

ASX ANNOUNCEMENT

RRL1731D

31 March 2021

Rox Resources to Demerge Nickel and Base Metal Assets

ROX RESOURCES LIMITED

ASX: RXL

Rox Resources Limited (ASX: RXL) is an Australian listed company with advanced gold and nickel projects in Western Australia: the Youanmi Gold Project, Mt Fisher Gold project, and the Fisher East and Collurabbie Nickel projects.

DIRECTORS

Mr Stephen Dennis
Chairman

Mr Alex Passmore
Managing Director

Dr John Mair
Non-Executive Director

Shares on Issue	2,364m
Share Price	\$0.04
Market Cap.	\$94.6m
Cash & Receivables	\$20.3m
(incl \$3.75m receivable, cash as at 31 Dec 2020, plus gross placement proceeds)	

Level 1, 34 Colin Street,
West Perth WA 6005

+61 8 9226 0044

admin@roxresources.com.au

www.roxresources.com.au

Highlights:

- Fisher East and Collurabbie nickel and base metal assets to be spun out (via a demerger) into a new company “Cannon Resources Limited”.
- Eligible Rox shareholders to receive new Cannon Resources shares via an in-specie distribution, subject to Rox shareholder approval.
- 1 for 15 consolidation of the equity securities in Rox to be completed prior to demerger, subject to Rox shareholder approval.
- Rox shareholders are expected to receive 1 ordinary share in Cannon Resources Limited for every 4.3 shares (approximately) held in Rox on a post-consolidation basis.

Australian gold company, Rox Resources Limited (**Rox** or the **Company**) (ASX: RXL) is pleased to confirm its intention to spin-out its Fisher East and Collurabbie nickel and base metal assets to focus on the development of the Youanmi gold project near Mt Magnet, WA.

The nickel and base metal assets will be demerged into a new company, Cannon Resources Limited (**Cannon**). The Company proposes a 1 for 15 share consolidation prior to the Cannon transaction to simplify its share structure.

Rox Resources Managing Director Alex Passmore commented: “The demerger of Rox’s nickel and base metal assets will allow a crystal-clear focus for Rox to develop Youanmi into a high-grade producing mine, while allowing Rox investors to retain exposure to the nickel and base metal assets through a pro-rata holding in Cannon.”

Nickel Spin Out – Cannon Resources Limited

Rox holds substantial nickel assets via its Fisher East and Collurabbie Projects in Western Australia. These projects are also highly prospective for base metals. With the Company’s focus shifting to the advanced exploration and development of Youanmi, the Company has been seeking to unlock the value inherent within its nickel and base metal assets.

After careful consideration, Rox has determined that a demerger of these assets via an in-specie distribution to Rox shareholders offers the most efficient and direct delivery of value. Specifically, Rox intends to transfer the Fisher East and Collurabbie Projects into a newly formed subsidiary, Cannon Resources Limited, which will subsequently seek listing on the ASX in an initial public offering (**IPO**) following an equal capital reduction of Rox (**Capital Reduction**) to be affected by the in-specie, pro-rata distribution of 81% of Cannon's issued capital to eligible Rox shareholders (**In-specie Distribution**). Rox shareholders are expected to receive 1 ordinary share in Cannon Resources Limited for every 4.3 shares (approximately) held in Rox on a post-consolidation basis.

The IPO will include a public offer to new investors and a priority offer to eligible existing Rox shareholders. Further details regarding the IPO will be provided in a prospectus to be lodged by Cannon for the IPO.

The Company has sought demerger relief advice from the Australian Tax Office (ATO) pursuant to Division 125 of the Income Tax Assessment Act 1997 (ITAA 1997) among other matters. The launch of the proposed demerger remains subject to Rox having completed satisfactory engagement with the ATO. There can be no assurance that demerger relief will be obtained.

Proposed Indicative Capital Structure of Cannon Resources Limited

Item	# of Shares
Retained by Rox Resources Limited	8,550,000
Pro-Rata In-Specie Distribution to Rox Shareholders	36,450,000
Priority Offer to Rox Shareholders	20,000,000
Public Offer of Cannon Shares	10,000,000
Total	75,000,000

Rationale

The last decade has seen minimal investment in nickel exploration and development resulting in a deficit of supply. This deficit is coupled with increasing product demand via both the steel and battery sectors.

Rox's projects are considered advanced exploration assets with established Mineral Resource Estimates (Table 1) and a pre-feasibility study having been previously undertaken.

