing on a 15Mtpa processing plant. |
| February 2014 | Water supply for the Hillside Project was secured with the co-funding of a water pipeline from Auburn to Port Wakefield. Rex partnered and co-invested with SA Water and the Regional Development Authority on a larger pipeline capable of delivering an additional 2 gigalitres per annum of water into the region to allow for the water needs of the Hillside Project. |
| March 2014 | Rex announced that approval had been granted for the road realignments and upgrades to the Ardrossan jetty and ship loader that form part of the Hillside Project development. |
| April 2014 | Rex raised \$12.6 million by way of a two-tranche placement of 31,612,500 ordinary fully paid shares at \$0.40 per share to institutional and sophisticated investors in Australia and overseas. |
| July 2014 | Rex received a formal offer for the required Mining Lease for the Hillside Project. |
| August 2014 | Rex announced that it will expand the scope of the Feasibility Study at Hillside to include a detailed review of a lower capital, smaller start-up option. Dr David Carland appointed as Executive Chairman as an interim appointment and Mr Steven Olsen appointed as Advisory Board Chairman. |
| September 2014 | Rex announced that it had accepted the terms and conditions associated with the offer for a Mining Lease at Hillside, and that the South Australian Government had subsequently granted Rex the Mining Lease. |

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HILLSIDE PROJECT as at 30 June 2014

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA

Rex's flagship Hillside Project is situated 12 kilometres south of the township of Ardrossan on the Yorke Peninsula, South Australia. The Hillside deposit (discovered by Rex in 2008) is hidden by a rock sequence which is approximately 20m thick, covering the copper, gold, and iron ore mineralisation beneath. The Hillside Project is one of many potential large-scale copper-gold projects on the Yorke Peninsula within Rex's wholly-owned exploration licences on the Yorke Peninsula (Figure 1).

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HILLSIDE PROJECT (Continued) as at 30 June 2014

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)



Figure 1: Location diagram of the Hillside Project and Rex's exploration licences on the Yorke Peninsula, South Australia.

The Hillside Project and the other copper targets on the Yorke Peninsula have a number of key advantages compared to many other new copper development opportunities around the world. These include:

- > **Infrastructure** – The Hillside Project is connected by a major highway (within a two hour drive) to the city of Adelaide (population 1.2 million).
- > **People and Equipment** – The Hillside Project has the potential to draw most of the required skilled labour and equipment from Adelaide and the surrounding country towns close to the Project.
- > **Power** – The area is connected to the State's main power grid.
- > **Port and Town** – The Hillside Project is 12 kilometres from the Port and Town of Ardrossan. Ardrossan is a community familiar with mining given that the nearby open-cut dolomite mine ships its product through the Port.
- > **Freehold Land** – Rex has purchased freehold land which covers all of the known and potential copper mineralisation at Hillside.

Rex started exploring on the Yorke Peninsula and at Hillside in 2007, with the discovery of the Hillside deposit in 2008. After a period of initial drilling success, the Company raised the funds required to drill out the Hillside deposit down to a depth of approximately 600m. The drilling completed by Rex since 2008 and associated technical work is the basis for the current Mineral Resource and Ore Reserves for the Hillside Project.

> MINERAL RESOURCE AND ORE RESERVE

The Hillside Project contains Australia's largest open-pit copper Ore Reserves. The Ore Reserve, announced 28 June 2013 and reported in accordance with the 2012 JORC Code, stands at 180Mt @ 0.52% copper, 0.13g/t gold and 14.4% iron for contained metal of 936,000 tonnes of copper, 752,300 ounces of gold and 25.7Mt of iron ore. This equates to a copper equivalent (CuEq)¹ grade of 0.8%. The Mineral Resource estimate, reported in accordance with the 2012 JORC Code, consists of 337Mt @ 0.6% copper, 0.14g/t gold and 15.7% iron, for a copper equivalent (CuEq)¹ grade of 0.9%. This equates to a total of 2Mt of copper, 1.5Mozs of gold and 54Mt of iron ore¹. These estimates were independently audited by AMC Consultants Pty Ltd ("AMC").

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HILLSIDE PROJECT (Continued) as at 30 June 2014

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)

> MINERAL RESOURCE AND ORE RESERVE (CONTINUED)

| 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 1: Hillside Ore Reserve – 30 June 2014.

* Subject to rounding.

| 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 |

Table 2: Hillside Measured, Indicated and Inferred Mineral Resource Summary Table – 30 June 2014.

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.

* Subject to rounding.

With an Ore Reserve of 180Mt, Rex has converted a little over 53% of the existing Mineral Resource to an Ore Reserve. Based on a processing capacity of 15Mtpa, the Hillside Project has a 12 year production profile.

The Hillside Project is one of Australia's largest copper discoveries in the past decade. The Mineral Resource remains open at depth and towards the north and south (Figure 2).

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HILLSIDE PROJECT (Continued) as at 30 June 2014

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)

> MINERAL RESOURCE AND ORE RESERVE (CONTINUED)

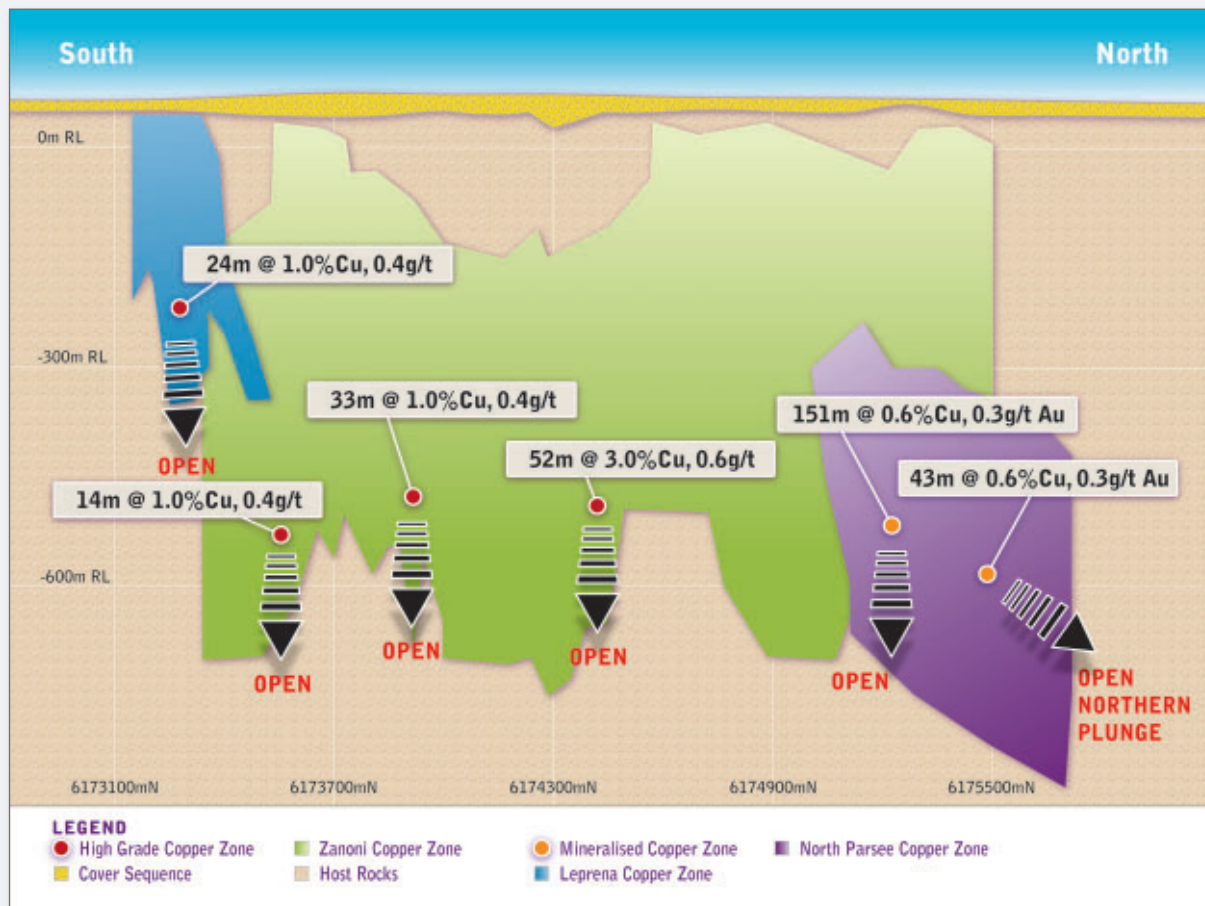


Figure 2: Long Section of the Hillside Project showing the deepest drill intersections that remain to be further drill tested.

> COMPARISON OF MINERAL RESERVES AND RESOURCES STATEMENT TO THE PRIOR YEAR

As at the reporting date there were no changes to any of the Mineral Resource or Ore Reserves recorded over the previous year. Accordingly the Company has not shown in tabular format either the balances as at 30 June 2013 or the movements between the two on account of the balances being the same.

> SUMMARY OF GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS IN PLACE FOR THE REPORTING OF MINERAL RESOURCES AND ORE RESERVES

Mineral Resources and Ore Reserves are estimated by suitably qualified employees and consultants in accordance with the JORC Code, using industry standard techniques and internal guidelines for the estimation and reporting of Ore Reserves and Mineral Resources. These estimates and the supporting documentation are then reviewed by suitably qualified Competent Persons. The Mineral Resource estimates and the supporting documentation have also been independently audited by AMC. All Ore Reserve estimates are prepared in conjunction with pre-feasibility studies which consider all material factors.

The Mineral Resources and Ore Reserves Statements included in the Annual Report are reviewed by suitably qualified Competent Persons from the Company prior to its inclusion.

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HILLSIDE PROJECT (Continued) as at 30 June 2014

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)

> HILLSIDE PROJECT – FEASIBILITY STUDY

The bulk of the work completed to date for the Hillside Project Feasibility Study has focused on the delivery of a large scale mining project with the processing capacity of 15Mtpa. With access to a very large Mineral Resource at Hillside, the Company remains focused on ultimately developing the large scale operation that will maximise the returns from developing the Hillside Project.

As a stepping stone towards the development of the larger scale mine, the Feasibility Study has been expanded to review opportunities to reduce the up-front capital costs of the Hillside Project with a potential smaller scale processing plant and initial open pit mine design. A staged approach is anticipated to have a number of material advantages for both Rex shareholders and the local community. These include:

- > greater competitive tension in the contracting market;
- > better use of existing infrastructure;
- > staged plant build; and
- > a lower initial capital requirement leading to more diverse funding options.

It is the view of the Rex Board that an economically robust and small scale start-up will be easier to finance and could lead to more competitive financing options for Rex.

> HILLSIDE PROJECT – REGULATORY APPROVALS

The Company has received the following approvals from both the State and Federal Governments for the Hillside Project.

Federal Government Requirements

Under the Federal Government's Environment Protection and Biodiversity Conservation Act 1999 ("EPBC Act"), proposals including an action that may have a significant impact on a matter of national environmental significance, or occur on Commonwealth land, must include a referral under the EPBC Act to the Commonwealth. This referral assists the Commonwealth to decide whether the proposal is a controlled action and subsequently, whether a full assessment and approval are required. Rex prepared and submitted documentation as required under the EPBC Act which was made public for a period of time in 2012.

The results from this submission have confirmed that no further action is required by Rex under the EPBC Act for the Hillside Project for the mine plan.

State Government Requirements

On 9 April 2013, Rex announced that it had commenced the approvals process by submitting the Mining Lease Proposal documentation to the South Australian Government's Department of State Development ("DSD", formerly known as DMITRE) for the Hillside Project. In the lead up to the submission of the Mining Lease documentation, Rex met regularly with all of the government agencies involved to ensure that the documents have addressed the key issues required for approval of the Mining Lease.

The information included in the Mining Lease Proposal was based on environmental studies completed over a period of 18 months, as well as valuable input from an independent community consultative group, which had been active for over 12 months, leading up to the submission of the Mining Lease Proposal. The community consultative group is made up of 20 members including those with interests in agriculture, potentially affected landholders, natural resource management and the environment, small business, tourism, local government, emergency services, and various community members nearby.

After an initial period of review by the State Regulator, the Mining Lease Proposal was made available for public consultation (announced 12 September 2013). Following the public consultation period the State Regulator commenced an additional period of review and assessment to address the submissions that were received during the public consultation period.

Rex announced on 29 July 2014 that it had received a formal offer of a Mining Lease for the Hillside Project. Since this formal offer was first presented to Rex, the Company has now had the time to assess all of the terms and conditions associated with the Mining Lease. Rex has now been granted the mineral tenements associated with the Hillside Project by accepting these terms and conditions.

In addition to the Mining Lease being granted for the Hillside Project, the Company has also received the required approval for section 49 development applications, which include road realignments and upgrades to the Ardrossan jetty and ship loader that form a part of the Hillside Project development plan.

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)

> YORKE PENINSULA – EXPLORATION POTENTIAL

The Hillside Project occupies an area of approximately 2km² within a large Exploration Licence area of over 1,700km². The bulk of this area is highly prospective for copper mineralisation. Many of these targets are based on geophysical features such as a magnetic survey, which played an important role in the discovery of the Hillside Project (Figure 3).

