

August 2013

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Company Information

ASX Code	RXL
Share Price	A\$0.052
Ord Shares	590.8m
Options	9.0m
Market Cap	A\$30.7m
Cash (June 13)	A\$2.9m
Total Debt	A\$0m
Enterprise Value	A\$27.7m

Directors

Non- Exec Chairman	Jeff Gresham
Managing Director	Ian Mulholland
Finance Director	Brett Dickson

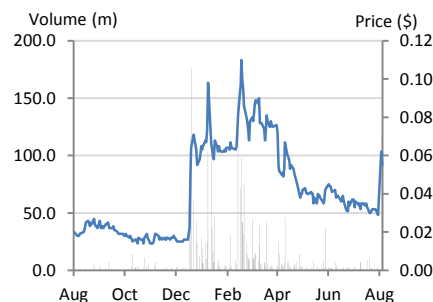
Substantial Share Holders

HSBC Nominees	3.4%
Ram Kangatharan	2.0%
Ian Mulholland	1.9%
Siat Yoon Chin	1.8%
Teck Australia	1.7%

Company Details

Address	Level 1, 30 Richardson Street West Perth WA 6005
Phone	+618 9226 0044
Web	www.roxresources.com.au

1 Year Price Chart



Source: Bloomberg

Rox Resources Limited (RXL)

Multiple 'company making' exploration opportunities

Recommendation: Speculative BUY

Key Points

- **Two discoveries within the last 8 months (zinc and nickel)**
- **High grade zinc mineralisation discovered at Teena prospect (JV with Teck) near McArthur River**
- **Drill hole 200m west indicates a continuation of mineralised system**
- **Teena has exploration target of 100-200Mt @ 10-12% Zn+Pb**
- **Drilling at Camelwood deposit continues to delineate nickel sulphide mineralisation including 11.4m @ 2.9%**
- **Regional drilling planned to test for possible repetitions**
- **Quality pipeline of earlier stage projects**

Rox Resources has multiple potential 'company making' assets within a quality exploration portfolio. The discovery hole at the Teena prospect intersected broad widths of high grade zinc+lead mineralisation with encouraging visual indications in a recently completed second hole. At the Camelwood discovery, Rox has identified significant nickel mineralisation along a strike of 1,200m. Significant opportunity exists for 'repeat zones' of mineralisation along the highly prospective 8km ultramafic belt.

Company Overview

Rox Resources (ASX: RXL) is advancing multiple projects at various stages of exploration. However, two projects stand out as possible 'company makers'.

The first project is the 'Reward' zinc-lead project, where a recent deep drill program, managed by JV partner 'Teck Australia', intersected a 116m interval of Zn+Pb mineralisation (at variable grades above 2.5% Zn+Pb) from 1,012m. A second hole drilled ~200m to the west is yet to be assayed, however, visual estimates indicate a continuation of the mineralised zone. Past drilling campaigns have identified 'ore grade' mineralisation at a distance of ~1.2km between holes, emphasising the exploration potential. Rox & Teck have an exploration target of 100-200Mt @ 10-12% Zn+Pb.

The Mt Fisher nickel-gold project also warrants attention. Drilling in late 2012 intersected nickel mineralisation (average grade 2.5% Ni and up to 11% Ni) along a strike of 1,200m and down to a depth of ~500m. Deposits of this nature often occur in 'clusters', highlighting the substantial opportunity which exists along an already identified 15km ultramafic belt. Drill targets are currently being defined ahead of a likely drill program in the coming months.

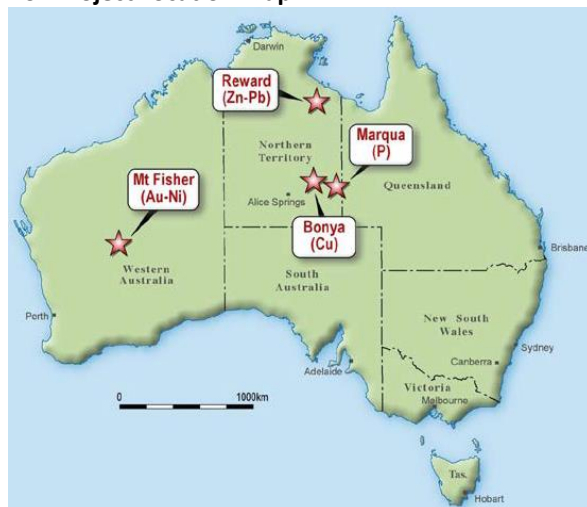
Rox also has an interest in two earlier stage projects. Marqua hosts 30km of strike along a highly prospective limestone unit where drilling has intersected encouraging grades of phosphate. At Bonya, Rox is earning into the project by funding A\$500,000 of exploration. Visible outcropping mineralisation (rock chips) recently assayed as high as 33% Cu, 55g/t silver and 0.6g/t gold.