The board of Rox is confident in the potential to expand on existing resources (78kt of contained nickel metal) through exploration in close proximity to the three deposits discovered to date (Camelwood, Cannonball and Musket). Sabre, a nickel mineralised zone to the south of Musket is an area of particular focus for Cannon's new exploration programs. Successful past exploration by Rox has also allowed for the development of exploration strategies that can be applied regionally through the use of combined geophysics and geochemistry. In order to best execute on an expanded and thorough exploration program and to garner proper valuation for the defined nickel assets, Rox considers it is the best outcome for shareholders that a new corporate entity is established to drive the nickel business forward. An in-specie distribution to Rox shareholders will provide a means of participating in a new nickel-focussed business while Rox continues to drive the Youanmi gold project into development.

Leadership

Ahead of Cannon's proposed IPO, a highly capable team has been assembled to run the new company. Further information on the strategy and management of Cannon Resources Ltd will be released shortly.

Consolidation of capital

Immediately prior to the In-specie Distribution, Rox proposes to seek shareholder approval to consolidate Rox's issued capital on a 1:15 basis (i.e. the conversion of every fifteen (15) existing securities into one (1) security, the **Consolidation**).

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting. The Company will dispatch a Notice of General Meeting to shareholders of the Company which will include a resolution seeking this approval.

The Board considers that the consolidation of its share capital is important and necessary as it continues to progress the Youanmi Gold Project. The Company has a large number of shares on issue due to historical equity-based capital raisings that have provided the working capital to explore and develop the Company's projects. The Company believes the consolidation will provide the best platform for continued growth, a capital structure that is more in line with the Company's size and a share price level that is more attractive to institutional investors.

Effect of Consolidation

The current capital structure of the Company comprises:

Ordinary Shares:	2,364,114,177
Unlisted Options:	20,000,000 exercisable at \$0.015, each on or before 31 January 2022
	67,000,000 exercisable at \$0.033, each on or before 30 November 2022
	20,000,000 exercisable at \$0.10, each on or before 31 December 2023
	20,000,000 exercisable at \$0.125, each on or before 31 December 2023
	20,000,000 exercisable at \$0.15, each on or before 31 December 2023
	157,142,857 exercisable at \$0.15, each on or before 26 March 2025

Should the Consolidation of existing shares be approved by Rox shareholders, the number of the Company's shares on issue will be reduced from 2,364,114,177 existing shares, assuming no options are exercised prior to the consolidation, to approximately 157,607,612 shares (subject to rounding).

As the Consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of shares (subject only to the rounding up of fractions). It follows that the Consolidation will have no material effect on the percentage interest of each individual Rox shareholder.

Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not materially change as a result of the Consolidation (other than minor changes as a result of rounding) - and assuming no other market movement or impacts occur. The price per share should logically increase in proportion to reflect the reduced number of shares on issue. However, as this is a market issue, no definite forecast can be provided.

Options

If the Consolidation is approved, the Company's options to acquire shares (**Options**) will also be reorganised in accordance with their terms and conditions and Listing Rule 7.22.1 (as applicable) on the basis that the number of Options will be consolidated in the same ratio as the shares and the exercise price will be amended in inverse proportion to that ratio. The expiry dates of Options will not change.

For example, a holding of 750,000 Options with an exercise price of \$0.05 each prior to the share consolidation would result in a holding of 50,000 options with an exercise of \$0.75 each after the Consolidation.

After the Consolidation but before the capital return contemplated by the demerger and assuming none of the Options are exercised there will be unlisted Options, comprising approximately (subject to rounding):

- a) 1,333,334 exercisable at \$0.225, each on or before 31 January 2022.
- b) 4,466,667 exercisable at \$0.495, each on or before 30 November 2022.
- c) 1,333,334 exercisable at \$1.50, each on or before 31 December 2023.
- d) 1,333,334 exercisable at \$1.875, each on or before 31 December 2023.
- e) 1,333,334 exercisable at \$2.25, each on or before 31 December 2023.
- f) 10,476,191 exercisable at \$1.05, each on or before 26 March 2025.

The Consolidation will not result in any change to the substantive rights and obligations of existing holders of Options other than an adjustment to the exercise price as a result of the capital reduction, following the in-specie distribution.

Rounding

Where the consolidation of a Rox shareholder's holding results in an entitlement to a fraction of a Rox share, the fraction will be rounded up to the nearest whole number of Rox shares.