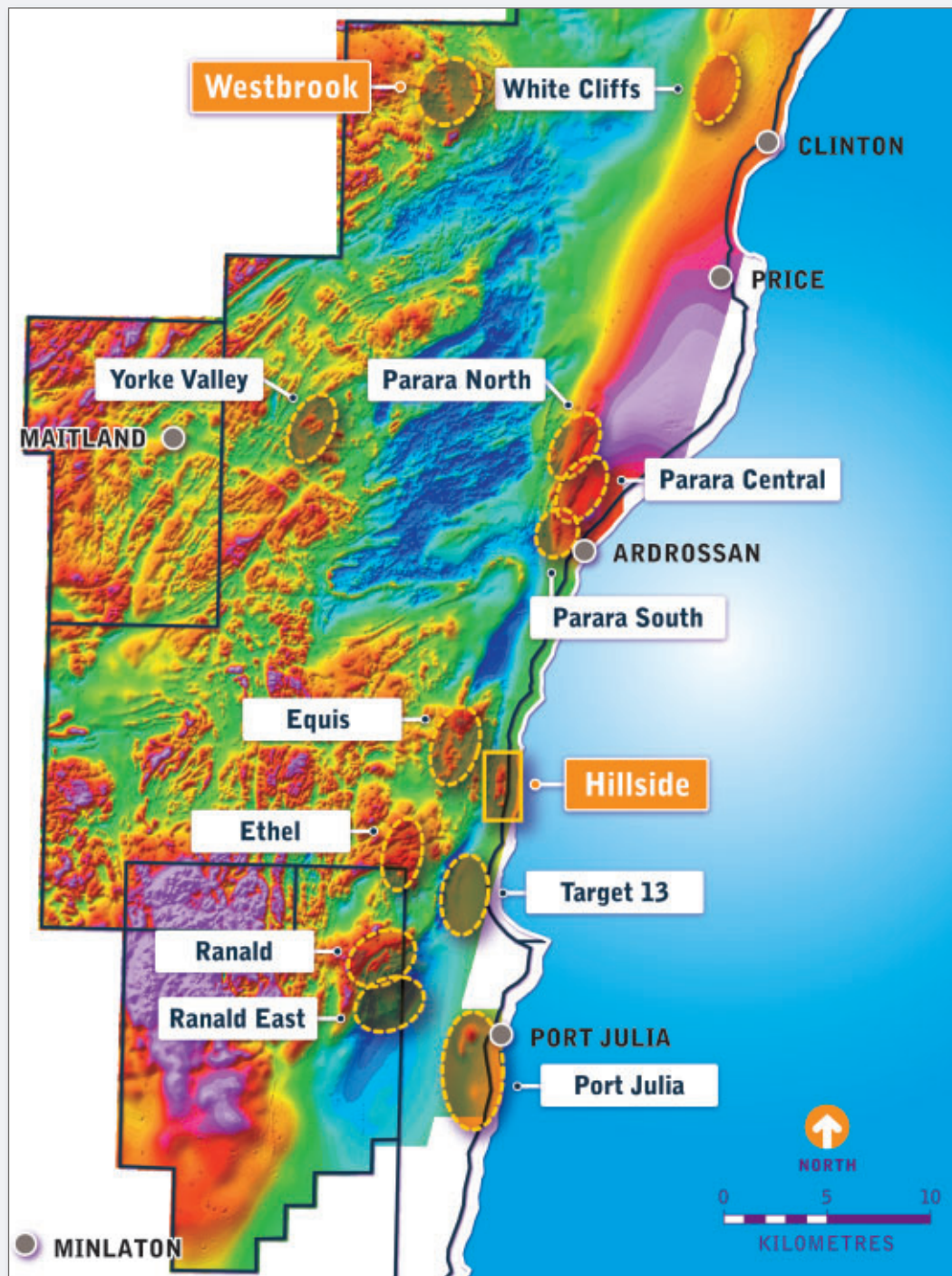


Figure 3: Hi-res aerial magnetic data over Western Yorke Peninsula tenure with key copper targets identified by Rex overlain.

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HILLSIDE PROJECT (Continued) as at 30 June 2014

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)

> YORKE PENINSULA – EXPLORATION POTENTIAL (CONTINUED)

Geochemical techniques similarly have subsequently shown to be an effective exploration tool at Hillside, and there are a number of features that are the basis for new targets in the region. In 2013, a review of historical calcrete sampling data was undertaken with the aim to provide an initial evaluation of several priority target areas, including the historical Yorke Valley copper mine and a series of newly identified targets. One stand-out target, predominantly based on geochemical work is called Westbrook which lies to the NW of Hillside. Westbrook exhibits a strong calcrete anomaly which when compared to the Hillside soil anomaly is larger in amplitude. (Figure 4).

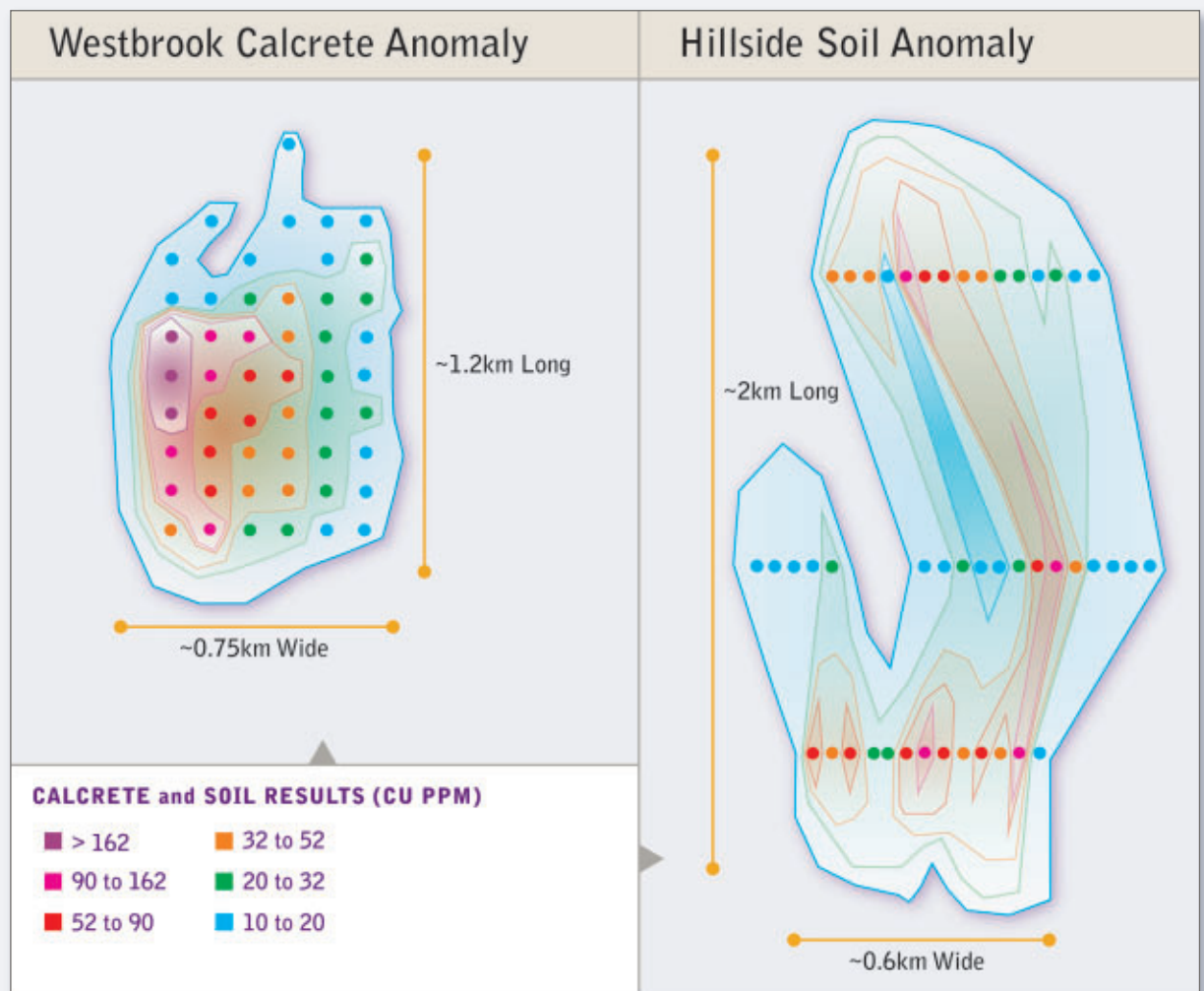


Figure 4: Westbrook Calcrete sampling results compared to Hillside soil results.

HILLSIDE PROJECT, YORKE PENINSULA, SOUTH AUSTRALIA (CONTINUED)

NOTES

¹ CuEq Grade – Commodity Prices and Recoveries:

- Copper price used = 3.00 US\$/lb
- Gold price used = 1250 US\$/ounce
- Iron ore price used = 100 US\$/tonne:
 - 1) US\$100 equates to the industry benchmark at 62% iron
 - 2) 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 = $(Au/10000) * ((1250/0.06857142)/3.00) * 84\%$
 - 3) Copper Equivalent grade for Iron Ore = $((Fe * 43\%) / 67\%) * ((125/2204.623) / 3.00)$
 - *0.06857142 = conversion from oz's to lb's
 - *2204.623 = conversion from tonnes to lb's

² Forward looking statements

The results contained within this announcement from the Hillside PFS contain "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".

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 A on Page 12. 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. 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.

REX MINERALS LTD

HILLSIDE PROJECT (Continued) as at 30 June 2014

NOTES (CONTINUED)

| | 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% |

Table A: Table of Commodity prices used in estimates of cash flow.

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.

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 Reserves

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.

TENEMENT SCHEDULE for the year ended 30 June 2014

| Tenement | Locality | Lease Status | Area Type | Current Area | Grant Date |
|----------|--------------|--------------|-----------------|--------------|------------|
| EL5056 | Moonta South | Granted | km ² | 416 | 02/08/2012 |
| EL5055 | Moonta South | Granted | km ² | 1262 | 02/08/2012 |
| EL4514 | Moonta South | Granted | km ² | 24 | 10/06/2010 |
| EL5133 | Wandearah | Granted | km ² | 127 | 01/08/2012 |
| EL4779 | Wandearah | Granted | km ² | 81 | 13/10/2011 |
| EL5070 | Cowell | Granted | km ² | 85 | 24/10/2012 |
| MC4346 | Moonta South | Registered | km ² | 30.3 | N/A |
| MC4354 | Moonta South | Registered | km ² | 2.5 | N/A |

On 16 September 2014, Rex was granted a ML6438 (registered as MC4346); EML 6439 (registered as MC4354) and MPL 146.



DIRECTORS' REPORT 2014

REX MINERALS LTD

DIRECTORS' REPORT for the year ended 30 June 2014

The Directors present their report together with the financial report of Rex Minerals Ltd ("the Company") and its subsidiaries (the "Group" or "Rex"), for the financial year ended 30 June 2014 and the auditors' report thereon.

1. DIRECTORS

The Board, at 30 June 2014, had five members, of these, three, including the Chairman, were independent Non-Executive Directors. These Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. Further information on the process for assessing independence materiality levels is located in the Board Charter available on Rex's website.

The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is required in order to effectively govern the business. The Board and its Committees actively work to ensure that the Executive and Non-Executive Directors have the right balance of skills, experience, independence and Company knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.

The Non-Executive Directors contribute international and operational experience; understanding of the sectors in which the Company operates; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that the Company faces. The Board works together as a whole to oversee strategy for the Group and monitor pursuit of the corporate objectives of the Company. In addition, the Board has extensive access to members of senior management.

Due to the resignation of the Managing Director, announced on the 8 August 2014, the Chairman has assumed the role of the Managing Director, in the interim period, until a suitable replacement is found. Mr Olsen also now qualifies as an Executive Director as he provides services of an executive nature.

The Directors of the Company at any time during or since the end of the financial year are:

| Name, qualifications and independence status | Experience, special responsibilities and other directorships |
|--|---|
| <p>Dr David Carland Executive Chairman (PhD (Econometrics), MEc, BEc (Hons), MAICD)</p> | <p>Dr David Carland has over 30 years of investment banking and commercial experience in both the private sector and government. He is the co-founder and part owner of BurnVoir Corporate Finance Limited ("BurnVoir"), an independent specialist investment banking firm focusing on the energy, resource and infrastructure sectors. BurnVoir also provides advisory services to Rex.</p> <p>Prior to establishing BurnVoir, Dr Carland was executive vice president and head of energy and power at Bankers Trust, and before that he was deputy managing director and head of corporate finance at UBS Australia.</p> <p>Dr Carland has also held senior executive roles with the CRA Group (now Rio Tinto), including management of the commercial arrangements for the purchase of the Gladstone Power Station. His roles have seen him based in the US and London.</p> <p>Dr Carland is also a non-executive director of Indophil Resources NL. Dr Carland was appointed Director on 12 December 2013 and Chairman 1 January 2014, he is a member of the Audit and Remuneration Committees.</p> |
| <p>Mr Richard Laufmann Independent Non-Executive Director (B.Eng (Mining), MAusIMM, MAICD)</p> | <p>Mr Richard Laufmann is a mining engineer, with an extensive operations background in the resources sector both in Australia and overseas. Mr Laufmann spent 11 years with Western Mining Corporation in the Nickel, Gold and Copper divisions in various senior management roles. Mr Laufmann refinanced and spent five years as Managing Director of Ballarat Goldfields NL at which time Ballarat Goldfields merged with Lihir Gold Limited.</p> <p>Mr Laufmann is currently the Managing Director of Indophil Resources NL, an ASX listed company operating in the Philippines. Mr Laufmann has been a Director since 2007, is Chairman of the Remuneration Committee and a member of the Audit Committee.</p> |

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

1. DIRECTORS (CONTINUED)

| Name, qualifications and independence status | Experience, special responsibilities and other directorships |
|---|---|
| <p>Mr Alister Maitland</p> <p>Independent Non-Executive Director</p> <p>(B.Com, FAICD, FAIM, SF Fin)</p> | <p>Mr Alister Maitland is a former Executive Director of the ANZ Banking Group, with a background in international finance whose banking experience extended beyond Australasia to cover Asia, the Sub Continent, the Middle East, Europe and America. His professional experience has included global business expansion, internal and external consulting, treasury projects and international political agendas. As Chief Executive of ANZ Bank for New Zealand he was responsible to the local board for the countries' operations.</p> <p>Mr Maitland has been a non-executive director of a number of publicly listed ASX companies and Government bodies covering a wide range of activities including property services, mining, banking, asset management and health. He is a former chairman of Ballarat Goldfields NL and director of Lihir Gold Ltd. Mr Maitland was appointed Director in 2011, is Chairman of the Audit Committee and a member of the Remuneration Committee.</p> |
| <p>Mr Steven Olsen</p> <p>Executive Director</p> <p>(B.Sc.(Hons), M.Sc.(MinEx), Grad.Dip (F&I), MAusIMM)</p> | <p>Mr Steven Olsen has over 20 years' experience in the resources industry with a background of 14 years working as a mine geologist and exploration geologist, predominantly in Western Australia and Canada, on nickel and gold deposits.</p> <p>Mr Olsen has had continued exploration success for both nickel and gold mineralisation throughout his career and Mr Olsen was the founding managing director (2007) of Rex until October 2012 and remains on the Board as an Executive Director.</p> <p>Mr Olsen's qualifications include a B.Sc. (Hons) University of Melbourne, a Masters in Mineral Exploration from Queens University, Ontario and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. Mr Olsen was also a Non-Executive Director of White Rock Minerals Ltd (resigned 15 September 2014).</p> |
| <p>Mr Mark Parry</p> <p>Managing Director and CEO</p> <p>(Met Cert, BCom, HBS (AMP), GAICD)</p> | <p>Mr Parry was appointed Managing Director and CEO on 15 October 2012 and resigned from the Board effective 8 August 2014.</p> |
| <p>Mr Paul Chapman</p> <p>Former Independent Chairperson</p> <p>(B.Comm, ACA, Grad.Dip. Tax, MAICD, MAusIMM)</p> | <p>Mr Chapman has been a Director and Chairman since 2007 and resigned from the Board effective 31 December 2013. He was a member of the Audit and Remuneration Committees.</p> |

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

2. COMPANY SECRETARY

Ms Amber Rivamonte has over 20 years' experience in the Resources Industry covering the fields of commercial, strategic management, corporate governance and financial management experience. Ms Rivamonte has a background in accounting, is a certified practicing accountant (CPA) in Australia. She has previously held the roles of CFO and company secretary at Ballarat Goldfields NL and also previously held the role of company secretary at Indophil Resources NL and White Rock Minerals Ltd and CFO with Rex Minerals Ltd.