Investment Thesis

Rox Resources has a quality portfolio of Australian based exploration projects prospective for gold, nickel, zinc, lead, copper and phosphate.

Rox Project Location Map



Source: Rox Resources

All Australian based projects

Broad widths of high grade mineralisation

100-200Mt @ 10-12% Zn+Pb exploration target

Nickel discovery at Camelwood prospect

Significant potential for 'repeat' deposits

High grade gold prospects untested at depth

The area generating the most excitement in recent times is the 'Reward' zinc-lead project which hosts the 'Teena' prospect (JV with Teck). Recent drilling intersected broad widths of high grade mineralisation over a cumulative interval of 116m including high grade zones. One particular zone intersected **26.4m @ 13.3% Zn+Pb including 16.2m @ 17.2% Zn+Pb** (from 1,060m). Visual estimates of a drill hole located ~200m to the west (yet to be assayed) indicates a 'continuation of mineralisation' and bodes well for further high grade results to be announced in the coming weeks.

Breakaway is particularly encouraged by the lateral extent of the mineralisation which has already been demonstrated by historic drill campaigns (~1.5 x 0.75km). Teena is shaping up to be a significant "Teck size" prospect, providing confidence the company may well reach its ambitious exploration target of 100-200Mt @ 10-12% Zn+Pb.

The quality of the exploration portfolio is further demonstrated by its nickel discovery at the Camelwood prospect (part of the Mt Fisher project) in late 2012. Drilling during 2013 intersected **semi-massive to massive and disseminated nickel sulphide mineralisation** in several zones along a 1,200m strike length and to a depth of ~500m, including **11.4m @ 2.9% Ni** and **6.15m @ 3.3% Ni**.

Rox interprets Camelwood as representing a typical Kambalda style deposit, and it is generally recognised that these types of deposits occur in clusters. To pursue this possibility Rox is planning an exploration program along the 15km Fisher East ultramafic belt (which hosts the Camelwood deposit) in search of repeats. Drill targets are being refined ahead of a drill program earmarked for the near future.

The Mt Fisher project also includes tenements which host significant gold potential. The 'Dam Dirks' prospect stands out in particular with shallow drilling intersecting 9m @ 7.1g/t Au and 3m @ 17.4g/t Au, **however these targets are largely untested at depth.**

The remaining projects in the portfolio are also prospective and provide a strong pipeline for the future.



Project Review

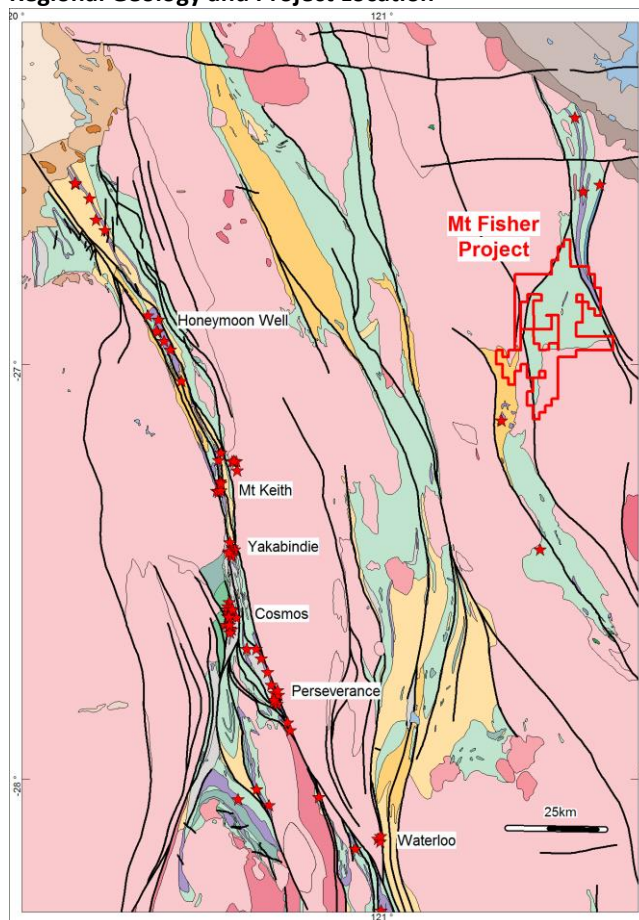
Mt Fisher Project, WA – 100% interest

Gold and Nickel exploration in underexplored greenstone belt

The Mt Fisher project encompasses 655km² of exploration tenure located in the North Eastern Goldfields of WA, ~500km north of Kalgoorlie. The tenements are loosely split up into two groups. The first is a 100% owned 485km² tenement package (acquired from Avoca Resources in 2011) while the second consists of an option to purchase a further 170km² of exploration ground which lies adjacent to the already owned licenses.

Regional Geology and Project Location

Large tenement position over prospective greenstone belt



*green-greenstone, pink- granite, purple – ultramafic
Source: Rox Resources

The orange star signifies the location of the recently discovered Camelwood nickel deposit while the red stars show regional nickel occurrences.