Indicative Timetable

The indicative timetable for the Consolidation and In-specie Distribution is set out below.

Item	Date
Lodge Appendix 3A.3 – Consolidation	Wednesday, 31 March 2021
Lodge Appendix 3A.5 – Capital Reduction	
Announce effective dates for Consolidation and Capital Reduction and In-specie Distribution	
Dispatch Notice of Meeting for Capital Reduction and In-specie Distribution, Consolidation and ratification of Placement	Friday, 16 April 2021
Lodge Short-form Prospectus for Capital Reduction and In-specie Distribution	
Lodge Cannon IPO Prospectus	
Opening date of IPO Offers	Tuesday, 27 April 2021
General Meeting of Rox to approve the Capital Reduction and In-specie Distribution, Consolidation and ratification of Placement	Monday, 17 May 2021
Effective Date for Consolidation	Monday, 17 May 2021

Closing date of Cannon IPO Offers	Wednesday, 19 May 2021
Record Date for Consolidation	Thursday, 20 May 2021
Rox to update share register post-Consolidation	Friday, 21 May 2021
Effective Date for In-specie Distribution	Tuesday, 25 May 2021
Rox to updated holding statements to Rox shareholders.	Thursday, 27 May 2021
Record Date for In-specie Distribution	Friday, 28 May 2021
Issue shares under In-specie Distribution	Friday, 4 June 2021
Issue shares under Cannon IPO Offers	Friday, 4 June 2021
Despatch Cannon holding statements for the In-specie Distribution and IPO shares	Tuesday, 8 June 2021
The dates above are indicative only and are subject to change and there is no guarantee that the events detailed above will occur.	

Authorised for release to ASX by Alex Passmore, Managing Director

*****ENDS*****

For more information:

Alex Passmore
 Managing Director
 Tel: +61 8 9226 0044
admin@roxresources.com.au

Media Enquiries

Gerard McArtney
 Cannings Purple
 Tel: +61 487 934 880

Table 1 – Nickel Resources

Fisher East Nickel, WA (Reported to the ASX on 5 February 2016)

Deposit	Category	Tonnes (Mt)	Grade Ni%	Contained Metal Nickel (kt)
Camelwood	Indicated	1.7	2.0	34.0
	Inferred	0.3	1.5	5.0
	TOTAL	2.0	1.9	39.0
Cannonball	Indicated	0.24	2.9	7.0
	Inferred	0.02	1.9	0.3
	TOTAL	0.26	2.8	7.3
Musket	Indicated	1.8	1.7	30.0
	Inferred	0.1	1.5	1.6
	TOTAL	1.9	1.7	31.6
TOTAL	Indicated	3.7	1.9	71.0
	Inferred	0.5	1.5	7.0
	TOTAL	4.2	1.9	78.0

Collurabbie Nickel, WA (Reported to the ASX 18 August 2017)

Deposit	Category	Tonnes (kt)	Grade Ni%	Grade Cu%	Grade Co%	Grade Pd g/t	Grade Pt g/t
Olympia	Inferred	573	1.63	1.19	0.082	1.49	0.85

Figures in all tables may not add up exactly due to rounding.

Competent Person's Statement

Exploration Results

The information in this report that relates to Data and Exploration Results is based on information compiled and reviewed by Mr Gregor Bennett a Competent Person who is a Member of the Australian Institute Geoscientists (AIG) and Exploration Manager at Rox Resources. Mr Bennett has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bennett consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Where reference is made to previous releases of exploration results in this announcement, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements and all material assumptions and technical parameters underpinning the exploration results included in those announcements continue to apply and have not materially changed.

The information in this report that relates to previous Exploration Results, was either prepared and first disclosed under the JORC Code 2004 or under the JORC Code 2012 and was previously disclosed to ASX on 24 Sep, 7 Nov, 19 Nov 2019 and 6 May, 26 Jun, 23 Jun, 28 Jul, 1 Sep and 7 Oct 2020 or has been cross-referenced in the text to the date of original announcement to ASX. In the case of the 2004 JORC Code Exploration Results and Mineral Resources, they have not been updated to comply with the JORC Code 2012.

Resource Statements

The information in this report that relates to gold Mineral Resources for the Youanmi Project was reported to the ASX on 17 April 2019 (JORC 2012). Rox confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 17 April 2019, and that all material assumptions and technical parameters underpinning the estimates in the announcement of 17 April 2019 continue to apply and have not materially changed.