Ms Rivamonte's experience includes the structure, set up and listing of Rex Minerals Ltd and White Rock Minerals Ltd, including raising capital from seed through to public raisings of up to \$A82 million. Ms Rivamonte's experience covers all aspects of managing Resources companies, from project acquisition, mergers, de-mergers, take overs, schemes and various forms of fund raisings.

3. DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

| Director | Board Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|-------------------------------|----------------|----|--------------------------|---|---------------------------------|---|
| | A | B | A | B | A | B |
| Dr David Carland ¹ | 11 | 11 | 1 | 1 | 2 | 2 |
| Mr Richard Laufmann | 16 | 17 | 2 | 2 | 4 | 4 |
| Mr Alister Maitland | 17 | 17 | 2 | 2 | 4 | 4 |
| Mr Mark Parry ² | 17 | 17 | 2 | 2 | 1 | 4 |
| Mr Steven Olsen ³ | 15 | 17 | 2 | 2 | 2 | 4 |
| Mr Paul Chapman ⁴ | 6 | 6 | 1 | 1 | 1 | 1 |

A – Number of meetings attended

B – Number of meetings held during the year whilst the Director held office.

¹ Dr Carland was appointed Director on 12 December 2013.

² Mr Parry is not a member of the Audit or Remuneration Committee, but is invited and attends meetings as appropriate. Mr Parry resigned as Managing Director on 8 August 2014.

³ Mr Olsen is not a member of the Audit or Remuneration Committees, but is invited to and attends meetings as appropriate.

⁴ Mr Chapman retired from the Board on 31 December 2013.

4. CORPORATE GOVERNANCE STATEMENT

Rex has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with Rex's needs. To the extent they are applicable; Rex has adopted the Principles of Good Corporate Governance Recommendations incorporating the 2010 Amendments as published by ASX Corporate Governance Council. As Rex's activities develop in size, nature and scope, the size of the Board and implementation of additional corporate governance structures will be given further consideration.

In addition to this and consistent with ASX Listing Rule requirements, Rex has a policy concerning trading in its shares by Directors and other designated persons. A copy of that Trading Policy is available on Rex's website.

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The following table summarises Rex's position in regard to Corporate Governance as at 30 June 2014.

| Recommendation | Comment |
|--|---|
| <p>4.1 Lay solid foundations for management and oversight</p> | |
| <p>4.1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.</p> | <p>The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The respective roles and responsibilities of the Board and the Managing Director are set out in Rex's Board Charter.</p> <p>The primary responsibility of the Board is to protect and advance the interest of Shareholders. To fulfil this role, the Board has overall responsibility for developing and approving Rex's corporate strategy and monitoring implementation of the strategy, appointing the Managing Director, monitoring senior executives' performance and approving Rex's risk and audit framework. The Board is also responsible for Rex's general corporate governance matters, including matters such as disclosures and the appointment and monitoring of any committees set up by the Board.</p> <p>The Managing Director has primary responsibility to the Board for the affairs of Rex. The Managing Director's responsibilities include implementing and monitoring (together with the Board) the strategic and financial plans for Rex, managing the appointment of senior executive positions, being the primary channel of communication and point of contact between the senior executives and the Board, providing strong leadership to, and effective management of, Rex and otherwise carrying out the day to day management of Rex.</p> <p>This recommendation is also satisfied in as much as should a new Director be appointed, Rex's Board Charter and other corporate governance documentation together with updated financial statements will be given to the new Directors together with a formal letter of appointment which will set out details in respect of, amongst other matters:</p> <ul style="list-style-type: none"> > Rex's financial, strategic, operational and risk management position; > each Director's rights, duties and responsibilities; and > the role of the Board and senior executives. |
| <p>4.1.2 Companies should disclose the process for evaluating the performance of senior executives.</p> | <p>Rex's goals for the year are set out in the Annual Report and these are used as the basis for evaluating performance of senior executives. Performance evaluations are undertaken annually, in June, by the Managing Director. The Managing Director's performance evaluation is also undertaken annually, in June, by the Board.</p> |
| <p>4.1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.</p> | <p>It is intended that:</p> <ul style="list-style-type: none"> > an explanation of any departure from Recommendations 4.1.1, 4.1.2 or 4.1.3 will be included in the corporate governance statement in the Annual Report; and > the Annual Report will disclose whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed. |

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

| Recommendation | Comment |
|---|---|
| 4.2 Structure the Board to add value | |
| 4.2.1 A majority of the Board should be independent Directors. | This recommendation was satisfied at 30 June 2014 and for the whole of the year ending 30 June 2014. |
| 4.2.2 The Chair should be an independent Director. | This recommendation was satisfied at 30 June 2014 and for the whole of the year ending 30 June 2014. |
| 4.2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual. | This recommendation was satisfied at 30 June 2014 and for the whole of the year ending 30 June 2014. |
| 4.2.4 The Board should establish a nomination committee. | The Board has not adopted a charter relevant to the specific functions of a nomination committee. Given the size of Rex and the Board, the Directors consider that any efficiencies achieved by the establishment of a nomination committee would be minimal, thereby not making its establishment cost effective. Rex has Board processes in place which raise issues that would otherwise be considered by a nomination committee. |
| 4.2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors. | The Directors consider that due to the size of Rex and its Board, such a formal review procedure is not appropriate at this point in time and has instead adopted a self evaluation process to measure its own performance. This recommendation is satisfied in as much as the details have been included in the Annual Report and the Board Charter. |
| 4.2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2. | <p>The following material is included in the Annual Report or on the Company's website:</p> <ul style="list-style-type: none"> > the skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report; > the names of the Directors considered by the Board to constitute independent Directors and Rex's independence materiality thresholds; > the existence of any of the relationships listed in Box 2.1 of the Guide (regarding director independence) and an explanation of why the Board considers a Director to be independent, notwithstanding the existence of those relationships; > a statement as to whether there is a procedure agreed by the Board for Directors to take independent professional advice at the expense of Rex; > a statement as to the mix of skills and diversity for which the Board is looking to achieve in membership of the Board; > the period of office held by each Director in office at the date of the Annual Report; > whether a performance evaluation for the Board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and > an explanation of any departures from Recommendations 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5 or 4.2.6. <p>The following material is publicly available on Rex's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> > the Board's policy and procedure for the selection and appointment of directors. |

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

| Recommendation | Comment |
|--|---|
| <p>4.3 Promoting ethical and responsible decision making</p> | |
| <p>4.3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> > the practices necessary to maintain confidence in the Company's integrity; > the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and > the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | <p>This recommendation is satisfied. Rex's Code of Conduct sets out Rex's expectations for the conduct of Rex's Directors, senior executives and employees, including in relation to business conduct, personal and professional conduct (such as confidentiality, personal behaviour and respect for others).</p> |
| <p>4.3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</p> | <p>This recommendation is satisfied. Rex's Code of Conduct sets out Rex's policy concerning diversity. In summary, Rex's policy concerning diversity is as follows:</p> <p>Rex recognises that diversity is an economic driver of competitiveness for companies and it strives to promote an environment and culture conducive to the appointment of well qualified persons so that there is appropriate diversity to maximise the achievement of corporate goals. The objectives for achieving diversity are included in the corporate governance statement in the Annual Report. In order to promote gender diversity, Rex will engage in reviews and reporting to the Board about the proportion of women at Rex and strategies to address diversity. Rex intends to recruit the most qualified persons for each position and considers persons from a diverse pool of qualified candidates.</p> |
| <p>4.3.3 Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.</p> | <p>The objectives for achieving diversity are as follows:</p> <p>Maintain female representation at 20% of the total workforce and senior management as Rex progresses through the next stages of Company development.</p> <p>During each Director selection and appointment process, the professional search firm supporting the Board will provide at least one credible and suitably experienced female candidate.</p> |
| <p>4.3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.</p> | <p>This recommendation is satisfied.</p> <p>At 30 June 2014, women made up 37% of the total workforce; and 33% of senior management. There are currently no women on the Board of Rex.</p> |
| <p>4.3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.</p> | <p>The following material is publicly available on Rex's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> > any applicable code of conduct which incorporates the diversity policy. |

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

| Recommendation | Comment |
|---|--|
| 4.4 Safeguard integrity in financial reporting | |
| 4.4.1 The Board should establish an Audit Committee. | This recommendation is satisfied. |
| 4.4.2 The Audit Committee should be structured so that it: <ul style="list-style-type: none"> > Consists only of non-executive Directors; > Consists of a majority of independent Directors; > Is chaired by an independent Chair who is not chair of the Board; > Has at least 3 members | The members of the Audit Committee are Alister Maitland, David Carland, and Richard Laufmann, who are all independent Directors at 30 June 2014. Alister Maitland is an independent Chair of the Audit Committee (and he is not Chair of the Board). The Directors consider that the Audit Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively. |
| 4.4.3 The Audit Committee should have a formal charter. | This recommendation is satisfied. |
| 4.4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4. | The following material is included in the corporate governance statement in the Annual Report: <ul style="list-style-type: none"> > the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out > the number of meetings of the audit committee (contained within the Directors' Report) > explanation of any departures from Recommendations 4.4.1, 4.4.2, 4.4.3 or 4.4.4 The following material is made publicly available on Rex's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> > the audit committee charter, including information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. |
| 4.5 Make timely and balanced disclosure | |
| 4.5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | This recommendation is satisfied. Rex has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance. Rex's Continuous Disclose Policy sets out Rex's policies and procedures with regard to the reporting of material price sensitive information to the ASX subject to confidentiality carve-out aspects and Rex's procedures in this regard. |
| 4.5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5. | An explanation of any departures from Recommendations 4.5.1 or 4.5.2 are included in the corporate governance statement in the Annual Report. The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements are publicly available on Rex's website in a clearly marked corporate governance section. |

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

| Recommendation | Comment |
|--|---|
| <p>4.6 Respect the rights of shareholders</p> | |
| <p>4.6.1 Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.</p> | <p>Rex places a high priority on communications with its Shareholders. Although Rex does not have a standalone communications policy, Rex considers that its Continuous Disclosure Policy, together with disclosure through the following means, should be sufficient to promote effective communications with shareholders:</p> <ul style="list-style-type: none"> > announcements released through to the ASX company announcements platform; > notices of meetings to shareholders; and > provision of all relevant documentation released on Rex's website. |
| <p>4.6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.</p> | <p>An explanation of any departure from Recommendations 4.6.1 or 4.6.2 are included in the corporate governance statement in the Annual Report. Rex describes its communications policy with Shareholders in the corporate governance statement in the Annual Report.</p> |
| <p>4.7 Recognise and manage risk</p> | |
| <p>4.7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</p> | <p>Although there is no standalone risk management policy, the Board Charter provides that it is the Board's responsibility to approve Rex's risk and audit framework, systems of risk management and internal control, as well as approving compliance with any risk and audit policies and protocols in place at the time.</p> <p>Rex Management has reported to the Board under Recommendation 4.7.2 on risk management.</p> |
| <p>4.7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</p> | <p>This recommendation is satisfied.</p> |
| <p>4.7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p> | <p>This recommendation is satisfied.</p> |

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

| Recommendation | Comment |
|--|--|
| <p>4.7 Recognise and manage risk (continued)</p> | |
| <p>4.7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.</p> | <p>The following material is included in the corporate governance statement in the Annual Report:</p> <ul style="list-style-type: none"> > explanation of any departures from Recommendations 4.7.1, 4.7.2, 4.7.3 or 4.7.4; > whether management has reported to the Board under Recommendation 4.7.2; and > whether the Board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 4.7.3. |
| <p>4.8 Remunerate fairly and responsibly</p> | |
| <p>4.8.1 The Board should establish a Remuneration Committee.</p> | <p>This recommendation is satisfied.</p> |
| <p>4.8.2 The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least three members.</p> | <p>The members of the Remuneration Committee are Richard Laufmann, David Carland and Alister Maitland, who are all independent Directors, at 30 June 2014. Richard Laufmann is an independent Chair of the Remuneration Committee (and he is not Chair of the Board). The Directors consider that the Remuneration Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively.</p> |
| <p>4.8.3 Companies should clearly distinguish the structure of Non-Executive Director's remuneration from that of Executive Directors and senior executives.</p> | <p>This recommendation is satisfied.</p> |
| <p>4.8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.</p> | <p>The following material or a clear cross-reference to the location of the material is included in the corporate governance statement in the Annual Report or elsewhere in the Annual Report (as appropriate):</p> <ul style="list-style-type: none"> > the names of the members of the remuneration committee and their attendance at meetings of the committee, or where the company does not have a remuneration committee, how the functions of a remuneration committee are carried out. > the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and > an explanation of any departures from Recommendations 4.8.1, 4.8.2, 4.8.3 or 4.8.4. |

5. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was minerals exploration and evaluation in Australia. Rex intends to make the best use of and fully exploit, the Hillside Resource and remains committed to the development of a large-scale copper-gold-iron ore project at Hillside. There were no significant changes in the nature of the Group's principal activities during the year.