The Camelwood deposit is hosted on a tenement for which Rox owns an option to purchase a 100% interest.

The image above illustrates the prolific Yandal (middle) and the Agnew-Wiluna (left) greenstone belts which are known to host over 25Moz of gold collectively, while the Agnew-Wiluna belt alone accounts for ~55% of WA's total nickel resources.

Mt Fisher and Dingo Range belts prospective for nickel and gold

Prior to 1990 the Yandal Belt attracted limited attention from explorers, primarily due to the thick cover sequences over much of the greenstone rocks, making exploration difficult and expensive. Deeper drilling campaigns carried out in the late 1990's resulted in the discovery of 5 major gold mines (Jundee, Darlot, Bronzewing, Mt McClure and Thunderbox). The Yandal Belt has now produced over 17 Moz of gold.

The greenstone belts to the east, known as the Mt Fisher and Dingo Range belts, extend ~300km north to south. These two belts are relatively underexplored (with only 0.5Moz defined to date) and from a geological point of view, there is no reason why they should not be similarly well gold-endowed.

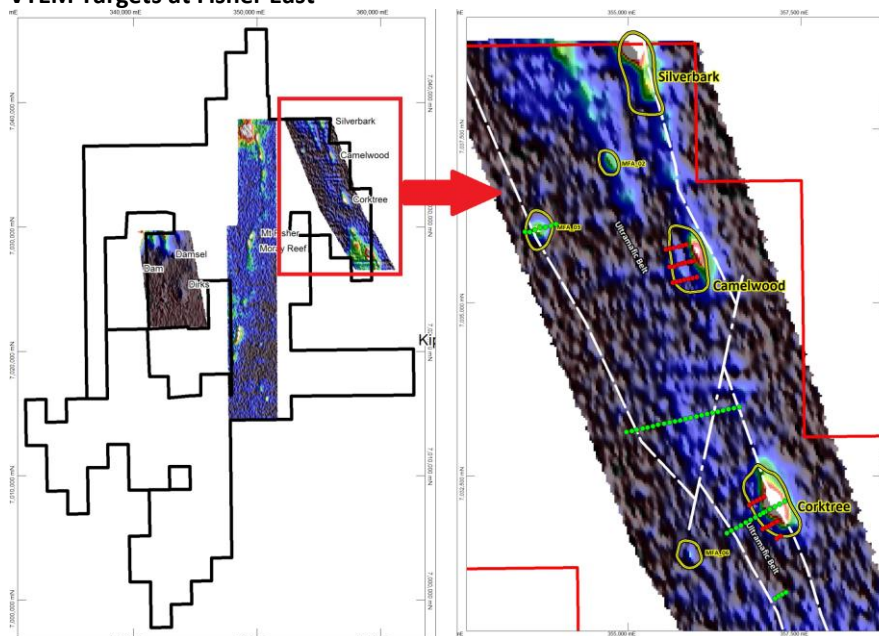


Mt Fisher - Nickel Potential

Since acquiring the Mt Fisher project in 2011, Rox has undertaken detailed airborne magnetic, radiometric and VTEM surveys resulting in the identification of numerous high priority targets.

VTEM Targets at Fisher East

Numerous VTEM anomalies

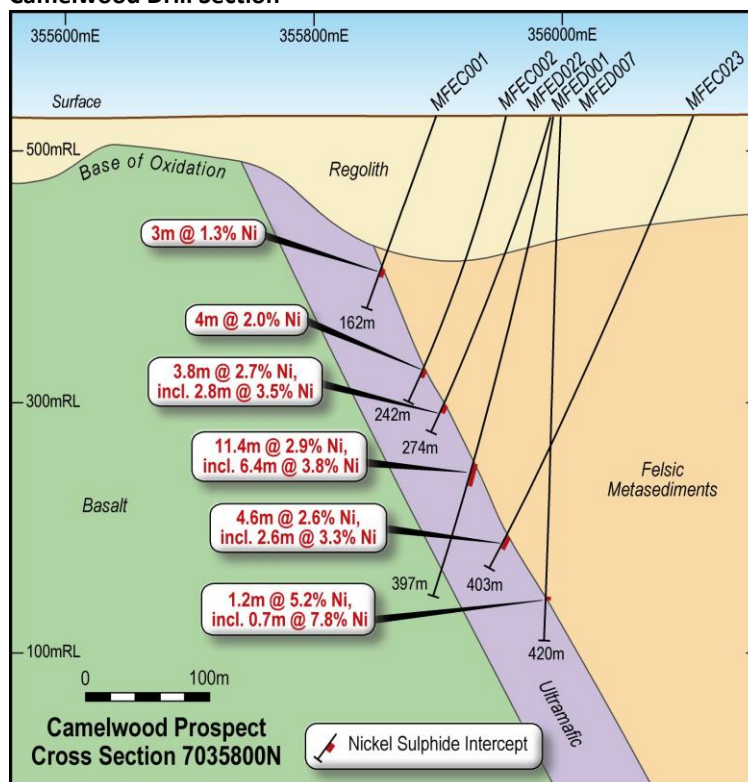


Source: Rox Resources

Late in 2012, Rox carried out an RC drill program targeting multiple prospects at Fisher East. Five drill holes were originally allocated the **Camelwood prospect**, all of which encountered nickel sulphide mineralisation with the shallowest intercept recorded at 130m below surface.

