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Chairman's Address - 2016

Introductory comments

Over the last few years at these Annual General Meetings of Rex Minerals, we have focused on our progress during the year in four main areas:

- the results of the Extended Feasibility Study (EFS);
- the state of the commodity markets;
- the status of the Hillside Project Mining Lease (ML); and
- our engagement with the community.

These critical areas of focus to the Company's future have been well covered in recent years at these AGMs and in our Quarterly Reports to you. Given their significance, let me recap briefly on our progress:

- we have continued to work on improving the costs identified in the EFS results for a stand-alone copper-gold project with an initial 13+ year mine life at a processing rate of 6Mtpa (what we describe as the Initial Project);
- the copper market remains depressed and while we are all aware of the emerging shoots of recovery, we are naturally cautious and of course, the timing and magnitude of the correction is beyond our control;
- we have continued to progress the Program for Environment Protection and Rehabilitation (PEPR) to secure and maintain our development license to operate; and
- we have not only intensified our engagement with the community but, perhaps more importantly, we have also made efforts to improve the quality of dialogue.

Rather than again covering these issues in isolation, this year your Directors want to use this opportunity to outline how these issues influence our strategy for the coming year and beyond to maximise the value of the Company to our shareholders.

Value components of Rex Minerals

To understand our strategy, it is important to appreciate how the Directors characterise the major value components of the Company.

We see Rex Minerals' "value package" as comprised of several elements.

The basis of Rex's value package is our large Mineral Resource at Hillside of 337Mt @ 0.6% copper and 0.14g/t gold, equating to approximately 2.0Mt of copper and 1.4Moz of gold.

The Initial Project would capture approximately 24% of the total Mineral Resource, with scope within the existing design for expansion of both the open pit and processing plant to capture the large Mineral Resource that exists at Hillside.

The EFS results indicated that the Initial Project can yield a 14% internal rate of return (IRR) based on a US\$3.00/lb copper price, US\$1,250/oz gold price and a long-term exchange rate of AUD:USD \$0.70. The Mineral Resource, Ore Reserve and EFS assumptions were announced by the Company on 25 May 2015.

Beyond the Initial Project, with further commodity price improvements there are significant extensions to the copper-gold deposit, both open pit and underground. At some point in the future – if or when iron ore prices exceed A\$90 per tonne – Rex will have the option to process the iron ore which will be pre-crushed and stored in the Hillside tailings facility.

In addition, Rex is enhancing its strong resource base in two very significant ways.

First, Rex has taken the approval process for the Initial Project to an advanced stage.

The South Australian Government's Department of State Development (DSD) in August this year granted a 12-month extension for the submission of the PEPR. Once the PEPR is submitted and approved, the Company will have 12 months in which to commence construction of the Initial Project. This timeframe provides a comfortable window to finance the Initial Project. For clarification, Rex has an approved ML that we are confident covers the smaller size of the Initial Project. Once the consistency of the Initial Project within the ML is confirmed, we will have a green light to complete the PEPR.

Second, Rex is working hard to engage in an open and effective manner with the local and regional groups on Yorke Peninsula, and the broader community. One avenue of this engagement is through the Hillside Mine Community Voice (HMCV) which includes representatives from the surrounding landowners, progress associations, businesses, the Yorke Peninsula Council, Yorke Peninsula Land Owners Group (which opposes the Project in principle), indigenous communities and other local and regional groups. The HMCV was established in 2014, in response to the approval of the Hillside Project ML, and provides an effective and valued forum for the Company to engage with the local community. We are very keen for the HMCV to be fully engaged in the completion of the PEPR.

In addition to these elements of our value package, Rex also owns a number of valuable, prospective exploration tenements in South Australia, which have the potential for additional copper discoveries and provide Rex with an opportunity to add significant value to the Hillside Project.

Pulling these elements of value together are the members of Rex's highly competent and experienced management team who have:

- a unique knowledge of the Hillside Mineral Resource and our South Australian tenements;
- established relationships with the South Australian stakeholders;
- a proven track record of raising capital; and
- an in-depth knowledge of the requirements needed to develop and operate large mineral projects in Australia.

The development challenge for Rex Minerals

The challenge we face is to ensure that we retain for shareholders the maximum amount possible of this value package while having full regard for the requirements of all our stakeholders.

We believe that the best way to realise this value is to continue to progress the development of the Initial Project.

In this regard, we remain confident that our capital and operating costs are well founded and conservative in that we can expect better outcomes when we enter the active development phase of the Initial Project.

One major obstacle to the Company's capacity to finance the Initial Project in the near term is the state of the commodity and exchange rate markets over which we have no control.

Yes, we have regularly noted the emerging copper supply gap. Our latest Quarterly Report referred to the consensus view of an international panel of 18 industry specialists which expects the copper price to recover leading into 2018, reflecting the emerging supply gap.

The consensus forecasts have the AUD:USD exchange rate in the low \$0.70s by the end of 2017.

These forecasts are all well and good, but are not a sound basis for funding the Initial Project. Thus, your Directors are pursuing a financing strategy that we believe will allow us to move to the development phase of the Initial Project as soon as the market recovery emerges.

The heart of this strategy, outlined below, is to seek providers of funds who are prepared to recognise Rex's value, having already factored in the market recovery.

Funding the development strategy

Our current share price clearly does not reflect Rex's value package. It barely reflects cash backing and is not a basis for funding the Initial Project.

Consequently, we have been discussing various development strategies with potential partners including offtake, EPC contractor, and strategic and joint development partnerships. Our CEO, Richard Laufmann, is regularly approached by users of, or strategic investors in, copper projects. Many of these parties are prepared to take a longer-term view on such a strategic metal as copper and to base their analyses of our value package on the copper prices and exchange rates that they expect to face when the Project is developed.

In short, we are looking for potential partners who have a more bullish view of the copper market and are prepared to value appropriately the access to the Initial Project as well as the access to our broader and significant Hillside asset base and its potential to deliver beyond the known Mineral Resource.

Richard is always exploring potential structures and funding options, including project-level joint ventures, with the primary aim of identifying that development option that maximises returns to our shareholders and related benefits to our other stakeholders. Let me emphasise, this is an ongoing process in which you should expect your CEO and Board to be actively engaged. We will also look to identify where we can leverage off Rex's management team to enhance our value in potential joint ventures.

Our cash balance is sufficient for the medium term. However, given our confidence in Rex's value package, we will not rush into pursuing overly-expensive financing options even if our preferred strategy takes longer than we expect.

Conclusion

In summary, our approach in the near term is to finalise the PEPR to secure and maintain our development license to operate and to continue our engagement with potential funding sources.

On behalf of your Board, we would like to take this opportunity to thank our leadership team under the guidance of Richard. We value the efforts of all our employees and contractors through what has been a challenging and very busy year for Rex.

We would also like to express our appreciation to the Hillside community, particularly the Chair and members of the HMCV for their continuing interest in striving for the best possible outcome for all stakeholders.

We would finally like to acknowledge our shareholders for your continued support in what has been a trying time for Rex and our industry.

For more information about the Company and its projects, please visit our website 'www.rexminerals.com.au' or contact:

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