5.1 Objectives

The Group's principal objective is to create value through the discovery, development and mining of mineral resources. To progress with the Group's primary objective, the following targets have been set for 2015 and later financial years:

- > **Feasibility Study** – The existing work completed on the large scale mining options will be expanded to include the potential for a smaller scale and lower capital start up option. This work is anticipated to link directly with opening up additional financing options for the Company. The Rex Board believes it is in the best interests of all shareholders to broaden the scope of the Feasibility Study into an Extended Feasibility Study, and include these alternate development options.
- > **Cost Reduction Plan** – Rex will restructure the Company to enable it to focus on its core objectives. A number of cost saving measures are being implemented to ensure that the Company can focus its cash reserves to support the Extended Feasibility Study, new development plan and subsequent financing alternatives.
- > **Financing** – The Company will put in place an optimal financing package with the goal of maximising shareholder exposure to the future cash flows from a new copper-gold-iron ore operation at Hillside.
- > **Exploration** – Maintain near mine and regional exploration with the aim of identifying multiple large scale copper deposits that can complement the Hillside Project, on Rex's tenements on the Yorke Peninsula, SA.
- > **Organisation** – Plan for an organisational transition from an explorer to a developer to a producer.
- > **Safety** – Develop and adapt safety systems and processes to enable a proactive approach to risk assessment and risk management as the company transitions into construction and mining related production.
- > **Regulatory Approval** – Secure the required State Government regulatory approvals to allow for the commencement of mining and all aspects associated with construction to secure operating licences for the 15 plus year copper mine at Hillside.
- > **Infrastructure** – Finalise access to and upgrading of infrastructure required to support the Hillside Mine (water, power and port).

6. OPERATING AND FINANCIAL REVIEW

The income statement shows a profit after tax of \$531 thousand (2013: loss \$1,179 thousand) for the year. The Group has no bank debt. As at 30 June 2014 the Group had a cash position of \$2,590 thousand (2013: \$24,816 thousand) and funds on deposit of \$19,000 thousand (2013: nil). Operating activities resulted in a cash inflow for the year of \$3,166 thousand (2013: cash outflow of \$1,785 thousand).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 5 March 2014, Rex announced an equity raising of approximately \$12.6 million via a share placement at \$0.40 per share. This equity raising was successfully completed in two stages during March and April 2014.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the year ended 30 June 2014, not otherwise disclosed with this annual report.

8. DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

9. EVENTS SUBSEQUENT TO REPORTING DATE

On 8 August 2014, the Company announced that Mr Mark Parry resigned as Managing Director of the Company, effective 8 August 2014, and that Dr David Carland would assume the role of Executive Chairman until a permanent replacement is found.

On 29 July 2014, Rex announced that it had received a formal offer of mineral tenements ("Mining Lease") from the South Australian Government for its Hillside Copper Project. Subsequent to this on 16 September 2014, Rex announced that it had formally accepted the terms and conditions associated with the Mining Lease and that the Government had granted the Mining Lease for the Hillside Project to Rex.

Other than the events described above, subsequent to 30 June 2014, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

10. LIKELY DEVELOPMENTS

Likely developments are the continued minerals exploration on the tenements owned or controlled by the Group.

Other than those disclosed throughout the annual report, further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

11. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Rex Minerals Limited | |
|----------------------------|----------------------|------------------------------|
| | Ordinary shares | Options over ordinary shares |
| Dr David Carland | 268,330 | – |
| Mr Richard Laufmann | 3,541,666 | – |
| Mr Alister Maitland | 202,000 | – |
| Mr Steven Olsen | 6,027,000 | – |
| Mr Mark Parry ¹ | – | 3,000,000 |

¹ As per the option terms and conditions options will lapse if not exercised within 90 days of resignation. Exercise price on issue 91 cents.

12. SHARE OPTIONS

12.1 Options granted to Directors and Officers of the Company

During the financial year, the Company did not grant any options over unissued ordinary shares in the Company to the Directors and Key Management Personnel as part of their remuneration.

12.2 Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date | Exercise price | Number of shares |
|----------------|----------------|------------------|
| 30 April 2015 | \$1.200 | 840,000 |
| 31 August 2017 | \$0.910 | 3,000,000 |
| Total | | 3,840,000 |

All options expire on the expiry date, unless the options have not been exercised and the employee leaves the Company in which case they will lapse if they are not exercised within 60 or 90 days of departure.

12.3 Shares issued on exercise of options

During or since the end of the financial year the Company has not issued any ordinary shares as a result of the exercise of options.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

13. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company provides insurance to cover legal liability and expenses for the Directors and Executive Officers of the Company. The Directors and Officers Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the Officers in their capacity as Officers. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain Officers to indemnify these individuals against any claims and related expenses, which arise as a result of their work in their respective capacities.

The Company has not provided any insurance or indemnity for the auditor of the Company.

14. NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed other services which are listed in the table below in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services during the year are set out below.

| KPMG Australia | 2014 \$ | 2013 \$ |
|--|------------|------------|
| Audit and review of financial statements | 47,500 | 44,400 |
| Other services | | |
| > Review of Research and Development Claim | 106,535 | 81,130 |
| > Assistance with Customs Matters | 37,920 | 8,182 |

15. REMUNERATION REPORT – AUDITED

15.1 Principles of compensation

Remuneration is referred to as compensation through this report.

Key management personnel ("KMP") comprise the Directors of the Company and Senior Executives for the Group. KMP have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation levels for KMP of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. Whilst in the exploration phase, there are to date no revenues and the expenditure commitments and key milestones dictate a flexible approach to remuneration which conserves cash.

The Remuneration Committee may obtain independent advice of the appropriateness of compensation packages of the Group given trends in comparative companies and the objectives of the Group's compensation strategy, which includes the need to transition the Group's salary structure from that of an exploration company to one of a developer and producer. No such advice was obtained during the 2014 year.

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.1 Principles of compensation (Continued)

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- > the capability and experience of the KMP; and
- > the Group's performance against its stated objectives.

Objectives for the 2014 financial year which continued to be focussed on the work required to secure funding and regulatory approvals to allow for the development of the Hillside Project, included:

| Objective | Status |
|---|--|
| Completion of the Feasibility Study. | Rex has broadened the scope of the Feasibility Study into an Extended Feasibility Study. The existing work completed on the large scale mining options will be expanded to include the potential for a smaller scale and lower capital start up. |
| Secure the required State Government regulatory approvals to allow for the commencement of mining and all aspects associated with construction to secure operating licences for the 15 plus year copper mine at Hillside. | Approvals in relation to key infrastructure (road relocations and upgrades to Ardrossan jetty and shiploader) were received and announced to the ASX 3 March 2014. Formal offer of the Mining Lease for the Hillside Project received and announced to the ASX 29 July 2014. Offer accepted by Rex and announced 16 September 2014. |
| Secure a fixed price turnkey Engineering Procurement and Construction ("EPC") contract, to commence construction during calendar year 2015. | Korea-based Hyundai and Australia-based AMEC were awarded ECI (Early Contractor Involvement) in the Hillside Project, announced to the ASX 9 January 2014. This work has now been completed and an indicative price received (announced as part of the June 2014 quarterly report, released to the ASX 29 July 2014). However, studies have identified other options that the Company believes should be investigated. |
| Finalise commercial terms associated with access to and upgrading of infrastructure required to support the development of the Hillside Project (water, power and port). | The water supply required has been secured through an agreement with SA Water, ASX announcement 24 Feb 2014. |
| Continue to secure and develop internal capability and capacity to undertake an organisational transformation from explorer to developer/producer. | Rex is reviewing its project requirements while it evaluates alternative development options. |
| Maintain a near mine and regional exploration push with the aim of identifying multiple larger scale copper deposits that can complement the Hillside Project, on Rex's tenements on the Yorke Peninsula, SA. | Activities continue to fully assess information related to a number of targets within the Exploration Licences. |

15. REMUNERATION REPORT – AUDITED (CONTINUED)**15.1 Principles of compensation (Continued)**

Compensation packages include a mix of fixed and variable compensation, and short-term and long-term performance-based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax ("FBT") charges related to employee benefits including motor vehicles), as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the Group. External consultants and market research provide analysis and guidance to ensure the Directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion. There have been no changes to base compensation for continuing executives since 2012.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan.

Short-term incentive bonus

The STI is a discretionary bonus provided in the form of cash. At the end of the financial year, the Remuneration Committee assesses the performance of the Group and individuals. Individual performance evaluations in respect of the year ended 30 June 2014 have taken place.

The Remuneration Committee recommends the cash incentive to be paid to the individuals for approval by the Board. The Board retains the discretion to vary the final cash incentive if performance is considered to be deserving of either a greater or lesser amount.

STIs were previously provided for and paid in the year subsequent to the performance year upon the completion of performance reviews and Board approval.

During 2014, Rex moved to finalise performance evaluations earlier and provide for any STI entitlements in the performance year. Due to all the performance objectives not being met for the year ended 30 June 2014, no STI cash bonuses were paid or payable.

Long-term incentive

The long-term incentive (LTI) is provided as options over ordinary shares of the Group. Options granted to employees currently vest immediately and only lapse in the event of the employee leaving the Group or the expiry date, whichever occurs earlier. Due to the nature of the Company at this time the Board believes this incentive is appropriate having regard to the exercise price of options being set at a premium to the share price at grant date.

Consequences of performance on shareholder wealth

The variable components of the Group's executives' remuneration (the short and long term incentives) seek to encourage alignment of management performance and shareholders' interests by linking remuneration to the performance of the Group, (per the objectives above). Whilst the remuneration committee takes into consideration the indices detailed below, the Board acknowledges that as an exploration company the use of such indices does not fully reflect the Group's performance.

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-----------|---------------|-------------|-----------|-------------|
| Net profit/(loss) attributable to equity holders of the parent | \$531,179 | \$(1,178,518) | \$(544,862) | \$593,266 | \$2,327,007 |
| Closing share price at financial year's end | \$0.305 | \$0.338 | \$0.785 | \$2.31 | \$1.250 |

15. REMUNERATION REPORT – AUDITED (CONTINUED)**15.1 Principles of compensation (Continued)****Service agreements**

The Group has entered into contracts with KMP which are consistent with the Group's policy, excluding the Chief Executive Officer, which are capable of termination on three months' notice. The Group retains the right to terminate a contract immediately by making payment equal to between three and six months' pay in lieu of notice. The KMP are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The employment contract outlines the components of compensation paid to KMP but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the Senior Executive and any changes required to meet the principles of the compensation policy.

The following summarises the service agreements with KMP:

> Executive Director**• Mr Mark Parry – Chief Executive Officer**

Mr Parry has a contract of employment dated 24 September 2012 with the Company which terminates on the 15 October 2015. The contract specifies the duties and obligations to be fulfilled by the Chief Executive Officer and provides that the Board and Chief Executive Officer will consult and agree objectives for achievement each year. The terms of his current contract are:

Base remuneration of \$550,000 (inclusive of statutory superannuation), and Mr Parry is eligible to be considered for a STI of up to 25% of his base remuneration in any given financial year.

A sign-on payment of \$300,000, in lieu of foregone benefits from his previous employment, payable as follows:- \$150,000 paid on commencement of employment; and \$150,000 being held over until the substantially advancing of a financing package and/or EPC contract for the Hillside Project. The Board approved the second payment in December 2013, following the Remuneration Committee's recommendation that substantial progress had been made towards the financing of the Hillside Project.

Either the Company or Mr Parry may terminate the contract by giving 12 months' notice. The Company may terminate the contract on the grounds of unsatisfactory conduct or performance by giving three months' notice.

The Chief Executive Officer has no entitlement to termination payment in the event of removal for misconduct or gross negligence.

Mr Parry resigned from the Company, effective 8 August 2014 under a mutually agreed arrangement.

No STI cash bonus was paid or payable for the year ending 30 June 2014.

> Executives**• Ms Rachel Rees – Chief Financial Officer**

Ms Rees was appointed as Chief Financial Officer on 9 September 2013. Either Ms Rees or the Company may terminate the contract for any reason by giving three months' prior notice to the other party. Ms Rees is eligible to be considered for an STI of up to 20% of her salary.

In the event that Ms Rees' employment is terminated following redundancy, she is entitled to a payment equivalent to a minimum of six months' salary.

Ms Rees was made redundant in August 2014.

No STI cash bonus was paid or payable for the year ending 30 June 2014.

• Mr Patrick Say – Chief Geologist

Mr Say was appointed as Chief Geologist on 1 July 2011. Mr Say may resign from the Company by giving four weeks' notice and the Group may terminate his employment by providing three months' notice.

In the event that Mr Say's employment is terminated following redundancy, he is entitled to a payment equivalent to three months' salary.

No STI cash bonus was paid or payable for the year ending 30 June 2014.

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.1 Principles of compensation (Continued)**Service agreements (Continued)****> Former Executives****• Mr Steven Olsen – Executive Director**

Mr Olsen was the Managing Director of the Company until 15 October 2012. Mr Olsen was appointed to Executive Director for Business Development on 15 October 2012 with a contract of employment, which terminated on 31 July 2013, this was subsequently renewed until 30 September 2013. On 1 October 2013, Mr Olsen was appointed as a Non-Executive Director. Mr Olsen continues to provide consulting services to the Company under a contractor agreement. Due to an extension of Mr Olsen's provision of consulting services of an executive nature, from 8 August 2014 Mr Olsen no longer satisfies the definition of a Non-Executive Director.

• Ms Amber Rivamonte – Company Secretary

Ms Rivamonte was appointed as Company Secretary on 17 July 2007.

In the event that Ms Rivamonte's employment is terminated following redundancy, she is entitled to a payment equivalent to 12 months' salary.

Ms Rivamonte finished her employment with the Group on 30 September 2013, following the closure of the Ballarat Office. Transitional arrangements are in place and she continues to provide services to the Company under a contractor agreement.

• Ms Janet Mason – Financial Controller

Ms Mason was appointed as Chief Financial Officer on 8 January 2010 and was appointed as Financial Controller on 9 September 2013. Ms Mason may resign from the Company by giving four weeks' notice and the Group may terminate her employment by providing three months' notice.

In the event that Ms Mason's employment is terminated following redundancy, she is entitled to a payment equivalent to three months' salary.

Following Ms Rees appointment as Chief Financial Officer, Ms Mason assumed her role as Financial Controller.

All key executives are entitled to participate in both the short term and long term incentives plans.

Non-Executive Directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2011 AGM, is not to exceed \$500,000 per annum and is set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Non-Executive Directors' base fees are presently \$80,000 per annum, while the Chairman's base fee is \$120,000.