Camelwood Drill Section

Nickel sulphides hosted within ultramafic sequence



Source: Rox Resources

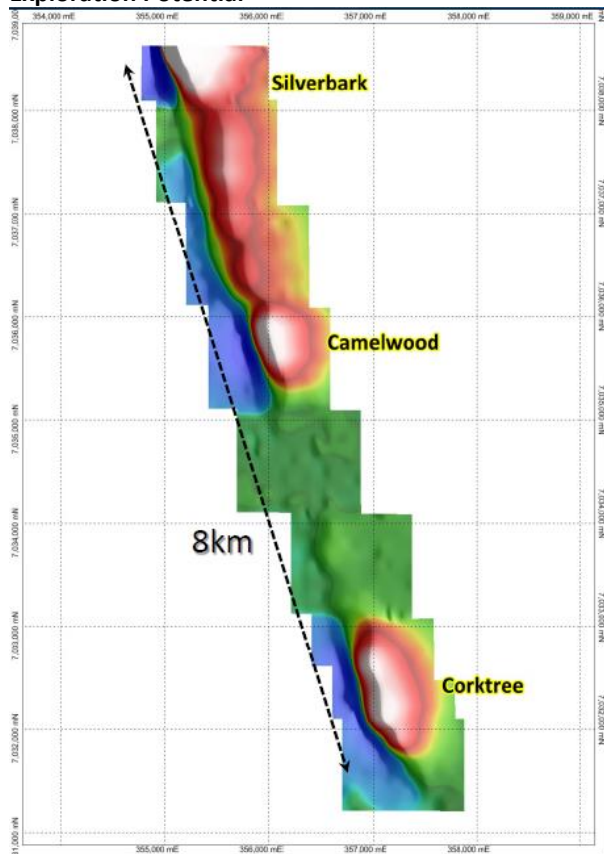
*Mineralisation
identified along 800m
of strike*

*Potential for repeat
zones of
mineralisation*

Subsequent drilling confirmed the discovery with **semi-massive to massive and disseminated nickel sulphide mineralisation** present in numerous holes along an 1,200m strike length and up to a depth of 500m, including **11.4m @ 2.9% Ni** and **6.2m @ 3.3% Ni**.

The identification of nickel at Camelwood is a significant achievement for the company and **the exploration potential should not be underestimated**. The deposit appears to be a typical 'Kambalda style' deposit, which is generally recognised to occur in clusters. This is significant as it enhances the probability for further zones of mineralisation to be identified within the immediate Camelwood footprint.

Exploration Potential

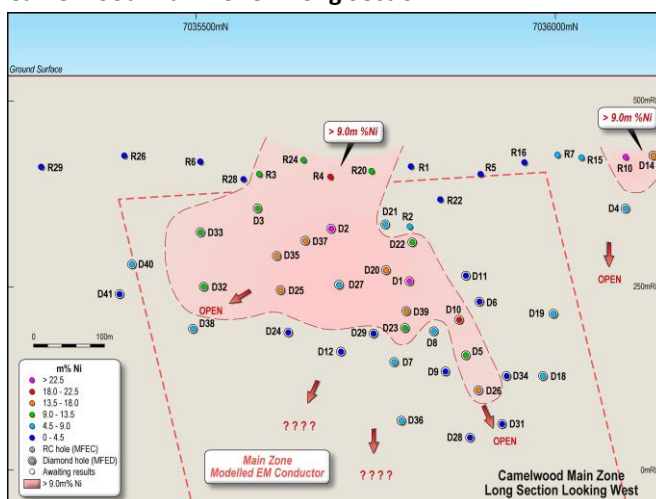


Source: Rox Resources

*25 of 27 holes
recently completed
intersected nickel
mineralisation*

*Still open in multiple
directions*

Camelwood Main Zone – Long Section



Encouragingly the company continues to encounter 'ore grade' mineralisation with 25 of the 27 holes drilled in the recent June quarter intersecting nickel sulphide mineralisation. Drilling has been undertaken at Camelwood (on the whole) on a relatively wide 100m spacing pattern with only some areas within the 'Main Zone' drilled at 50m spacing.

Importantly mineralisation is still interpreted to be open in numerous directions including down dip and down plunge. Significant exploration potential also exists at the Silverbark and Corktree prospects which have not yet been adequately drill tested.



Mt Fisher – Gold Potential

Rox Resources has three nearby gold deposits called Moray Reef, Mt Fisher and Damsel, which have a combined JORC Resource of 973,000t @ 2.75g/t Au for ~86koz.

