



ASX/MEDIA RELEASE

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Rox Accepts \$21.0 Million Offer for Reward Project Interest

The Directors of Rox Resources Limited (ASX:RXL) ("Rox" or "the Company") wish to advise that after receiving a number of competing offers for Rox's interest in the Reward zinc-lead project, it has accepted a revised **\$21.0 million** offer from Marindi Metals Limited ("Marindi").

The principal commercial terms of the offer ("Marindi Offer") are:

- Cash of **\$8.0 million**;
- Ordinary shares in Marindi (ASX:MZN), to a value of **\$4.0 million**, to be issued at the same price at which Marindi intends to undertake a capital raising to facilitate the proposed transaction;
- 210 million 3 year convertible notes with a total face value of **\$5.25 million** (\$0.025 per note), convertible into Marindi ordinary shares or redeemable by Marindi for face value plus accrued interest at 10% per annum (see Appendix for more details); and
- A deferred payment of **\$3.75 million**, payable on completion of a bankable feasibility study, or the expiry of 6 years, whichever comes first.

Commenting on the proposed transaction with Marindi, Rox's Managing Director, Mr Ian Mulholland said, "*Monetising the Reward project has been a long process, however I'm delighted with this outcome. If either the Marindi Offer successfully completes or Teck pre-empt, Rox will be well funded for the foreseeable future and under the Marindi Offer will have a substantial investment in a company with a first class Board and management team, together with a high quality zinc project portfolio.*"

Completion of a transaction with Marindi is conditional upon a number of matters, including:

- Rox having first offered its interest in the Reward project to Teck Australia Pty Ltd ("Teck") as required under the terms of the Earn-in and Joint Venture Agreement ("JVA") between Rox and Teck, and Teck not accepting the offer;
- Marindi completing a capital raising to fund the offer. Marindi has provided Rox with a letter of support from Argonaut Securities Pty Ltd to underwrite the proposed capital raising; and
- Marindi and Rox receiving requisite approvals from their shareholders to complete the transaction.

The Board of Marindi has undertaken to recommend Marindi shareholders vote in favour of the transaction and capital raising.

Rox will also be required to obtain approval from its shareholders for the transaction, and the Board of Rox has also undertaken to recommend Rox shareholders vote in favour of the transaction in the absence of a superior proposal.

Rox has also agreed to an exclusivity regime that will apply prior to completion of a transaction with Marindi. The exclusivity regime includes payment of a A\$300,000 break fee by Rox to Marindi in certain circumstances.

Full details of the Marindi Offer are outlined in the Appendix.

In assessing the offers received and making its determination to accept the Marindi Offer, the Rox Board were advised by its financial advisers, Azure Capital, and legal advisers, K&L Gates.

Value To Rox Shareholders

Rox believes that accepting the Marindi Offer is the best outcome for shareholders, as:

- Rox will receive \$8 million in cash, which provides certainty of funding for Rox and will allow it to progress its other projects, including the significant Fisher East nickel sulphide project, and new opportunities, without undue dilution of shareholders for the foreseeable future,
- Rox will own a substantial shareholding¹ in Marindi (escrowed for 12 months) that is exposed to increases in the value of the Reward project and therefore Marindi over time,
- Rox will hold a \$5.25 million convertible note in Marindi, with exposure to additional potential upside should the Marindi share price appreciate above \$0.025,
- Rox will be due an additional \$3.75 million deferred cash payment on completion of a bankable feasibility study or 6 years, whichever occurs first,
- Rox will have Marindi Board representation and therefore be able to have input into the direction of that company, and
- Marindi has a number of other projects in the Reward JV area, including another joint venture with Teck, that potentially provide strong synergies with the Reward project. Marindi also owns the Prairie Downs zinc-lead-silver project in Western Australia. For more information about Marindi's projects, readers are directed to recent Marindi announcements (including ASX:MZN 16 August 2016).

Rationale for Rox to Monetise its Interest in the Reward Project

The Directors of Rox are of the view that accepting the Marindi Offer is the best outcome available to the Company in the following context:

- The Company's announcement (ASX:RXL 3 November 2015) that it intended to monetise its interest in the project,
- A First Offer (as defined in the JVA) of \$14.25 million in cash having been declined by Teck,
- A sale process that was conducted by PCF Capital over the subsequent 180 days (after Teck declined the First Offer), which failed to find a buyer at that price,
- A process conducted since that time to find an alternative means of monetising the asset in the interests of all shareholders,
- The imminent need for Rox to start making contributions to expenditure on the Reward project, once Teck reaches its 70% milestone, expected in 2017, and

¹ The exact shareholding held by Rox will depend on the quantum of capital raised by Marindi and the price at which it is raised. For example, if Marindi raises \$8 million (gross) at \$0.010-0.015, Rox's shareholding in Marindi would be 13.7-17.0% on an undiluted basis.