The Chairman and Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities and membership of committees.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.2 Directors' and Executive Officers' remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and other KMP are as follows:

| 2014 | Short term | | | | | Post-employment | Long term | Termination benefits \$ | Share based payments | | Value of options as a proportion of remuneration % | | | | | |
|--|----------------------|---|---|-----------------------|--------------------------|------------------|----------------|-------------------------|----------------------|----------------------------|--|---------------------------|---------------------------|----------|---|---|
| | Salary & fees \$ (A) | STI Cash Bonus for 2014 Financial Year \$ (B) | STI Cash Bonus for 2013 Financial Year \$ (C) | Sign on Incentives \$ | Non-monetary benefits \$ | | | | Total \$ | Superannuation benefits \$ | | Long service leave \$ (D) | Fair Value Options \$ (E) | Total \$ | 2014 Bonus remuneration performance related % | 2013 Bonus remuneration performance related % |
| | | | | | | | | | | | | | | | | |
| Non-Executive Directors | | | | | | | | | | | | | | | | |
| Dr David Carland – Chairman ¹ | 64,308 | - | - | - | - | 64,308 | 5,948 | - | - | 70,256 | - | - | - | - | - | |
| Mr Richard Laufmann | 80,000 | - | - | - | - | 80,000 | 7,400 | - | - | 87,400 | - | - | - | - | - | |
| Mr Alistair Maitland | 80,000 | - | - | - | - | 80,000 | 7,400 | - | - | 87,400 | - | - | - | - | - | |
| Mr Steven Olsen ² | 161,751 | - | - | - | - | 161,751 | 23,775 | - | - | 185,526 | - | - | - | - | - | |
| Executive Director | | | | | | | | | | | | | | | | |
| Mr Mark Parry – Managing Director/CEO ³ | 547,188 | - | - | 150,000 | 2,386 | 699,574 | 25,000 | 15,739 | - | 740,313 | - | - | - | - | - | |
| Executives | | | | | | | | | | | | | | | | |
| Ms Rachel Rees – Chief Financial Officer ⁴ | 265,390 | - | - | - | 2,386 | 267,776 | 20,541 | 7,365 | - | 295,682 | - | - | - | - | - | |
| Mr Patrick Say – Chief Geologist | 260,890 | - | 50,000 | - | - | 310,890 | 28,666 | 7,792 | - | 347,348 | - | - | 14.4% | - | - | |
| Former | | | | | | | | | | | | | | | | |
| Mr Paul Chapman ⁵ | 60,000 | - | - | - | - | 60,000 | 5,550 | - | - | 65,550 | - | - | - | - | - | |
| Ms Amber Rivamonte – Company Secretary ⁶ | 45,186 | - | 50,000 | - | - | 95,186 | 30,295 | (42,859) | 239,800 | 322,422 | - | - | 15.5% | - | - | |
| Ms Janet Mason – Acting Chief Financial Officer ⁷ | 34,763 | - | - | - | - | 34,763 | 2,987 | - | - | 37,750 | - | - | - | - | - | |
| Total Compensation KMP | 1,599,476 | - | 100,000 | 150,000 | 4,772 | 1,854,248 | 157,562 | (11,963) | 239,800 | 2,239,647 | - | - | - | - | - | |

Notes in relation to the table of Directors' and executive officers remuneration

- A. Salary and fees includes amounts earned by KMP measured in accordance with Australian Accounting Standards, which includes cash salary and accrued annual leave entitlements.
 - B. No Bonuses were accrued or payable in relation to the 2014 financial year.
 - C. The STI paid in 2014 for Executives is for performance during 2013 financial year using the criteria set out in the Remuneration Report. The amount was determined after performance reviews were completed and approved by the Board.
 - D. Represents the net accrual for long service leave which will only be paid in cash if KMP meet the required service conditions in accordance with state based legislation.
 - E. The fair value of the unlisted options granted has been calculated at the date of grant based upon the Black-Scholes option pricing model. As the options vested immediately the fair value of the grant is allocated to the reporting period in which the grant occurs.
1. Dr Carland commenced with the Company on 12 December 2013.
 2. Mr Olsen concluded his executive Director duties on 30 September 2013, but remained with the Board as a Non-Executive Director and receives Non-Executive Director fees in line with other Non-Executive Directors and received \$60,000 for that service.
 3. The incentive payment paid to Mr Parry in 2014 was a sign on benefit in lieu of benefits foregone.
 4. Mr Parry resigned effective 8 August 2014.
 5. Ms Rees commenced with the Company on 9 September 2013 and was made redundant in August 2014.
 6. Mr Chapman resigned as Chairman and Non-Executive Director effective 31 December 2013.
 7. Ms Rivamonte finished with the Group on 30 September 2013 and is no longer KMP. Ms Mason finished her role as Acting Chief Financial Officer on 8 September 2013 and was no longer KMP from that date.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.2 Directors' and Executive Officers' remuneration (Continued)

| 2013 | Short term | | | | Post-employment | Long term | Termination benefits \$ | Share based payments | | Value of options as a proportion of remuneration % | | |
|--|----------------------|---|-----------------------|--------------------------|-----------------|---------------|-------------------------|----------------------|-----------------------------|--|---------------------------|---------------------------|
| | Salary & fees \$ (A) | STI Cash Bonus for 2012 Financial Year \$ (B) | Sign on Incentives \$ | Non-monetary benefits \$ | | | | Total \$ | Super-annuation benefits \$ | | Long service leave \$ (C) | Fair Value Options \$ (D) |
| Non-Executive Directors | | | | | | | | | | | | |
| Mr Paul Chapman – Chairman | 120,000 | – | – | – | 10,800 | – | – | – | – | 130,800 | – | – |
| Mr Richard Laufmann | 80,000 | – | – | – | 7,200 | – | – | – | – | 87,200 | – | – |
| Mr Alister Maitland | 80,000 | – | – | – | 7,200 | – | – | – | – | 87,200 | – | – |
| Executive Directors | | | | | | | | | | | | |
| Mr Mark Parry – Managing Director/CEO ¹ | 385,034 | – | 150,000 | – | 17,844 | 11,125 | – | 711,000 | – | 1,275,003 | – | 55.8% |
| Mr Steven Olsen – Executive Director Business Development ² | 439,821 | 75,000 | 300,000 | – | 44,550 | (39,995) | – | – | – | 819,376 | 9.2% | – |
| Executives | | | | | | | | | | | | |
| Ms Amber Rivamonte – Company Secretary | 150,226 | 5,000 | – | – | 13,039 | 19,079 | – | – | – | 187,344 | 2.7% | – |
| Ms Janet Mason – Acting Chief Financial Officer | 142,062 | 5,000 | – | – | 12,460 | 18,767 | – | – | – | 178,290 | 2.8% | – |
| Mr Patrick Say – Chief Geologist | 270,009 | 20,000 | – | – | 25,191 | 15,740 | – | – | – | 330,940 | 6.0% | – |
| Total Compensation KMP | 1,667,152 | 105,000 | 450,000 | – | 138,284 | 24,716 | – | 711,000 | – | 3,096,152 | | |

Notes in relation to the table of Directors' and executive officers remuneration

- A. Salary and fees includes amounts earned by KMP measured in accordance with Australian Accounting Standards, which includes cash salary and accrued annual leave entitlements.
- B. The STI paid in 2013 for Executives is for performance during 2012 financial year using the criteria set out in the Remuneration Report. The amount was determined after performance reviews were completed and approved by the Board.
- C. Represents the net accrual for long service leave which will only be paid in cash if KMP meet the required service conditions in accordance with state based legislation.
- D. The fair value of the unlisted options granted has been calculated at the date of grant based upon the Black Scholes option pricing model. As the options vested immediately the fair value of the grant is allocated to the reporting period in which the grant occurs.

1. Mr Parry commenced with the Company on 15 October 2012.

2. Mr Olsen was Managing Director until 15 October 2012.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.3 Equity Instruments

All options refer to options over ordinary shares of Rex Minerals Ltd, which are exercisable on a one-for-one basis.

15.3.1 Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted and vested as compensation to KMP during the reporting period are as follows:

| | Number of options granted during 2014 | Grant and vesting date | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry date | Number of options vested during 2014 |
|---------------------|---------------------------------------|------------------------|--|--------------------------------|-------------|--------------------------------------|
| Directors | | | | | | |
| Dr David Carland | – | – | – | – | – | – |
| Mr Richard Laufmann | – | – | – | – | – | – |
| Mr Alister Maitland | – | – | – | – | – | – |
| Mr Mark Parry | – | – | – | – | – | – |
| Mr Steven Olsen | – | – | – | – | – | – |
| Executives | | | | | | |
| Ms Rachel Rees | – | – | – | – | – | – |
| Mr Patrick Say | – | – | – | – | – | – |
| Former | | | | | | |
| Mr Paul Chapman | – | – | – | – | – | – |
| Ms Amber Rivamonte | – | – | – | – | – | – |
| Ms Janet Mason | – | – | – | – | – | – |

| | Number of options granted during 2013 | Grant and vesting date | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry date | Number of options vested during 2013 |
|---------------------|---------------------------------------|------------------------|--|--------------------------------|-------------|--------------------------------------|
| Directors | | | | | | |
| Mr Paul Chapman | – | – | – | – | – | – |
| Mr Richard Laufmann | – | – | – | – | – | – |
| Mr Alister Maitland | – | – | – | – | – | – |
| Mr Mark Parry | 3,000,000 | 24 Sept 2012 | \$0.24 | \$0.91 | 31 Aug 2017 | 3,000,000 |
| Mr Steven Olsen | – | – | – | – | – | – |
| Executives | | | | | | |
| Ms Amber Rivamonte | – | – | – | – | – | – |
| Ms Janet Mason | – | – | – | – | – | – |
| Mr Patrick Say | – | – | – | – | – | – |

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

15.3.2 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to KMP) have been altered or modified by the issuing entity during the current period.

15.3.3 Exercise of options granted as compensation

During the reporting period, there were no shares issued to KMP on the exercise of options previously granted as compensation.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.3 Equity Instruments (Continued)

15.3.4 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by KMP, is detailed below:

| | Granted in year \$ (A) | Value of Options Exercised in year \$ | Lapsed in year \$ |
|---------------------|---------------------------|---|----------------------|
| Directors | | | |
| Dr David Carland | – | – | – |
| Mr Richard Laufmann | – | – | – |
| Mr Alister Maitland | – | – | – |
| Mr Mark Parry | – | – | – |
| Mr Steven Olsen | – | – | – |
| Executives | | | |
| Ms Rachel Rees | – | – | – |
| Mr Patrick Say | – | – | (43,200) |
| Former | | | |
| Mr Paul Chapman | – | – | – |
| Ms Amber Rivamonte | – | – | (43,200) |
| Ms Janet Mason | – | – | (43,200) |
| Total | – | – | (129,600) |

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option pricing model as described in note 22 to the financial statements. The total value of the options granted is included in the table above. This amount is allocated to remuneration in full on the grant date as the options are immediately vested and exercisable.

15.4 Key management personnel transactions

15.4.1 Other transactions with key management personnel

A number of key management persons hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of those transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to no-key management personnel related entities on an arm's length basis.

REX MINERALS LTD

DIRECTORS' REPORT (Continued) for the year ended 30 June 2014

15. REMUNERATION REPORT – AUDITED (CONTINUED)

15.4 Key management personnel transactions (Continued)

15.4.2 Movements in shares

The movement during the reporting period in the number of ordinary share in Rex Minerals Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

| | Held at 1 July 2013 or date appointed | Received on exercise of options | Other changes* | Held at 30 June 2014 |
|---------------------|---------------------------------------|---------------------------------|----------------|----------------------|
| Directors | | | | |
| Dr David Carland | – | – | 268,330 | 268,330 |
| Mr Richard Laufmann | 3,541,666 | – | – | 3,541,666 |
| Mr Alister Maitland | 202,000 | – | – | 202,000 |
| Mr Mark Parry | – | – | – | – |
| Mr Steven Olsen | 6,027,000 | – | – | 6,027,000 |
| Executives | | | | |
| Ms Rachel Rees | – | – | 24,727 | 24,727 |
| Mr Patrick Say | 138,667 | – | – | 138,667 |
| Former | | | | |
| Mr Paul Chapman | 3,644,833 | – | – | 3,644,833 |
| Ms Amber Rivamonte | 850,000 | – | – | 850,000 |
| Ms Janet Mason | 130,000 | – | – | 130,000 |

*Other changes represent shares that were purchased or sold during the year.

16. ROUNDING

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 61 and forms part of the Directors' Report for the year ended 30 June 2014.

Dated at Melbourne this 29th day of September 2014

Signed in accordance with a resolution of the Directors:



David Carland
Executive Chairman

REX MINERALS LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** as at 30 June 2014

| | Note | 2014 \$000 | 2013 \$000 |
|--|------------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | 2,590 | 24,816 |
| Term Deposits | 7 | 19,000 | – |
| Trade and other receivables | 8 | 491 | 3,310 |
| Prepayments | 9 | 173 | 44 |
| Total current assets | | 22,254 | 28,170 |
| Non-current assets | | | |
| Exploration and evaluation expenditure | 10 | 153,344 | 135,799 |
| Property, plant and equipment | 12 | 16,165 | 15,668 |
| Water infrastructure | | 4,076 | 3,631 |
| Total non-current assets | | 173,585 | 155,098 |
| Total assets | | 195,839 | 183,268 |
| Current liabilities | | | |
| Trade and other payables | 13 | 3,396 | 3,505 |
| Employee benefits | 14 | 273 | 404 |
| Provisions | 15 | 36 | 320 |
| Total current liabilities | | 3,705 | 4,229 |
| Non-current liabilities | | | |
| Trade and other payables | 13 | 652 | – |
| Employee benefits | 14 | 101 | 69 |
| Total non-current liabilities | | 753 | 69 |
| Total liabilities | | 4,458 | 4,298 |
| Net assets | | 191,381 | 178,970 |
| Equity | | | |
| Issued capital | 16(i) | 189,566 | 177,686 |
| Reserves | 16(iii-iv) | 3,912 | 1,421 |
| Retained earnings/(Accumulated losses) | | (2,097) | (137) |
| Total equity | | 191,381 | 178,970 |

The notes on pages 39 to 60 are an integral part of these financial statements.

REX MINERALS LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2014

| | Note | 2014 \$000 | 2013 \$000 |
|--|------|----------------|----------------|
| Finance income | 17 | 686 | 1,808 |
| Administrative expenses | | (3,006) | (1,753) |
| Depreciation expense | 12 | (159) | (142) |
| Employee benefits expense | 18 | (2,581) | (3,305) |
| Marketing expenses | | (510) | (867) |
| Loss on disposal of fixed assets | | (9) | (1) |
| Profit/(loss) before tax | | (5,579) | (4,260) |
| Income tax (expense)/benefit | 19 | 6,110 | 3,081 |
| Total profit/(loss) for the period after tax | | 531 | (1,179) |
| Other comprehensive income | | – | – |
| Total comprehensive income/(loss) attributable to members of Rex Minerals Ltd | | 531 | (1,179) |
| Earnings/(loss) per share attributable to members of Rex Minerals Ltd | | | |
| Basic earnings per share (cents) | 20 | 0.27 | (0.62) |
| Diluted earnings per share (cents) | 20 | 0.27 | (0.62) |

The notes on pages 39 to 60 are an integral part of these financial statements.