JORC Resource of
~1Mt @ 2.75g/t Au

Mt Fisher - JORC Resource

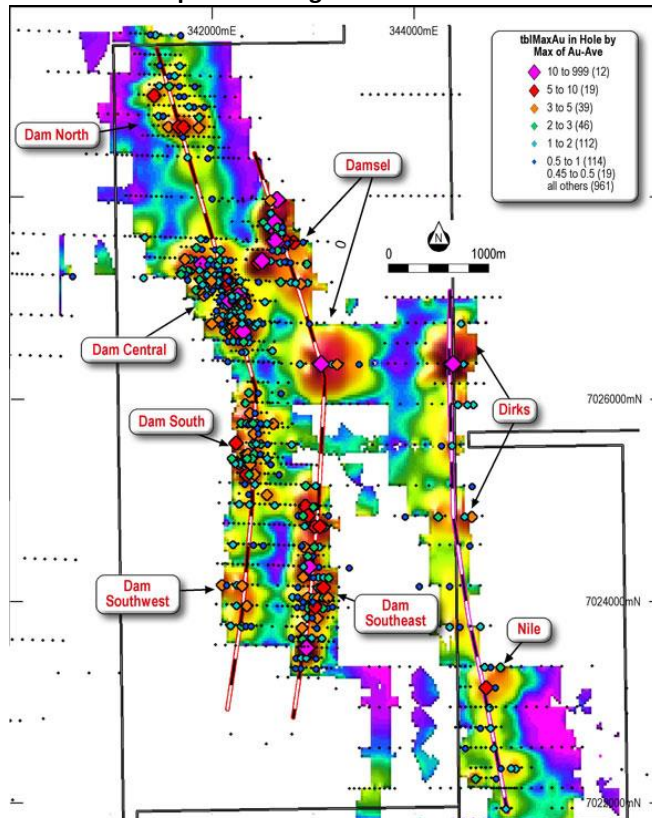
Deposit	Tonnes	Grade (g/t Au)	Gold (Oz)
Moray Reef	31,800	7.50	7,664
Mt Fisher	215,200	3.57	24,707
Damsel	726,000	2.30	55,705
Total	973,000	2.75	86,080

Source: Rox Resources

Dam Dirks

The Dam-Dirks prospect is the most prospective area in the gold exploration portfolio. Geochemical sampling has identified strong gold in soil anomalies extending over several kilometres in length, defining major gold mineralised structures. The most significant of these are three sub-parallel structures which are illustrated below:

Dam Dirks Prospect Area – gold in soil



Gold prospects largely
untested at depth

Prospect Highlights

Damsel

Shallow resource of
54koz, open at depth

Dam central

9m @ 7.1g/t Au
3m @ 17.4g/t Au
4m @ 9.0g/t Au and
8m @ 4.1g/t Au

Dirks

2m @ 13.7g/t Au

Source: Rox Resources

These three sub-parallel anomalous zones have largely only been tested by shallow drilling. Rox has begun conducting deeper drilling campaigns and has intersected encouraging drill results such as **4m @ 5.53g/t Au** from 106m and **2m @ 4.83 g/t Au** from 149m at the Dam Central prospect.

The Dam Central area remains a high priority area for discovery of a Bronzewing type gold deposit (a 3.6 million ounce gold deposit in the adjacent Yandal Greenstone Belt).



Myrtle/Reward, NT-100% interest, Teck has right to earn up to 70% Joint Venture with Teck Australia targeting lead and zinc