The information in this report that relates to gold Mineral Resources for the Mt Fisher project was reported to the ASX on 11 July 2018 (JORC 2012). Rox confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 11 July 2018, and that all material assumptions and technical parameters underpinning the estimates in the announcement of 11 July 2018 continue to apply and have not materially changed.

The information in this report that relates to nickel Mineral Resources for the Fisher East project was reported to the ASX on 5 February 2016 (JORC 2012). Rox confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 5 February 2016, and that all material assumptions and technical parameters underpinning the estimates in the announcement of 5 February 2016 continue to apply and have not materially changed.

The information in this report that relates to nickel Mineral Resources for the Collurabbie project was reported to the ASX on 18 August 2017 (JORC 2012). Rox confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 18 August 2017, and that all material assumptions and technical parameters underpinning the estimates in the announcement of 18 August 2017 continue to apply and have not materially changed.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Rox Resources Limited planned exploration program(s) and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward looking statements.

About Rox Resources

Rox Resources Limited is an emerging Australian minerals exploration company. The company has a number of key assets at various levels of development with exposure to gold, nickel, copper and platinum group elements (PGE's). The 1.2Moz Youanmi Gold Project and the Fisher East Nickel Project (78kt Ni) being the most advanced projects with exploration ongoing at the Mt Fisher Gold Project and the Collurabbie Nickel-Copper-PGE Project.

Youanmi Gold Project (Youanmi Gold Mine 70%, Regional JV's 50% earn-in)

The Youanmi Gold Mine is located 480 km to the northeast of Perth, Western Australia. The Youanmi Mining Centre has produced an estimated 667,000 oz of gold (at 5.47 g/t Au) since discovery in 1901 during three main periods: 1908 to 1921, 1937 to 1942, and 1987 to 1997.

The project is situated in the Youanmi Greenstone Belt, within the Southern Cross Province of the Archaean Yilgarn Craton in Western Australia. The structure of the Youanmi Project is dominated by the north-trending Youanmi Fault Zone. Most of the gold mineralisation seen at the project is hosted within north-northwest splays off the north-northeast trending Youanmi Fault.

Fisher East Nickel Project (100%)

The Fisher East nickel project is located in the North Eastern Goldfields region of Western Australia and hosts several nickel sulphide deposits. The total project area is ~350km².

Discovery of, and drilling at the Camelwood, Cannonball and Musket nickel prospects has defined a JORC 2012 Mineral Resource (ASX:RXL 5 February 2016) of 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) comprising massive and disseminated nickel sulphide mineralisation, and containing 78,000 tonnes of nickel. Higher grade mineralisation is present in all deposits (refer to ASX announcement above) and is still open at depth beneath each deposit. Additional nickel sulphide deposits continue to be discovered (e.g. Sabre) and these will add to the resource base. Exploration is continuing to define further zones of potential nickel sulphide mineralisation.

Collurabbie Gold-Nickel Project (100%)

The Collurabbie project is located in the highly prospective North Eastern Goldfields region of Western Australia and is prospective for gold and nickel. The project area of ~123km² hosts the Olympia nickel sulphide deposit and a number of other prospects for nickel sulphide mineralisation. A JORC 2012 Inferred Mineral Resource of 573,000t grading 1.63% Ni, 1.19% Cu, 0.082% Co, 1.49g/t Pd, 0.85g/t Pt has been defined at Olympia (ASX: RXL 18 August 2017). 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 2m @ 2.4g/t Au from the Naxos prospect.

Mt Fisher Gold Project (100%)

The Mt Fisher gold project is located in the North Eastern Goldfields region of Western Australia, adjacent to the Fisher East nickel project, and hosts several gold deposits. The total project area is ~220km².

Drilling by Rox has defined numerous high-grade gold targets and a JORC 2012 Measured, Indicated and Inferred Mineral Resource (ASX:RXL 11 July 2018) of 1.0 million tonnes grading 2.7 g/t Au reported at a 0.8 g/t Au cut-off exists for 89,000 ounces of gold (Measured: 170,000 tonnes grading 4.1 g/t Au, Indicated: 220,000 tonnes grading 2.7 g/t Au, Inferred: 630,000 tonnes grading 2.3 g/t Au) aggregated over the Damsel, Moray Reef and Mt Fisher deposits.