REX MINERALS LTD**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June 2014

| | Attributable to equity holders of the Group | | | | | |
|--|---|---------------------------------------|-------------------------|---|-----------------------|--|
| Note | Share Capital \$000 | Share Based Payments Reserve \$000 | Profit Reserve \$000 | Retained Earnings/ (Accumulated Losses) \$000 | Total Equity \$000 | |
| Balance at 1 July 2012 | 177,686 | 1,311 | – | 441 | 179,438 | |
| Share based payments compensation | 16 | – | 711 | – | 711 | |
| Transfer from share based payments reserve | 16 | – | (601) | 601 | – | |
| Total comprehensive income/(loss) for the period | – | – | – | (1,179) | (1,179) | |
| Balance at 30 June 2013 | 177,686 | 1,421 | – | (137) | 178,970 | |
| Balance at 1 July 2013 | 177,686 | 1,421 | – | (137) | 178,970 | |
| Issue of ordinary shares | 16 | 12,645 | – | – | 12,645 | |
| Transaction costs on share issue | 16 | (765) | – | – | (765) | |
| Transfer from share based payments reserve | 16 | – | (531) | 531 | – | |
| Transfer from retained earnings | – | – | 3,022 | (3,022) | – | |
| Total comprehensive income/(loss) for the period | – | – | – | 531 | 531 | |
| Balance at 30 June 2014 | 189,566 | 890 | 3,022 | (2,097) | 191,381 | |

The notes on pages 39 to 60 are an integral part of these financial statements.

REX MINERALS LTD**CONSOLIDATED STATEMENT OF CASH FLOWS** for the year ended 30 June 2014

| | Note | 2014 \$000 | 2013 \$000 |
|--|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (6,580) | (3,571) |
| Interest received | | 555 | 1,786 |
| Research and development benefit received | | 9,191 | - |
| Net cash from/(used in) operating activities | 21 | 3,166 | (1,785) |
| Cash flows from investing activities | | | |
| Exploration and evaluation payments | | (17,647) | (39,106) |
| Acquisition of property, plant and equipment | | (242) | (412) |
| Payment for water infrastructure | | (400) | (3,631) |
| Proceeds from sale of property, plant and equipment | | 17 | 7 |
| Investments in term deposits | 7(ii) | (19,000) | - |
| Net cash from/(used in) investing activities | | (37,272) | (43,142) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | 16 | 12,645 | - |
| Payment of transaction costs | 16 | (765) | - |
| Net cash from/(used in) financing activities | | 11,880 | - |
| Net increase /(decrease) in cash and cash equivalents | | (22,226) | (44,927) |
| Cash and cash equivalents at beginning of the period | | 24,816 | 69,743 |
| Cash and cash equivalents at period end | 7(i) | 2,590 | 24,816 |

The notes on pages 39 to 60 are an integral part of these financial statements.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Rex Minerals Ltd (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Level 19, 11 Waymouth Street, Adelaide, South Australia 5000. The Group financial statements as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for profit entity primarily involved in minerals exploration in Australia.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 29 September 2014.

(b) Basis of measurement

The Group financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These Group financial statements are presented in Australian dollars, which is the functional currency of all entities in the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes and their related accounting policies:

- > note 10 Exploration and evaluation expenditure
- > notes 25 and 26 Commitments and contingencies

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements, and have been applied consistently by Group entities. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7); AASB 10 Consolidated Financial Statements (2011); AASB 11 Joint Arrangements; AASB 12 Disclosure of Interests in Other Entities; AASB 13 Fair Value Measurement; Presentation of Items of Other Comprehensive Income (Amendments to AASB 101); AASB 119 Employee Benefits (2011) and Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136) (2013). There has been no impact upon adoption.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Group financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Financial instruments****(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(A) Receivables – other debtors

Other debtors are measured at amortised cost using the effective interest method, less impairment losses. Other debtors are reviewed on an ongoing basis for any indicators of impairment.

An impairment loss is recognised for debts which are known to be uncollectible. An impairment allowance is raised for any doubtful accounts.

(B) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(C) Term Deposits

Term Deposits comprise cash balances and call deposits with an original maturity of more than three months.

(D) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Property, plant and equipment (Continued)****(iii) Depreciation**

Depreciation is recognised in profit or loss or as capitalised exploration expenditure for items of PP&E used directly in exploration and evaluation activities on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- > plant and equipment 3 – 10 years
- > buildings 10 – 20 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Exploration and evaluation

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'.

An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proven to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- > the expenditures are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and
- > activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- > the term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- > substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- > exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- > sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Impairment****(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits**(i) Wages, salaries and annual leave**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Long term benefits

The Group's obligation in respect of long service leave is measured as the present value of the future benefit expected to be paid to employees that has been earned in return for their service in the current and prior periods. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at reporting date on national government bonds with terms of maturity that closely match the estimated future cash flows.

(ii) Share-based payments

Equity-based compensation is recognised as an expense in respect of the services received, or as capitalised exploration expenditure as appropriate.

The fair value of options granted is recognised as an asset or expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Employee benefits (Continued)****(ii) Share-based payments (Continued)**

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(g) Revenue Recognition

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues are recognised at fair value of the consideration received net of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.

(h) Tax**(i) Income taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Research and development benefits are recognised in the year the claim is lodged.

(ii) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Rex Minerals Ltd. The tax-consolidated group has entered into tax funding and tax sharing agreements.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(j) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees.

(k) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the consolidated entity's chief operating decision maker.

An operating segment is a component of the Group that engages in exploration activities which incurs expenses. An operating segment's expenditures are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

Segment expenditure that is reported to the Managing Director includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period on exploration and to acquire property, plant and equipment.

(l) Restoration and rehabilitation provision

Obligations to restore and rehabilitate certain areas of property may arise from time to time as a result of the groups activities. A provision for rehabilitation and restoration is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of areas of disturbance existing at reporting date, but not yet rehabilitated. Rehabilitation activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including recontouring, topsoiling and revegetation of the disturbed area. Provisions for the cost of the rehabilitation program are recognised at the time that environmental disturbance occurs (or is acquired).

A corresponding asset is recognised in Property, Plant and Equipment or Exploration and Evaluation Assets only to the extent that it is probable that future economic benefits associated with the rehabilitation, will flow to the entity. Determining the cost of rehabilitation and restoration of the area of disturbance requires the use of significant estimates and assumptions, including, the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation, and the future expected costs of rehabilitation, decommissioning and restoration. Changes in the estimates and assumptions used to determine the cost of rehabilitation, decommissioning and restoration could have a material impact on the carrying value of the site restoration provision and related asset. The provision is reviewed at each reporting date and updated based on the facts and circumstances available at the time.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements:

- > AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures. The new standards which become mandatory for the Group's 2016 financial statements could change the classification and measurement of financial assets and financial liabilities.
- > AASB 15 Revenue from Contracts with Customers which will be effective for the Group's 2018 Financial Statements.

The new standards are not expected to have significant impact on the financial statements.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Share-based payments

The fair value of options granted to employees as compensation is independently measured using a Black-Scholes option pricing model. Measurement inputs include the exercise price of the options, the term of the options, the vesting and performance criteria, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share (based on an evaluation of the company's historical volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), the expected dividend yield and the risk-free interest rate (based on government bonds) for the term of the option.

5. FINANCIAL RISK MANAGEMENT**(i) Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities and currently has no external borrowings.

The Group encourages employees to be shareholders through the Employee Share Option Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash balances.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To this end actual cash flows and forecast future cash flows are reported to and monitored by the board on a periodic basis.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT REPORTING

The consolidated entity operates in one geographical segment, being South Australia and one industry, mineral mining and exploration.

7. CASH ASSETS

(i) Cash and cash equivalents

| | 2014 \$000 | 2013 \$000 |
|--|---------------|---------------|
| Bank balances and short term deposits | 2,590 | 24,816 |
| Cash and cash equivalents in the statement of cash flows | 2,590 | 24,816 |

(ii) Term deposits

| | 2014 \$000 | 2013 \$000 |
|---------------------|---------------|---------------|
| Term deposits* | 19,000 | – |
| Total term deposits | 19,000 | – |

*Term Deposits comprise cash balances with an original maturity of more than three months.

The Group's total cash and funds on deposit \$21,590,000 (2013: \$24,816,000) is exposed to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

8. TRADE AND OTHER RECEIVABLES

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Other receivables and accrued interest | 260 | 158 |
| Research and development benefit receivable | – | 3,081 |
| Security deposits and rehabilitation bonds | 231 | 71 |
| Total trade and other receivables | 491 | 3,310 |

9. PREPAYMENTS

| | 2014 \$000 | 2013 \$000 |
|-------------------|---------------|---------------|
| Prepayments | 173 | 44 |
| Total prepayments | 173 | 44 |

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. EXPLORATION AND EVALUATION EXPENDITURE

| | 2014 \$000 | 2013 \$000 |
|---------------------------|----------------|----------------|
| Cost | | |
| Balance at 1 July | 135,799 | 98,104 |
| Additions | 17,545 | 37,695 |
| Balance at 30 June | 153,344 | 135,799 |
| Carrying amounts | | |
| At 1 July | 135,799 | 98,104 |
| At 30 June | 153,344 | 135,799 |

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

11. DEFERRED TAX ASSETS (LIABILITIES)

| | 2014 \$000 | 2013 \$000 |
|-----------------------------------|---------------|---------------|
| Exploration and evaluation assets | (46,000) | (40,740) |
| Property, plant and equipment | (284) | (245) |
| Provisions | 222 | 316 |
| Equity loss | 760 | 1,121 |
| Tax losses recognised | 45,302 | 39,548 |
| | – | – |
| Total losses unrecognised | 2,896 | 5,099 |

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

REX MINERALS LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12. PROPERTY, PLANT AND EQUIPMENT**

| | Land and Buildings | Plant and Equipment | Total |
|--|-------------------------------|--------------------------------|---------------|
| 2014 | \$000 | \$000 | \$000 |
| Cost | | | |
| Balance at 1 July 2013 | 14,309 | 2,287 | 16,596 |
| Additions | 775 | 182 | 957 |
| Disposals | – | (122) | (122) |
| Balance at 30 June 2014 | 15,084 | 2,347 | 17,431 |
| Depreciation and impairment losses | | | |
| Balance at 1 July 2013 | 9 | 919 | 928 |
| Depreciation charged to the income statement | 35 | 124 | 159 |
| Depreciation charged to exploration projects | 10 | 265 | 275 |
| Disposals | – | (96) | (96) |
| Balance at 30 June 2014 | 54 | 1,212 | 1,266 |
| Carrying amounts | | | |
| At 1 July 2013 | 14,300 | 1,368 | 15,668 |
| At 30 June 2014 | 15,030 | 1,135 | 16,165 |
| 2013 | | | |
| Cost | | | |
| Balance at 1 July 2012 | 14,162 | 2,056 | 16,218 |
| Additions | 147 | 265 | 412 |
| Disposals | – | (34) | (34) |
| Balance at 30 June 2013 | 14,309 | 2,287 | 16,596 |
| Depreciation and impairment losses | | | |
| Balance at 1 July 2012 | 2 | 597 | 599 |
| Depreciation charged to the income statement | – | 142 | 142 |
| Depreciation charged to exploration projects | 7 | 207 | 214 |
| Disposals | – | (27) | (27) |
| Balance at 30 June 2013 | 9 | 919 | 928 |
| Carrying amounts | | | |
| At 1 July 2012 | 14,160 | 1,459 | 15,619 |
| At 30 June 2013 | 14,300 | 1,368 | 15,668 |

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER PAYABLES

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Current | | |
| Other trade payables and accrued expenses | 3,396 | 3,505 |
| Total current trade and other payables | 3,396 | 3,505 |
| Non-current | | |
| Other trade payables and accrued expenses | 652 | – |
| Total non-current trade and other payables | 652 | – |
| Total trade and other payables | 4,048 | 3,505 |

14. EMPLOYEE BENEFITS

| | 2014 \$000 | 2013 \$000 |
|----------------------------------|---------------|---------------|
| Current | | |
| Liability for annual leave | 273 | 404 |
| Non-current | | |
| Liability for long service leave | 101 | 69 |
| Total employee benefits | 374 | 473 |

Assumptions made with respect to the measurement of the liability for long service leave are in accordance with accounting policy note 3f(ii).