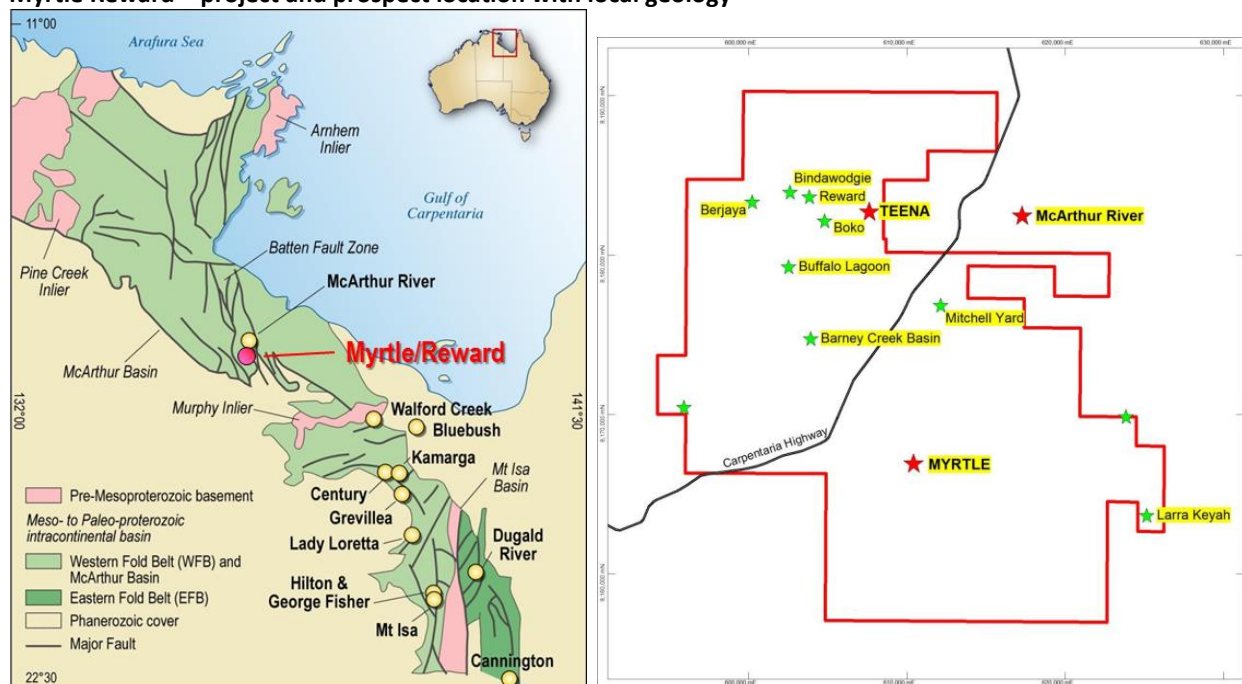
*Established
infrastructure*

The Myrtle/Reward exploration project encompasses 669km² of exploration tenure and is located within 20km of the world-class the McArthur River lead-zinc mine (owned by Xstrata) in the Northern Territory. The project area is well serviced by existing infrastructure (bitumen roads, gas pipeline and airstrip) with access to the nearby Bing Bong port also a possibility.

*One of the most well-
endowed zinc-lead
regions on earth*

On a regional basis, the area extending from Mt Isa through McArthur River and for 500km to the northwest is **probably one of the most well-endowed zinc-lead regions on Earth** containing approximately 25% of the world's zinc reserves.

Myrtle Reward – project and prospect location with local geology



Source: Rox Resources

*Only 5,000m of
drilling completed to
define current
resource*

The most advanced prospect is Myrtle which already hosts a sizable, albeit low grade, JORC resource of **43.6Mt @ 4.09% Zn and 0.95% Pb (5.04% Zn+Pb)** at a 3% combined cut-off grade. A higher grade core of 15.3Mt @ 5.45% Zn and 1.40% Pb (6.84% Zn+Pb) also exists above a cut-off grade of 5%. Encouragingly, this resource was defined on only ~5,000m of drilling.

Myrtle Deposit: JORC Resource

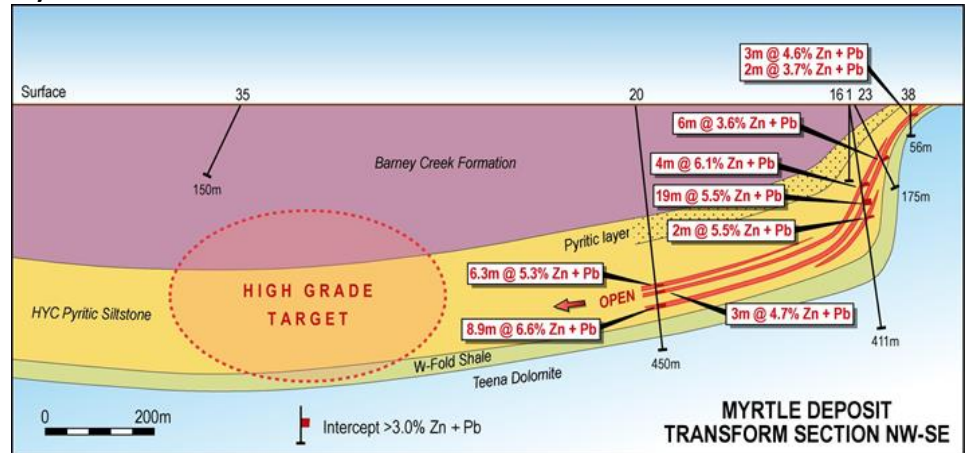
Category	Tonnes (Mt)	Zn %	Pb %	Zn + Pb %	Zn (kt)	Pb (kt)	Zn + Pb (kt)
3% Cut-off Zn+Pb %							
Indicated	5.8	3.56	0.9	4.45	205	52	257
Inferred	37.8	4.17	0.95	5.12	1,575	361	1936
Total	43.6	4.09	0.95	5.03	1,780	412	2,193
5% Cut-off Zn+Pb %							
Indicated	1.2	5.38	1.42	6.80	64	17	81
Inferred	14.1	5.45	1.39	6.85	768	196	965
Total	15.3	5.45	1.4	6.84	833	213	1,046

Source: Rox Resources

*Large resource with
higher grade core*

Significant exploration potential still exists around the Myrtle deposit. Drilling to date has generally been wide spaced and has covered a large area.

