



ABN 12 124 960 523

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T +61 (0)8 8299 7100
P P O Box 3435 Rundle Mall
South Australia 5000
E rex@rexminerals.com.au
W www.rexminerals.com.au

Chairman's Address - 2017

Introductory comments

In reporting to you last year, I emphasised Rex Minerals' key priorities for the ensuing year as:

- conclusion of the outstanding R&D review;
- the finalisation of the Program for Environment Protection and Rehabilitation (PEPR) to secure and maintain our development licence to operate in respect of the Hillside Project in South Australia; and
- the continuation of our engagement with potential funding sources to build the Hillside Project.

I am delighted to report that on each of these, we have had a good year.

Early this year, the Federal Government's "Department of Industry, Innovation and Science" concluded its review of Rex's R&D claims, finding in the Company's favour, thereby providing certainty over the R&D registrations lodged to date. Our persistence and confidence in the integrity of our innovations was rewarded with an additional refund of \$3.3m.

Further, in February this year, the South Australian Government's "Department of Premier and Cabinet" (DPC) issued its assessment report on the Hillside Extended Feasibility Study (EFS). Following this release, work on and preparation of, the PEPR has progressed significantly.

In October this year, the DPC issued Rex with an extension for the submission of its PEPR through to 26 February 2018. The extension was granted by government following a formal request by Rex Minerals and our community engagement group.

Rex is committed to both the regulatory licence and the social licence which we consider to be the informal social compact within the community where we intend to operate, warranting this is essential to the long-term licence to operate. The community and the Company have engaged well, and are required to consider a wide range of technical aspects and proposed monitoring plans within a process that allows for robust feedback to ensure the integrity of the PEPR and of community support for the Hillside Project.

Our combined efforts in preparing the PEPR can be broadly divided into two areas:

- the technical aspects associated with confirming the consistency of the Project within our approved mining lease (ML) and the preparation of the associated operational management plans that set out the details of the PEPR; and

- engagement with the local community seeking their feedback on the specific management plans.

I am pleased to report that this work is nearing completion. The “Hillside Project Social Management Plan” has already been submitted to government. Our final PEPR management plan on “Mine Closure” is being presented at a community meeting in Ardrossan on the Yorke Peninsula this Sunday, allowing time for feedback and engagement well before the PEPR due date.

A key requirement of the PEPR is for independent expert assessment of key strategies to manage significant environmental outcomes. In total, nine independent expert reports have been commissioned by Rex. Of these, six have been received, confirming that the plans developed meet expectations. The remaining three reports are expected within the coming weeks.

We are well on the way to deliver the PEPR on or before the 26 February 2018 deadline. We are also confident that the submission, including the community engagement, will qualify as the most substantial documentation of its type ever undertaken in the State of South Australia.

To the third of our key priorities

The approval of the PEPR is a fundamental requirement to shift financing discussions from formative to negotiation. It also moves the Project from merely having a mining licence to being development ready, and there are not many of those in today’s world, particularly in the copper space.

Once the PEPR is submitted and approved, the Company will have 12 months in which to commence construction of the Initial Project. Under current market conditions, this timeframe provides a comfortable window to finance the Initial Project.

Given our dependence on approval of the PEPR, our priority has properly been on its completion and submission.

As you appreciate, market conditions have been evolving favourably over the year.

When producing the EFS two years ago, we made some fundamental assumptions regarding the long-term commodity and currency outlooks.

At that time, the EFS results indicated that the Initial Project can yield a 14% internal rate of return (IRR) based on these assumptions, yet prevailing prices were significantly less favourable.

Parameter	Units	1	2	3
		EFS Assumptions	Market	Market *
		2015 Terms	November 2016	November 2017
Copper Price	USD/lb	3.00	2.68	3.14
Gold Price	USD/oz	1,250	1,201	1,291
Exchange Rate	USD/AUD	0.70	0.74	0.76

* Source: London Metals Exchange as at 23/11/2017

The copper market remained depressed through 2016 whilst showing emerging shoots of recovery. As we have noted in our Quarterly Reports, we are now seeing the effects of the much-discussed copper supply gap on market prices, albeit in a typical commodity market cyclical manner.

While we are cautiously optimistic about market developments over the course of the cycle, we remain committed to the funding strategy outlined last year of seeking providers of funds who are prepared to recognise Rex's value, having already factored in the market recovery.

While we have been "tickling" financing options, we haven't been getting ahead of ourselves and must finalise the PEPR.

During the year, interest in the Hillside Project has emerged as sophisticated investors and fast-moving operators have begun to focus on copper development opportunities. Further developments in this environment, coupled with substantial technical progress in the supply side of our industry, have unveiled significant opportunities for Rex to pursue in reducing the capital originally estimated for the Hillside development.

We anticipate that early in the New Year, our team will focus on extracting further cost savings and development optionality.

And any discussion on the future of Rex is not complete without fully appreciating our outstanding exploration portfolio which originally formed the basis of the Company and led to the discovery of Hillside.

While our cash balance is sufficient for the medium term, we appreciate the significant hurdle to funding, and we are focused on ensuring that we retain the maximum value for our shareholders while having full regard for the requirements of all our stakeholders and the desire to implement the Initial Project in the best market environment.

Conclusion

In summary, our approach in the near term is to finalise and submit the PEPR, effectively securing our development licence.

At this stage, Rex will have retained 100% ownership of one of the largest undeveloped open pit copper ore bodies in Australia.

This puts the Company in a position to leverage the strengthening copper and gold outlook.

On behalf of your Board, we would like to take this opportunity to thank our leadership team under the guidance of Richard Laufmann. 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. This appreciation extends to the co-operative and guiding role of the South Australian Government.

We would finally like to acknowledge our shareholders for your continued support as we move the Initial Project towards implementation.

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

Richard Laufmann
Chief Executive Officer/Managing Director
T +61 8 8299 7100
E 'rex@rexminerals.com.au'

Media and Investor Relations:
Gavan Collery
T +61 419 372 210
E 'gcollery@rexminerals.com.au'