15. PROVISIONS

| | 2014 \$000 | 2013 \$000 |
|---------------------------------|---------------|---------------|
| Current | | |
| Provision for office relocation | 36 | 320 |
| Total provisions | 36 | 320 |

16. EQUITY

(i) Movements in shares on issue:

| | Date of Issue | Number of Shares | Issue Price \$ | \$000 |
|--|------------------|---------------------|-------------------|----------------|
| Opening balance at 1 July 2013 | | 188,907,284 | | 177,686 |
| Capital Raising – Placement | 12/03/2014 | 28,000,000 | 0.40 | 11,200 |
| Less costs of Placement | | | | (640) |
| Capital Raising – Placement | 22/04/2014 | 3,612,500 | 0.40 | 1,445 |
| Less costs of Placement | | | | (125) |
| Closing balance at 30 June 2014 | | 220,519,784 | | 189,566 |

| | Date of Issue | Number of Shares | Issue Price \$ | \$000 |
|---------------------------------|------------------|---------------------|-------------------|---------|
| Opening balance at 1 July 2012 | | 188,907,284 | | 177,686 |
| Closing balance at 30 June 2013 | | 188,907,284 | | 177,686 |

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. EQUITY (CONTINUED)

(ii) Movements in options on issue:

| | Date of Issue | Number of Options | Exercise Price \$ | Expiry Date |
|------------------------------------|---------------|-------------------|-------------------|-------------|
| Opening balance as at 1 July 2013 | | 5,040,000 | | |
| Lapse of Options – employees | 06/05/2011 | (200,000) | 3.00 | 30/04/2014 |
| Lapse of Options – employees | 24/05/2012 | (240,000) | 1.20 | 30/04/2015 |
| Lapse of Options – employees | 06/05/2011 | (640,000) | 3.00 | 30/04/2014 |
| Lapse of Options – employees | 24/05/2012 | (120,000) | 1.20 | 30/04/2015 |
| Closing balance as at 30 June 2014 | | 3,840,000 | | |

| | Date of Issue | Number of Options | Exercise Price \$ | Expiry Date |
|------------------------------------|---------------|-------------------|-------------------|-------------|
| Opening balance as at 1 July 2012 | | 3,761,000 | | |
| Lapse of Options – employees | 04/06/2010 | (33,000) | 1.222 | 24/05/2013 |
| Lapse of Options – employees | 06/05/2011 | (160,000) | 3.000 | 30/04/2014 |
| Lapse of Options – employees | 24/05/2012 | (160,000) | 1.200 | 30/04/2015 |
| Issue of Options – employees | 24/09/2012 | 3,000,000 | 0.910 | 31/08/2017 |
| Lapse of Options – employees | 03/12/2012 | (240,000) | 2.052 | 31/10/2012 |
| Lapse of Options – employees | 06/05/2011 | (40,000) | 3.000 | 30/04/2014 |
| Lapse of Options – employees | 24/05/2012 | (40,000) | 1.200 | 30/04/2015 |
| Lapse of Options – employees | 04/06/2010 | (528,000) | 1.222 | 24/05/2013 |
| Lapse of Options – employees | 06/05/2011 | (240,000) | 3.000 | 30/04/2014 |
| Lapse of Options – employees | 24/05/2012 | (280,000) | 1.200 | 30/04/2015 |
| Closing balance as at 30 June 2013 | | 5,040,000 | | |

(iii) Movements in share based payment reserve:

| | \$000 |
|----------------------------------|-------|
| Opening balance at 1 July 2013 | 1,421 |
| Employee share based payments | – |
| Transferred to Retained earnings | (531) |
| Closing balance at 30 June 2014 | 890 |
| Opening balance at 1 July 2012 | 1,311 |
| Employee share based payments | 711 |
| Transferred to Retained earnings | (601) |
| Closing balance at 30 June 2013 | 1,421 |

This share based payment reserve is used to recognise the fair value of options issued to employees for options granted which have not been exercised.

(iv) Profit reserve:

The Group's profit for the half year ended 31 December 2013 of \$3,022 thousand was transferred from Retained Earnings to the Profit Reserve.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCE INCOME AND EXPENSE

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Finance income – interest income on bank deposits | 686 | 1,808 |
| Finance expense | – | – |
| Net finance income and expense | 686 | 1,808 |

18. EMPLOYEE BENEFITS EXPENSE

| | 2014 \$000 | 2013 \$000 |
|--|---------------|---------------|
| Wages and salaries | 2,680 | 2,599 |
| Share based payments expense | – | 711 |
| Increase in liability for annual leave | (131) | 94 |
| Increase in liability for long service leave | 32 | (99) |
| Total employee benefits expense | 2,581 | 3,305 |

In addition, wages and salaries of \$2,521 thousand (2013: \$3,214 thousand) are capitalised into exploration and evaluation expenditure.

19. INCOME TAX EXPENSE

NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT

| | 2014 \$000 | 2013 \$000 |
|---|----------------|----------------|
| Profit/(Loss) before tax for the period | (5,579) | (4,260) |
| Income tax using the domestic corporation tax rate of 30% (2013: 30%) | (1,674) | (1,278) |
| Decrease in income tax due to: | | |
| Non-deductible expenses | 6 | 214 |
| Research and Development benefit | (6,110) | (3,081) |
| Adjustment from prior year | (1,883) | – |
| Increase in income tax expense due to: | | |
| Net effect of tax losses not recognised | 3,551 | 1,064 |
| Total income tax expense/(benefit) on pre-tax net profit | (6,110) | (3,081) |

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. EARNINGS PER SHARE

| | 2014 cents | 2013 cents |
|-------------------------------|---------------|---------------|
| Earnings Per Share | | |
| Basic EPS | 0.27 | (0.62) |
| Diluted EPS per share – cents | 0.27 | (0.62) |

(a) **Basic earnings per share**

The calculation of basic earnings/(loss) per share (EPS) at 30 June 2014 was based on the profit attributable to ordinary equity holders of \$531 thousand (2013: \$1,179 thousand) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 196,512,675 (2013: 188,907,284).

(b) **Diluted earnings per share**

The calculation of diluted earnings/(loss) per share (EPS) at 30 June 2014 is the same as basic diluted earnings/(loss) per share. In accordance with AASB 133 – Earning per share, as potential ordinary shares may result in a situation where their conversion results in a decrease in the earnings/(loss) per share, no dilutive effect has been taken into account.

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | 2014 \$000 | 2013 \$000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Profit/(Loss) before tax for the period | (5,579) | (4,260) |
| Adjustments for non cash items: | | |
| Depreciation | 159 | 142 |
| Share based payment transactions | – | 711 |
| Adjustments for other items: | | |
| (Profit)/loss on disposal of property plant and equipment | 9 | 1 |
| Operating loss before changes in working capital and provisions | (5,411) | (3,406) |
| (Increase)/decrease in trade and other receivables | 2,727 | 865 |
| (Decrease)/increase in trade and other payables | 138 | 418 |
| (Decrease)/increase in employee benefits | (113) | 18 |
| (Decrease)/increase in provisions | (285) | 320 |
| Research and development benefit received | 6,110 | – |
| Net cash (used in)/from operating activities | 3,166 | (1,785) |

22. SHARE BASED PAYMENTS

The Company established a share option plan that entitles employees (other than Directors) to options to purchase shares in the Company.

No options were granted during the financial year ending 30 June 2014.

The following options were granted during the financial year ending 30 June 2013:

| Employees Entitled | Grant Date | Number of Options | Expiry Date |
|---------------------------|-------------------|--------------------------|--------------------|
| Key management personnel | 24/09/2012 | 3,000,000 | 31/08/2017 |
| Total | | 3,000,000 | |

Key management personnel (KMP) options are exercisable at a price of \$0.91 each, have no vesting period and expire on 31 August 2017. Each option entitles the holder to subscribe for 1 ordinary share in the Company.

All options vest on the grant date. Options expire on the expiry date, unless the options have not been exercised and the employee leaves the Company in which case the options will lapse if they are not exercised within 60 days of departure. These options do not entitle the holder to participate in any share issue of the Company or any other related entity.

(a) Fair value of share options and assumptions

The fair value of the unlisted options granted was calculated at the date of the grant based upon the Black Scholes option pricing model. As the options vest on grant, the fair value of the options is allocated to the reporting period in which they are granted.

| Employees entitled | |
|------------------------------|--------|
| Fair value at grant date | \$0.24 |
| Share price at date of grant | \$0.68 |
| Exercise price | \$0.91 |
| Expected volatility | 50% |
| Option life (years) | 4.43 |
| Risk free interest rate | 2.56% |

The common method for valuing options is the Black Scholes option pricing model. The Black Scholes option pricing model looks at the past share price as an indicator of the future share price. The Black Scholes option pricing model assumes that high volatility in the share prices is an indicator for a higher valuation as there is a greater chance of the share price moving significantly (upwards or downwards). The model also assumes that the options are exercised at or near the expiry date of the options.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. SHARE BASED PAYMENTS (CONTINUED)

(b) Employee expenses

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Share options granted in 2014 – recognised in income statement | – | – |
| Share options granted in 2014 – capitalised to exploration projects | – | – |
| Share options granted in 2013 – recognised in income statement | – | 711 |
| Share options granted in 2013 – capitalised to exploration projects | – | – |
| Total recognised as share based payments | – | 711 |

23. FINANCIAL INSTRUMENTS

Exposure to credit risk and interest rate risks arise in the normal course of the Group's business.

(a) Credit risk

Management monitors the exposure to credit risk on an ongoing basis through monitoring the Group's counterparties. The Group does not require collateral in respect of financial assets.

At reporting date, cash is held with a number of reputable financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Fair value

The financial assets and financial liabilities included in assets and liabilities approximate their net fair values.

(c) Liquidity risk

The following are the contractual maturities of financial liabilities.

| Financial liabilities Group | Carrying amount \$000 | Contractual cash flows \$000 | 1 year or less \$000 | 1–2 years \$000 |
|--------------------------------|-----------------------------|------------------------------------|----------------------------|--------------------|
| 2014 | | | | |
| Trade and other payables | 4,048 | (3,396) | (3,396) | (652) |
| | 4,048 | (3,396) | (3,396) | (652) |
| 2013 | | | | |
| Trade and other payables | 3,505 | (3,505) | (3,505) | – |
| | 3,505 | (3,505) | (3,505) | – |

(d) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short-term deposits.

At balance date, the Group had the following financial assets exposed to interest rate risk:

| | 2014 \$000 | 2013 \$000 |
|-------------------------------------|---------------|---------------|
| Cash and cash equivalents | 2,590 | 24,816 |
| Term deposits | 19,000 | – |
| Total cash and term deposits | 21,590 | 24,816 |

At balance date, the Group has no financial liabilities exposed to variable interest rate risks.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate risk (Continued)

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables constant, profit and or loss and equity would have been affected as follows:

| | Profit or Loss higher/(lower) | | Equity higher/(lower) | |
|-------------------------|----------------------------------|---------------|--------------------------|---------------|
| | 2014 \$000 | 2013 \$000 | 2014 \$000 | 2013 \$000 |
| Group | | | | |
| +1% (100 basis points) | 159 | 460 | – | – |
| - 1% (100 basis points) | (159) | (460) | – | – |

The movements in profit or loss are due to higher/lower interest earnings on cash balances and term deposits. The movements in equity are directly linked to movements in the Income Statement.

(e) Impairment losses

None of the Group's receivables are past due (2013: nil).

24. OPERATING LEASES

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Not later than one year | 367 | – |
| Later than one year but not later than five years | 1,595 | – |
| Greater than five years | 2,075 | – |

The Group leases an office space under an operating lease. The lease runs for a period of 10 years, with an option to renew the lease after that date. Lease payments are increased by a fixed percentage every year and adjusted to the prevailing market rate after 5 years.

During the year an amount of an amount of \$218 thousand was recognised as an expense in profit and loss in respect of the office lease (2013: \$0).

25. EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements under the various exploration licences which are held. These obligations are expected to be fulfilled in the normal course of operations. Mining interests may be relinquished or joint ventured to reduce this amount. The various State governments have the authority to defer, waive or amend the minimum expenditure requirements.

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Not later than one year | 1,650 | 1,152 |
| Later than one year but not later than five years | 4,460 | 5,071 |

26. CAPITAL EXPENDITURE COMMITMENTS

During the year ended 30 June 2014, the Group has not entered into any capital expenditure commitments. The commitment from 2013 was settled during the period.

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Not later than one year | – | 3,631 |
| Later than one year but not later than five years | – | – |

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. CONTINGENCIES

The Directors are of the opinion that there are no matters for which provision is required in relation to any contingencies, as it is not probable that a future sacrifice of economic benefit will be required or the amount is not capable of reliable measurement.

The Group's bankers have provided guarantees amounting to \$30,000 to certain Government bodies as security over the Group's performance of rehabilitation obligations on certain tenements. Under the agreement, the Group has indemnified the bank in relation to these guarantees. The guarantees are backed by deposits amounting to \$30,000 as at 30 June 2014 (2013: \$30,000).

The Group's bankers have provided a guarantee amounting to \$198,903 to the Landlord regarding the new office at Level 19, 11 Waymouth Street, Adelaide, South Australia as security over the Group's obligations regarding the lease held. Under the agreement, the Group has indemnified the bank in relation to this guarantee. The guarantee is backed by a deposit amounting to \$198,903 as at 30 June 2014.

In December 2013, the Group entered into a land purchase agreement. An initial deposit has been paid in connection with the agreement, subject to obtaining regulatory approval and obtaining financial close which represents project funding, the Group will be required to pay the remaining consideration. Should the agreement expire, the deposit will be forfeited and will be expensed.

28. RELATED PARTIES

28.1 Key management personnel (KMP) disclosures

The following were KMP of the Group at any time during the reporting period and unless otherwise indicated were KMP for the period ending 30 June 2014.

| Name | Position held | Appointment detail |
|---------------------------------|-----------------------------------|---|
| Non-Executive Directors | | |
| Dr David Carland | Chairman | Appointed 12 December 2013 Appointed Chairman 1 January 2014 |
| Mr Richard Laufmann | Chairman – Remuneration Committee | Appointed 16 May 2007 |
| Mr Alister Maitland | Chairman – Audit Committee | Appointed 16 September 2011 |
| Mr Steven Olsen ¹ | Executive Director | Appointed 13 May 2007 |
| Executive Director | | |
| Mr Mark Parry | Managing Director/CEO | Appointed 15 October 2012 |
| Executives | | |
| Ms Rachel Rees | Chief Financial Officer | Appointed 9 September 2013 |
| Mr Patrick Say | Geology Manager | Appointed 1 July 2010 |
| Former | | |
| Mr Paul Chapman | Chairman | Appointed 18 April 2007 Resigned 31 December 2013 |
| Ms Amber Rivamonte ² | Company Secretary | Appointed 16 July 2007 Ceased KMP 30 September 2013 |
| Ms Janet Mason ³ | Acting Chief Financial Officer | Appointed 19 December 2008 Ceased KMP 8 September 2013 |

1. Mr Steven Olsen ceased being an Executive Director on 30 September 2013. From 8 August 2014, Mr Olsen re-qualifies as an Executive Director as he provides services of an executive nature.

2. Ms Amber Rivamonte finished with the Group following the closure of the Company's Ballarat Office on 30 September 2013.

3. Ms Janet Mason ceased being KMP upon the commencement of Ms Rachel Rees on 9 September 2013.

On 8 August 2014, Mr Mark Parry resigned as Managing Director of the Company, effective from that date and Dr David Carland became Executive Chairman.

Effective 31 August 2014, Ms Rachel Rees was made redundant.

Other than the above, there have been no other changes to KMP between 1 July 2014 and the date of this report.

The KMP compensation included in "Employee Benefits Expenses" (see note 18) and "Exploration and Evaluation" (see note 10) are as follows:

| | 2014 \$ | 2013 \$ |
|------------------------------|------------------|------------------|
| Short term employee benefits | 1,854,248 | 2,222,152 |
| Post employment benefits | 157,562 | 138,284 |
| Share based payments | – | 711,000 |
| Other long term benefits | (11,963) | 24,716 |
| Termination Benefits | 239,800 | – |
| | 2,239,647 | 3,096,152 |

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTIES (CONTINUED)

28.1 Key management personnel (KMP) disclosures (Continued)

(a) KMP compensation disclosures

Information regarding individual Directors and Executives compensation and some equity instrument disclosures as permitted by Corporation Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report on pages 25-34.