Myrtle Section



Source: Rox Resources

Additional mineralisation targeted along strike

In 2010, Rox and Teck Australia (a wholly owned subsidiary of Canadian mining giant 'Teck Resources') signed an 'earn-in and JV agreement' which gives Teck the right to earn 51% interest in the project by spending A\$5 million on exploration before September 2014. Under the terms agreed, Teck also has the right to further increase its interest to 70% by spending an additional \$10 million by 2018.

JV with Canadian 'giant' Teck Resources

Since the signing of the agreement, Teck has completed extensive geochemical and geophysical surveys over large portions of the tenement package and has defined numerous high priority targets. An initial 6 hole diamond drilling campaign focused around the margins of the North Myrtle Basin and intersected thick, low-moderate grade mineralisation, highlighting the scale of the mineralised system. Highlights include 7m @ 2.52% Zn+Pb from 290m and 10m @ 1.77% Zn+Pb from 299m.

Teck to sole fund exploration for at least the next 2 years

Teena Prospect

Between 1976 and 1978, Mount Isa Mines (MIM), then operators of the exploration licence, drilled numerous deep diamond holes at the Teena Prospect, located ~10km west of the McArthur River mine. For reasons unbeknown, the assay results from these holes were never released.

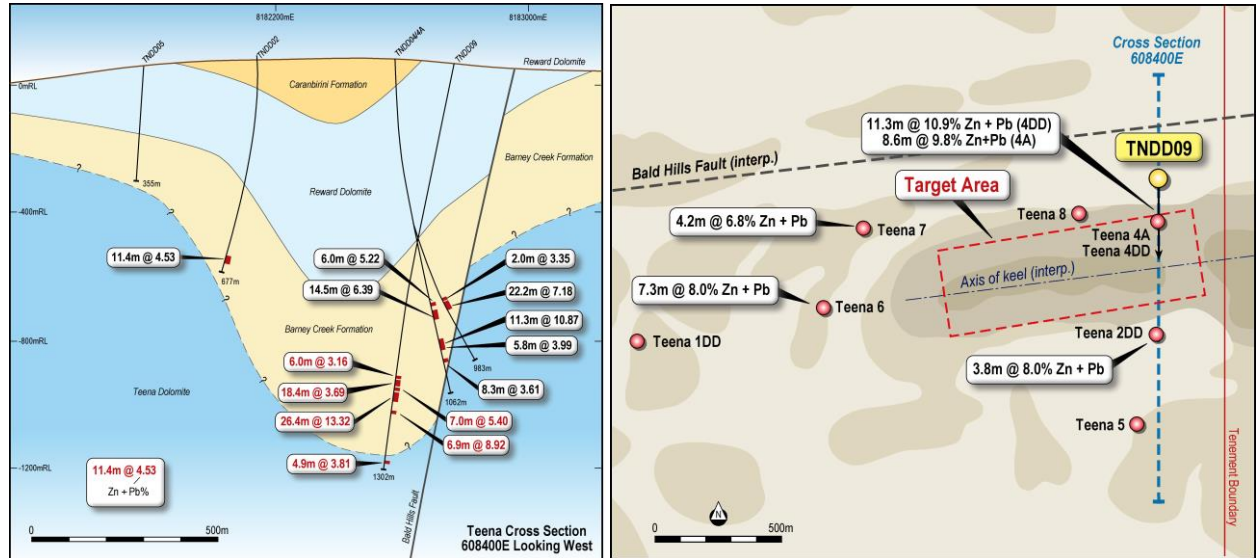
Teck tracked down the original core and the associated assay results. So as to check the integrity of the historical assays, random sections of drill core from the Teena 4 and the Teena 6 holes were re-assayed. Encouragingly, these sections demonstrated a close comparison to the original results.

Uncovered historical drill results highlight prospectivity of Teena

Highlights from the assays include:

- 11.3 metres grading 10.9% Zn + Pb, 14 g/t Ag from 908.8 metres
- 8.6 metres grading 9.84% Zn + Pb, 23 g/t Ag from 789.6 metres
- 3.8 metres grading 7.98% Zn + Pb, 4 g/t Ag from 629.2 metres
- 13.1 metres grading 6.02% Zn + Pb, 5 g/t Ag from 599.2 metres

Teena Cross Section and drill hole locations



Source: Rox Resources

Teena has an exploration target of 100-200Mt @10-12% Zn+Pb

Teck recently embarked on a 4,500m diamond drilling campaign (fully funded by Teck – A\$2.75m). The first deep hole in this campaign (TNDD009) has intersected a **116m interval of variable zinc and lead mineralisation** from 1,102m, with multiple zones of mineralisation **above 2.5% Zn+Pb**. Highlights include:

- 26.4m @ 13.3% Zn+Pb from 1,060.1m
- 18.4m @ 3.7% Zn+Pb from 1,020.6m

Assays from the remaining drill holes are expected to flow through in the coming months.

