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Demerger Tax Cost Base Apportionment

We refer to Rex Minerals Limited's (Rex) announcement to the Australian Stock Exchange (**ASX**) of 15 June 2010 that confirmed the demerger of its former subsidiary White Rock Minerals Limited (White Rock) to the shareholders of Rex. Shareholders received one White Rock for every three Rex shares held prior to the demerger.

This announcement advises Rex Shareholders of a reasonable apportionment of the cost base in their Rex shares between their existing Rex shares and their new shares in White Rock.

Rex's Explanatory Statement of 30 April 2010 in relation to the White Rock demerger states at paragraph 6.1 that Rex is seeking a Class Ruling from the Australian Taxation Office (ATO) to confirm the tax implications for shareholders of the demerger. This Class Ruling has not yet issued. Assuming the ATO confirms the availability of demerger relief for the White Rock demerger (and this will be advised by a letter to shareholders once this has been confirmed), the tax cost base implications for Rex Shareholders are explained as follows.

Subsections 125-80(2) and (3) of the Income Tax Assessment Act, 1997 requires Rex shareholders to reasonably apportion the cost base of their Rex shares between their new share interests in White Rock and their existing share interests in Rex having regard to the market value of both the Rex shares and the White Rock shares just after the demerger.

An independent valuation of White Rock immediately after the demerger on 15 June 2010 has valued White Rock at a preferred value of \$16,974,986. The variable weighted average price of Rex's shares that traded on the ASX on 15 June 2010 was \$1.295 equating to a market valuation of Rex of \$148,134,351. Having regard to the above information, a reasonable apportionment of the shareholders' existing cost base in their Rex shares is 89.72% to Rex shares and 10.28% to White Rock shares.

	Market Value	%
White Rock	\$ 16,974,986	10.28%
Rex	\$ 148,134,351	89.72%
TOTAL	\$ 165,109,337	100.0%

For example, a shareholder who purchased 3,000 shares in Rex for \$1 each prior to the demerger would apportion their cost base as follows:

	Cost base apportionment	Shares held	Cost base per share
White Rock (10.28%)	\$308.40	1,000 (1 for 3)	30.84 cents (1 for 3)
Rex (89.72%)	\$2,691.60	3,000	89.72 cents
Total	\$3,000.00	N/A	N/A

Paragraph 6.15 of Rex's Explanatory Statement of 30 April explains the cost base implications if the ATO does not confirm the availability of demerger relief.

For Comment and Further Details

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