No member of the KMP has entered into a material contract or related party transactions with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

(b) Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Rex Minerals Ltd held, directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

| | | Held at 1 July 2013 | Exercised during year | Granted as compensation | Vested during year | Lapsed during year | Held at 30 June 2014 | Vested and Exercisable at 30 June 2014 |
|---------------------|------|---------------------------|-----------------------------|----------------------------|--------------------------|--------------------------|----------------------------|---|
| 2014 | Note | | | | | | | |
| Directors | | | | | | | | |
| Dr David Carland | | – | – | – | – | – | – | – |
| Mr Richard Laufmann | | – | – | – | – | – | – | – |
| Mr Alister Maitland | | – | – | – | – | – | – | – |
| Mr Steven Olsen | | – | – | – | – | – | – | – |
| Mr Mark Parry | | 3,000,000 | – | – | – | – | 3,000,000 | 3,000,000 |
| Executives | | | | | | | | |
| Ms Rachel Rees | | – | – | – | – | – | – | – |
| Mr Patrick Say | | 240,000 | – | – | – | 80,000 | 160,000 | 160,000 |
| Former | | | | | | | | |
| Mr Paul Chapman | | – | – | – | – | – | – | – |
| Ms Amber Rivamonte* | | 240,000 | – | – | – | 80,000 | 160,000 | 160,000 |
| Ms Janet Mason | | 160,000 | – | – | – | 80,000 | 80,000 | 80,000 |

| | | Held at 1 July 2012 | Exercised during year | Granted as compensation | Vested during year | Lapsed during year | Held at 30 June 2013 | Vested and Exercisable at 30 June 2013 |
|---------------------|------|---------------------------|-----------------------------|----------------------------|--------------------------|--------------------------|----------------------------|---|
| 2013 | Note | | | | | | | |
| Directors | | | | | | | | |
| Mr Paul Chapman | | – | – | – | – | – | – | – |
| Mr Richard Laufmann | | – | – | – | – | – | – | – |
| Mr Alister Maitland | | – | – | – | – | – | – | – |
| Mr Mark Parry | | – | – | 3,000,000 | 3,000,000 | – | 3,000,000 | 3,000,000 |
| Mr Steven Olsen | | – | – | – | – | – | – | – |
| Executives | | | | | | | | |
| Ms Amber Rivamonte* | | 313,800 | – | – | – | 73,800 | 240,000 | 240,000 |
| Ms Janet Mason | | 233,800 | – | – | – | 73,800 | 160,000 | 160,000 |
| Mr Patrick Say | | 313,800 | – | – | – | 73,800 | 240,000 | 240,000 |

*Although Ms Rivamonte finished with the Group, the Board resolved to vary the terms of the options to reflect that they do not lapse on termination of the employment contract, but on termination of the services agreement.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTIES (CONTINUED)

28.1 Key management personnel (KMP) disclosures (Continued)

(c) Movements in shares

The movement during the reporting period in the number of ordinary shares in Rex Minerals Ltd held, directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

| 2014 | Note | Held at 1 July 2013 or date appointed as a director | Purchases | Received on Exercise of options | Sales | Held at 30 June 2014 |
|---------------------|-------|---|-----------|---------------------------------------|-------|-------------------------|
| Directors | | | | | | |
| Dr David Carland | (i) | – | 268,330 | – | – | 268,330 |
| Mr Richard Laufmann | (ii) | 3,541,666 | – | – | – | 3,541,666 |
| Mr Alister Maitland | (iii) | 202,000 | – | – | – | 202,000 |
| Mr Steven Olsen | (iv) | 6,027,000 | – | – | – | 6,027,000 |
| Mr Mark Parry | | – | – | – | – | – |
| Executives | | | | | | |
| Ms Rachel Rees | (v) | – | 24,727 | – | – | 24,727 |
| Mr Patrick Say | (vi) | 138,667 | – | – | – | 138,667 |
| Former | | | | | | |
| Mr Paul Chapman | (vii) | 3,644,833 | – | – | – | 3,644,833 |
| Ms Amber Rivamonte | | 850,000 | – | – | – | 850,000 |
| Ms Janet Mason | | 130,000 | – | – | – | 130,000 |

| 2013 | Note | Held at 1 July 2012 or date appointed as a director | Purchases | Received on Exercise of options | Sales | Held at 30 June 2013 |
|---------------------|-------|---|-----------|---------------------------------------|-------|-------------------------|
| Directors | | | | | | |
| Mr Paul Chapman | (vii) | 3,644,833 | – | – | – | 3,644,833 |
| Mr Richard Laufmann | (ii) | 3,541,666 | – | – | – | 3,541,666 |
| Mr Alister Maitland | (iii) | 202,000 | – | – | – | 202,000 |
| Mr Mark Parry | | – | – | – | – | – |
| Mr Steven Olsen | (iv) | 6,027,000 | – | – | – | 6,027,000 |
| Executives | | | | | | |
| Ms Amber Rivamonte | | 850,000 | – | – | – | 850,000 |
| Ms Janet Mason | | 130,000 | – | – | – | 130,000 |
| Mr Patrick Say | (vi) | 138,667 | – | – | – | 138,667 |

Shares that were held by related parties of KMP are disclosed below.

- (i) 268,330 held indirectly through Program Images Pty Ltd as trustee for The Carland Super Fund.
- (ii) 3,500,000 held indirectly through Natalie Laufmann. 41,666 held by Laufmann Long Term Investments Pty Ltd.
- (iii) 202,000 held indirectly through the Alister Maitland Superannuation Fund.
- (iv) 5,752,000 held indirectly through S&S Olsen Pty Ltd as trustee for the Olsen Family Trust. 275,000 held through SSO Super Pty Ltd as Trustee for the SSO Super fund.
- (v) 24,727 held indirectly through Cascade Trading Trust.
- (vi) 16,667 held indirectly through Say Family Super Fund.
- (vii) 1,876,166 held indirectly through Stone Poneys Nominees Pty Ltd as trustee for the Chapman Superannuation Fund, 1,768,667 held indirectly through Stone Poneys Nominees Pty Ltd as trustee for the Chapman Investment Fund.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTIES (CONTINUED)

28.2 Director related entities

A number of KMP hold positions in other entities that result in them having joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to KMP and entities over which they have joint control were as follows:

| | Transaction | Note | Transaction values year ended 30 June | | Balance outstanding as at 30 June | |
|--------------------------------------|--------------------|------|--|------|--------------------------------------|----------|
| | | | 2014 | 2013 | 2014 | 2013 |
| Key management person | | | | | | |
| Dr David Carland | Corporate Advisory | (i) | 240,000 | – | 40,000 | – |
| Mr Steven Olsen | Corporate Advisory | (ii) | 450,000 | – | 45,000 | – |
| Total and current liabilities | | | | | 85,000 | – |

- (i) The Group used the advisory services of BurnVair Corporate Finance Limited in relation to funding options for the project, a company jointly controlled by Dr David Carland. The contract terms are based on normal market rates for this type of service and amounts are payable under normal payment terms. The transactions represent the period from Dr Carland's appointment as Director on 12 December 2013 to the end of the financial year.
- (ii) The Group used the advisory services of Cedar River Services Pty Ltd in relation to business development, investor relations, geological services and company secretarial services, a company jointly controlled by Mr Steven Olsen. The contract terms are based on normal market rates for these types of services and amounts are payable under normal payment terms.

29. GROUP ENTITIES

| | Country of Incorporation | Ownership Interest | |
|---------------------------------|-----------------------------|--------------------|------|
| | | 2014 | 2013 |
| Parent entity | | | |
| Rex Minerals Ltd | Australia | | |
| Subsidiaries | | | |
| Rex Minerals (SA) Pty Ltd | Australia | 100% | 100% |
| Rex Minerals (Iron Ore) Pty Ltd | Australia | 100% | 100% |
| Rex Hillside (Property) Pty Ltd | Australia | 100% | 100% |

30. PARENT ENTITY DISCLOSURES

As at, and throughout, the period ending 30 June 2014 the parent company of the Group was Rex Minerals Ltd.

| | 2014 \$000 | 2013 \$000 |
|--|----------------|----------------|
| Result of the parent entity | | |
| Profit/(loss) for the period | 531 | (1,179) |
| Other comprehensive income | – | – |
| Total comprehensive income/(loss) for the period | 531 | (1,179) |
| Financial position of the parent entity at year end | | |
| Current assets | 22,154 | 28,170 |
| Total assets | 193,637 | 180,817 |
| Current liabilities | 1,503 | 1,778 |
| Total liabilities | 2,256 | 1,847 |
| Total equity of the parent entity comprising of: | | |
| Share capital | 189,566 | 177,686 |
| Reserves | 3,912 | 1,421 |
| Retained earnings | (2,097) | (137) |
| Total equity | 191,381 | 178,970 |

Parent entity contingencies

The Parent entity's contingencies are the same as the Group's contingencies as detailed in Note 27.

REX MINERALS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SUBSEQUENT EVENTS

On 8 August 2014, the Company announced that Mr Mark Parry resigned as Managing Director of the Company, effective 8 August 2014, and that Dr David Carland would assume the role of Executive Chairman until a permanent replacement is found.

On 29 July 2014, Rex announced that it had received a formal offer of mineral tenements ("Mining Lease") from the South Australian Government for its Hillside Copper Project. Subsequent to this on 16 September 2014, Rex announced that it had formally accepted the terms and conditions associated with the Mining Lease and that the Government had granted the Mining Lease for the Hillside Project to Rex.

In addition to the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

32. AUDITORS' REMUNERATION

| | 2014 \$000 | 2013 \$000 |
|----------------|---------------|---------------|
| KPMG Australia | | |
| Audit services | 48 | 44 |
| Other services | 144 | 89 |

During the current year KPMG, the Company's auditor, provided non-audit services to the Group in the form of review of the Group's research and development claim and assistance with customs matters.

The review of the research and development claim assisted the Company with the submission of a \$6.1m claim, which was received during the financial year (2013:\$3.1m).

REX MINERALS LTD

DIRECTORS' DECLARATION

- In the opinion of the directors of Rex Minerals Ltd (the Company):
 - the consolidated financial statements and notes and the Remuneration report, identified within the Directors' report, are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
- The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Melbourne this 29th day of September 2014

Signed in accordance with a resolution of the Directors:



David Carland
Executive Chairman

REX MINERALS LTD

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Rex Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'KPMG' or similar, written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to be 'S. Fleming', written in a cursive style.

Scott Fleming
Partner

Adelaide

29 September 2014

**Independent auditor's report to the members of Rex Minerals Limited****Report on the financial report**

We have audited the accompanying financial report of Rex Minerals Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

REX MINERALS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REX MINERALS LTD



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Report on the remuneration report

We have audited the Remuneration Report included in section 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Rex Minerals Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'S. Fleming'.

Scott Fleming
Partner

Adelaide

29 September 2014

REX MINERALS LTD

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

a) Substantial shareholders lodged with the Company as at 31 August 2014

| Name of Ordinary Shareholder | Number of Shares | % of Shares Held |
|------------------------------|------------------|------------------|
| Acorn Capital Ltd | 20,380,807 | 9.24% |
| J P Morgan Chase | 17,299,247 | 7.84% |
| Grand South Development Ltd | 11,785,777 | 5.34% |

b) Listing of 20 largest shareholders as at 31 August 2014

| Rank | Name | Designation | Number of Shares Held | % of Issued Capital |
|------|--|--------------------------------|-----------------------|---------------------|
| 1 | J P Morgan Nominees Australia Ltd | | 38,927,870 | 17.65% |
| 2 | Grand South Development Limited | | 11,785,777 | 5.34% |
| 3 | HSBC Custody Nominees | Australia | 10,554,106 | 4.79% |
| 4 | National Nominees Ltd | | 8,178,250 | 3.71% |
| 5 | S & S Olsen Pty Ltd | | 5,752,000 | 2.61% |
| 6 | Greenstone Property Pty Ltd | Titeline Property A/C | 5,344,531 | 2.42% |
| 7 | Natalie Laufmann | | 3,500,000 | 1.59% |
| 8 | Citicorp Nominees Pty Ltd | | 2,889,233 | 1.31% |
| 9 | Greenstone Property Pty Ltd | | 2,825,000 | 1.28% |
| 10 | HSBC Custody Nominees (Australia) Ltd | NT-Commonwealth Super Corp A/C | 2,345,588 | 1.06% |
| 11 | UBS Wealth Management Australia Nominees Pty Ltd | | 2,195,136 | 1.00% |
| 12 | HSBC Custody Nominees | Australia | 2,165,876 | 0.98% |
| 13 | Ms Fei Chen | | 2,106,200 | 0.96% |
| 14 | Stone Poneys Nominees Pty Ltd | Chapman S/F A/C | 1,876,166 | 0.85% |
| 15 | Ramco Investments Pty Ltd | Ramcop Family A/C | 1,836,000 | 0.83% |
| 16 | Citicorp Nominees Pty Ltd | Colonial First State Inv A/C | 1,835,420 | 0.83% |
| 17 | Stone Poneys Nominees Pty Ltd | Chapman Inv Fund A/C | 1,768,667 | 0.80% |
| 18 | James Gardiner | | 1,300,000 | 0.59% |
| 19 | Mr Tony Akara + Ms Sandra Poore | Tony Karas Private S/F A/C | 1,000,000 | 0.45% |
| 20 | Mladen Marusic | | 1,000,000 | 0.45% |
| | Total | | 109,185,820 | 49.51% |

c) Distribution of shareholders as at 31 August 2014

| Range | Total Holders | Units | % of Issued Capital |
|----------------|---------------|--------------------|---------------------|
| 1-1,000 | 760 | 380,931 | 0.17% |
| 1,001-5,000 | 1,800 | 5,207,746 | 2.36% |
| 5,001-10,000 | 920 | 7,390,954 | 3.35% |
| 10,001-100,000 | 1,533 | 49,697,963 | 22.54% |
| 100,001 - over | 219 | 157,842,190 | 71.58% |
| Total | 5,232 | 220,519,784 | 100.00% |

d) Number of shareholders holding less than a marketable parcel as at 31 August 2014

1,072

e) Voting rights

On a show of hands every shareholder of fully paid ordinary shares present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

f) Stock exchange listing

Rex Minerals Ltd is listed on the Australian Stock Exchange. The Company's ASX code is **RXM**.



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