

Monday 15th May, 2017

Trading Below \$19M Cash Backing – Portfolio Stock (coverage initiated @ \$0.019 in Sep 2015)

Rox Resources (ASX: RXL, Share Price: \$0.014, Market Cap: \$17m) is one of our most respected exploration plays, with a trifecta of promising Western Australian projects – its Fisher East nickel sulphide project, its Fisher gold project and also its Collurabbie nickel-gold project. The company is extremely well funded, with \$19m in cash and receivables following the sale of its Reward zinc project sale to Teck.

Having finalised an agreement that allowed Teck to exercising its pre-emptive right to acquire Rox's stake in the Reward Zinc Project in the NT, Rox received cash proceeds of \$16m (with a further \$3.75m receivable) – leaving it cashed-up to fund exploration activity and examine new project opportunities.



Market Significance

Rox's decision to monetize its Reward project stake has been a sensible one that has generated an enormously successful outcome for Rox shareholders – leaving the company with cash and receivables of \$19m, compared to its market value of just \$17.3m. Disappointingly, despite this enormous value boost – the company's share price continues to languish. This nevertheless does provide Rox with the capacity to fund meaningful exploration activity on its existing gold-nickel projects, whilst simultaneously allowing it to examine other project opportunities. Exploration drilling results are anticipated over the coming weeks.

Discussion with MD Ian Mulholland

I had the opportunity today for a discussion with Rox Resources' Managing Director, Ian Mulholland.

In our previous coverage I'd highlighted the corporate machinations related to outside party interest in Rox's Reward zinc project. This culminated in a sale agreement with Teck Australia, with Rox's proceeds comprising cash of almost \$16m and a deferred cash payment of \$3.75m (due at the earlier of completion of a Bankable Feasibility Study (BFS) - or six years).

The monetisation of the Reward project represented a very successful outcome for Rox shareholders. It is the most important and substantial commercial transaction in the company's history and demonstrates its ability to acquire, develop and monetize exploration projects. The purchase highlights the fact that the market had for a long period of time significantly under-valued the Reward project.

Rox is now fully-funded for the foreseeable future, allowing exploration programs at Fisher East and Collurabbie to be planned for the next two quarters. It also provides the capacity to seriously evaluate and consider new projects in the base or precious metals sectors, with a reasonably short and clear path to production.

Projects Overview

Mt Fisher Gold-Nickel Project (100% + Option to Purchase)

The Mt Fisher project is located within the highly prospective North Eastern Goldfields region of Western Australia - and in addition to being well endowed with gold, the project hosts several nickel sulphide deposits. The total project area comprises 675 sq km - comprising a 600 sq km area that's 100%-owned by Rox, along with an option to purchase 100% of a further 75 sq km area that's prospective for nickel and gold.

Nickel

Rox has so far identified the Camelwood, Cannonball and Musket nickel prospects that host a combined JORC 2012 Mineral Resource comprising 4.2Mt grading 1.9% Ni reported at 1.0% Ni cut-off (Indicated Mineral Resource: 3.7Mt grading 1.9% Ni, Inferred Mineral Resource: 0.5Mt grading 1.5% Ni).

The resource comprises massive and disseminated nickel sulphide mineralisation, which contains 78,000 tonnes of nickel. Higher-grade mineralisation is present in all deposits and is still open at depth beneath each deposit. Exploration potential is significant, as additional nickel sulphide deposits continue to be discovered (e.g. Sabre) and these will add to the resource base.

Latest Activity

Exploration drilling is continuing in order to define further zones of potential nickel sulphide mineralisation and current planning is for 1,800m of RC and 3,350 metres of diamond drilling. The RC program

commenced over the Easter weekend, whilst the diamond drilling program commenced during May – and all drilling is expected to be completed by mid-June. The six-hole diamond drilling program, subsidised by WA government EIS funding, will test massive sulphide targets at Sabre, Musket and Camelwood.