- The need for the Company to have enough cash to progress its other projects and its preference to obtain such cash without undue dilution of shareholders.

Arrangements with Teck

Under the terms of the JVA between Rox and Teck, dated 2 March 2011, Rox is obliged to offer to sell its interest in the Reward project to Teck on the same terms and conditions as any offer it intends to accept.

Teck was provided a notice under the JVA on 16 August 2016 under which Rox has offered to sell its interest in the Reward project to Teck on the same terms. Teck now has 60 days to accept Rox's offer. If Teck does not accept Rox's offer, Rox and Marindi will then have 90 days to complete the transaction. Once Teck's response is received the market will be informed of that outcome.

Subject to the timing of Teck's response to Rox's offer, a transaction with Marindi could be completed by mid-October.

***** ENDS *****

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Appendix

Terms and Conditions of the Revised Marindi Offer

- Rox to sell its interest in the Rox-Teck JVA (including relevant tenements) to Marindi free of encumbrances
- Heads of Agreement (HoA) legally binding on Rox and Marindi. The parties must seek to negotiate and execute an Asset Sale Agreement within 30 days of the HoA. If this does not occur, and Marindi does not exercise its right to waive this requirement, the HoA will terminate
- Completion to be on the 5th business day after which all of the Conditions Precedent (see below) have been satisfied or waived
- On completion, Marindi must appoint one Rox nominee to the Marindi Board
- Marindi to make a non-refundable deposit to Rox of \$150,000 payable on signing the HoA
- Cash consideration of \$8 million, less the deposit, payable on completion
- Share consideration of ordinary shares in Marindi to the value of \$4 million, based on the same issue price as the fundraising planned by Marindi, issuable on completion
- 210 million convertible notes (“Notes”) with a face value of \$5.25 million (\$0.025 per Note), issuable by Marindi on completion, each with the following terms
 - 3 year term
 - Each Note convertible into 1 ordinary share in Marindi
 - Unsecured and not transferable
 - Not interest paying, except on redemption, at which point accrued interest at a rate of 10% per annum is payable
 - Up to half of the Notes are convertible at Rox’s election after 18 months from issue and prior to expiry of term
 - Up to half of the Notes issued are redeemable at MZN’s election at any time prior to expiry of the term by MZN paying Rox \$0.025 face value per Note, plus accrued interest at the rate of 10% per annum
 - Any Notes not redeemed or converted at expiry of the term must be redeemed by MZN paying Rox \$0.025 per note plus accrued annual interest at the rate of 10% per annum
- Deferred cash of \$3.75 million, payable on the earlier of a) 6 years, or b) completion (to Marindi’s reasonable satisfaction) of a bankable feasibility study
- Conditions Precedent
 - Teck not exercising, or waiving in a form satisfactory to Rox and Marindi (acting reasonably), its pre-emptive right under the JVA and Rox otherwise being satisfied that it is not prevented from proceeding with the transaction by virtue of the JVA
 - The parties completing deeds of assignment, assumption and novation as required
 - Rox entering into a restriction agreement to escrow the Share consideration for 12 months, or such longer period as determined by the ASX

- Rox and Marindi receiving applicable shareholder approvals, third party and regulatory approvals.
- Marindi completing its planned Fundraising (this condition may be waived by Marindi)
- Rox and Marindi executing the full Asset Sale Agreement within 30 days of the HoA (this condition may be waived by Marindi)
- No events occurring that may have a material adverse effect on Rox's interest in the Reward project (this condition may be waived by Marindi)
- Rox and Marindi must use all reasonable endeavours to satisfy each Condition Precedent
- Mutual indemnities and warranties as are normal for this type of transaction
- The Board of Rox must unanimously recommend that its shareholders vote in favour of the transaction, in the absence of a superior proposal, and each director must vote all shares held or controlled by them in favour of the resolutions giving effect to the transaction
- The Board of Marindi must unanimously recommend that its shareholders vote in favour of the transaction and fundraising, and each director must vote all shares held or controlled by them in favour of the resolutions giving effect to the transaction and fundraising
- Rox must not solicit, discuss or negotiate competing proposals, except where in the unanimous opinion of Rox directors such a proposal (if received) would result in a transaction more favourable to Rox's shareholders and is reasonably capable of completion without undue delay
- Rox must promptly notify Marindi of any approach or attempt to initiate, resume or continue discussions with respect to a competing offer
- Payment by Rox to Marindi of a break fee of \$300,000 in the following circumstances:
 - Rox does not validly offer to sell the JV Interest to Teck
 - The Rox board determines that a competing proposal is superior to the Marindi Offer
 - Rox materially breaches the HoA