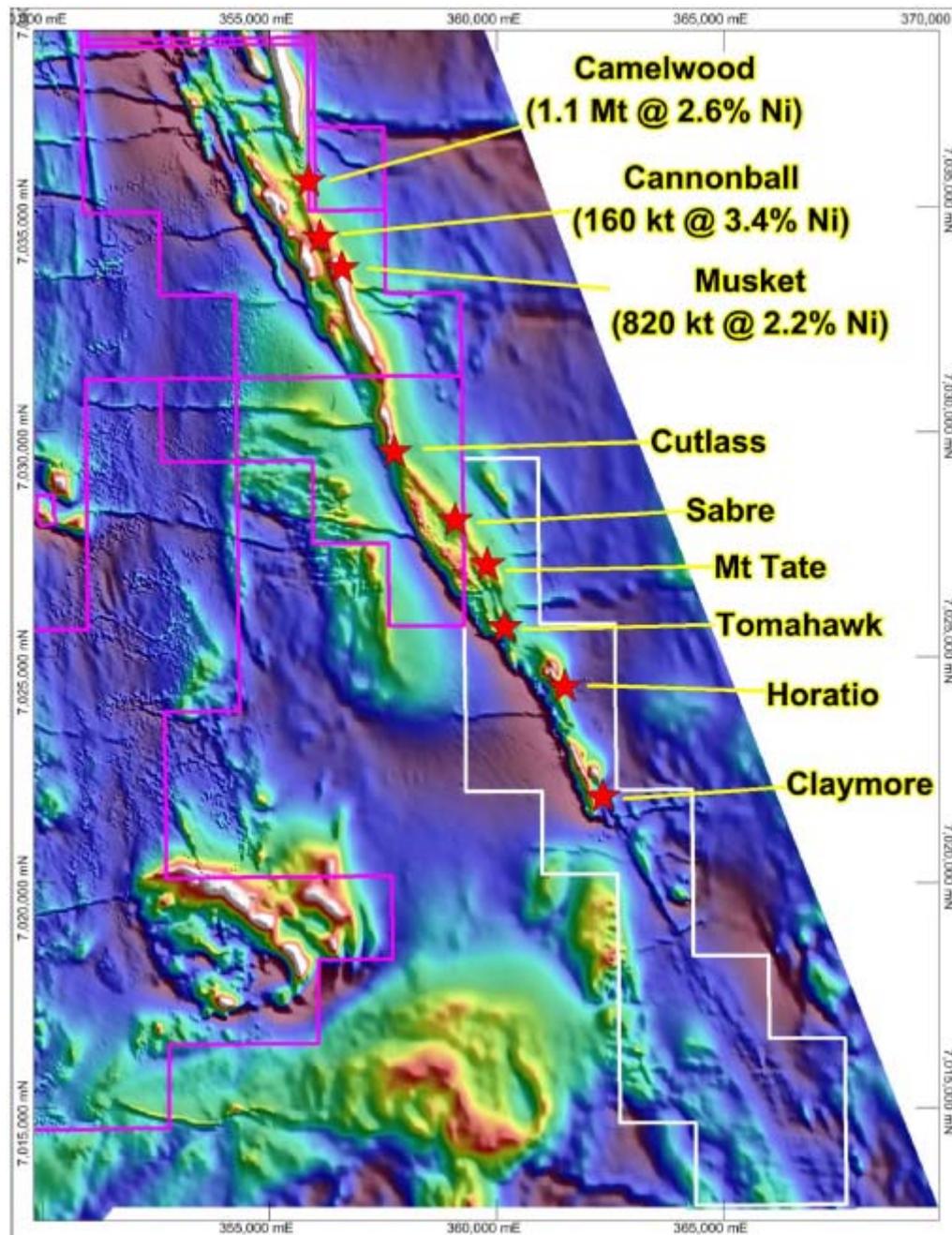


Figure 1: Fisher East Prospect Locations and Mineral Resources

Gold

Rox has defined numerous high-grade gold targets, leading to a JORC 2004 Measured, Indicated and Inferred Mineral Resource comprising 973,000 tonnes grading 2.75 g/t Au at a 0.8 g/t Au cut-off exists for 86,000 ounces of gold (Measured: 171,900 tonnes grading 4.11 g/t Au, Indicated: 204,900 tonnes grading

2.82 g/t Au, Inferred: 596,200 tonnes grading 2.34 g/t Au) aggregated over the Damsel, Moray Reef and Mt Fisher deposits.

During May 2016 a joint venture was completed with Doray Minerals (ASX: DRM) to explore the Mt Fisher gold tenements, with Doray required to spend \$1 million within the first year. Doray can subsequently spend \$4 million over a further two years to earn a 51% interest and increase its interest to 75% by expenditure of a further \$5 million over an additional two years.

Latest Activity

An air-core drilling program by Doray Minerals has been completed with 254 holes for 12,052 metres. The program targeted structural positions for gold mineralisation and assays are expected in a few weeks' time. The known gold occurrences at Mt Fisher are hosted in dilatatory structural zones, so this drilling is a key indicator of the potential of the tenements.

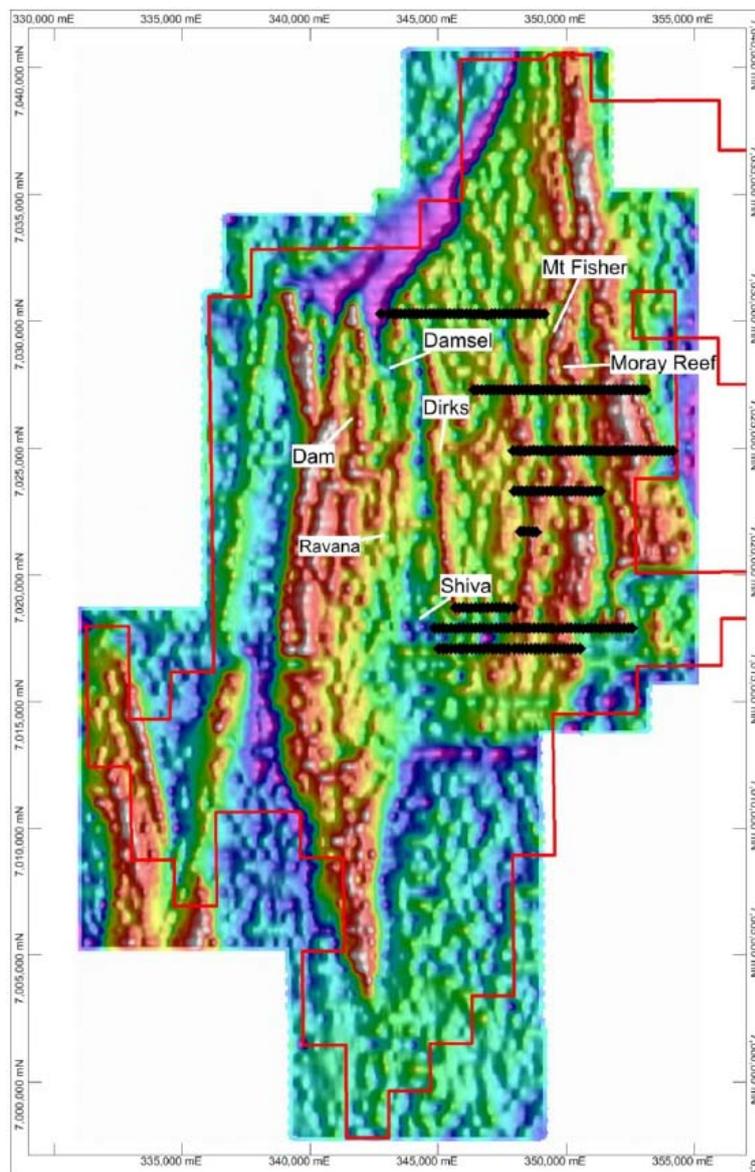


Figure 2: Locations of completed Mt Fisher air-core drill-holes (over gravity image)

Collurabbie Gold-Nickel Project (100%)

The Collurabbie project is located within the highly prospective North Eastern Goldfields region of Western Australia and is prospective for gold and nickel. The project area of 123 sq km hosts the Olympia nickel sulphide deposit and a number of other prospects for nickel sulphide mineralisation.

Drilling results of 5.8 metres @ 3.00% Ni, 1.96% Cu, 5.3g/t PGE, have been returned from Olympia. The style of nickel sulphide mineralisation is different to that at Fisher East, with a significant copper and PGE component at Collurabbie, and has been compared to the Raglan nickel deposits in Canada (>1Mt contained nickel). In addition there is potential for gold mineralisation, with several strong drilling intersections including 2 metres @ 5.2g/t Au from the Naxos prospect.

Current Activity

An extensive air-core drilling program is planned in order to better define nickel-copper-PGE (platinum group elements) sulphide targets along the 15km of strike that is largely untested outside of the immediate Olympia deposit vicinity. The nickel sulphides at Collurabbie contain levels of cobalt between 0.1% and 0.2% Co. More work is required to fully evaluate the distribution and potential economics of extracting the cobalt. In addition, the company will commence working on a JORC 2012 Mineral Resource Estimate for the Olympia deposit.

Summary

We initially covered Rox Resources at a price around \$0.019 during September 2015.

Despite its modest share price performance since then, we retain our positive outlook, given the company's robust cash position, solid levels of exploration activity and optionality around new project opportunities. Rox has a demonstrated track record of value-adding, which is clearly underlined by the recent Reward zinc project sale.

The company represents a compelling value story – a market capitalisation of \$17.3m versus cash backing/receivables of \$19m.

Accordingly, Rox Resources will remain firmly held within our Portfolio.

Disclaimer: Gavin Wendt, who is a director of Mine Life Pty Ltd ACN 140 028 799, compiled this document. It does not constitute investment advice. I wrote this article myself, it expresses my own opinions and I am not receiving compensation for it. In preparing this article, no account was taken of the investment objectives, financial situation and particular needs of any particular person. Investors need to consider, with or without the assistance of a securities adviser, whether the information is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission in that information. I have no positions in the stock mentioned and no plans to initiate any positions within the next 72 hours.