Breakaway's view

Assays from the this first hole are highly encouraging and visual estimates from the second hole (~200m to the west) bode well for further high grade results to be announced in the coming weeks. The deposit is interpreted to be a sedimentary exhalative (SedEx) deposit, with strong similarities to the McArthur River. SedEx deposits frequently display strong lateral continuity and represent a major global source of a lead-zinc ore. **The continuity of mineralisation** has already been demonstrated with wide spaced drill holes having intersected ore grade mineralisation in previous drill campaigns.

Significant opportunity exists for further high grade, broad width drill results to be announced in the coming months, justifying the ambitious 100-200Mt @ 10-12% Zn+Pb target which Teck (and Rox) have placed on the Teena prospect.

The cumulative thickness of mineralisation intersected in TNDD009 is comparable with the adjacent McArthur River zinc mine (owned by Glencore Xstrata) while the reported intersection of 26.4m @ 13.3% Zn+Pb is comparable to the reported average grade of the McArthur River deposit. Breakaway notes however, that mineralisation at Teena is deeper than McArthur River and will likely be more expensive to develop.

Significant potential for a large high grade resource

Mineralisation identified over wide distances



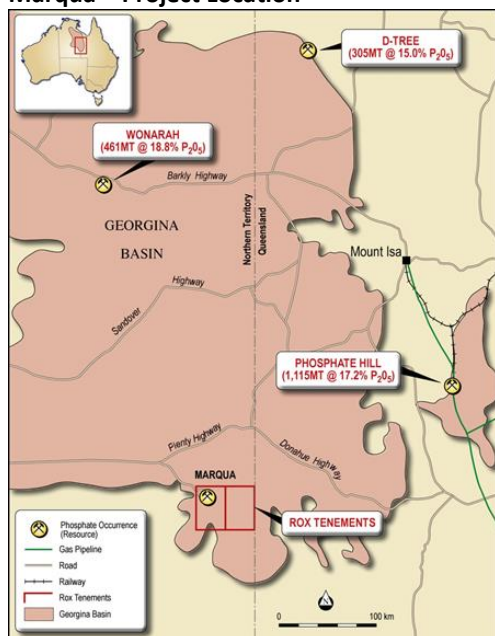
Marqua Project, NT – 100% interest

'Ore grade' phosphate intercepts across a 30km strike

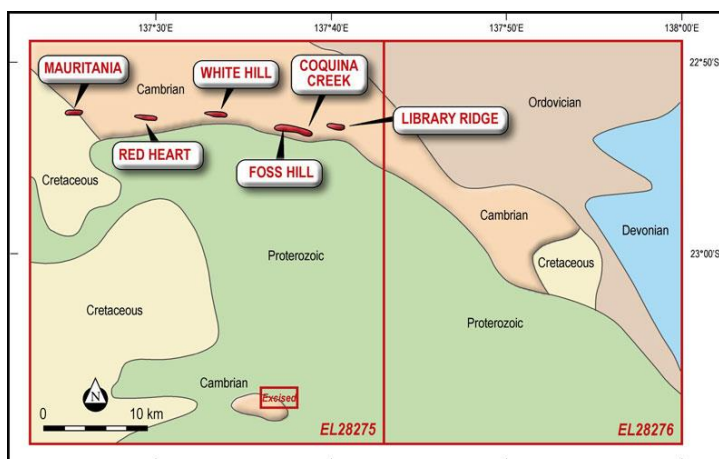
Georgina Basin hosts 90% of Australia's hard rock phosphate resources

The Marqua Project is located in the Northern Territory within the Georgina Basin and consists of one tenement encompassing an area of ~660km². The project area is prospective for phosphate deposits (the Georgina Basin hosts 90% of Australia's hard rock phosphate resources).

Marqua – Project Location



Source: Rox Resources



In 2011, Rox Resources carried out a wide spaced RC drilling program targeting numerous phosphate occurrences along a 30km strike length of a prospective rock unit known as the Thornton Limestone.

30km prospective strike

Highlights from the campaign include:

- 4m @ 26.3% P₂O₅ from 45 metres
- 7m @ 20.2% P₂O₅ from 12 metres
- 5m @ 20.7% P₂O₅ from 25 metres
- 1m @ 21.8% P₂O₅ from 15 metres

High grade intercepts

Rox exploring JV opportunities

Exploration is at a relatively early stage however early drill results highlight the potential for a significant deposit to be identified. Rox has a provisional exploration target of 50-100Mt @ 15-20% P₂O₅ and is currently assessing the potential for a Joint Venture partner to earn into the project and assist with the ongoing exploration costs.



Bonya Copper Project, NT – Earning up to a 70% interest

Early stage copper exploration with gold and silver opportunity

In October 2012, Rox signed a farm-in agreement with Arafura Resources (ASX:ARU) to explore the Bonya copper project, located 350km east of Alice Springs, NT.

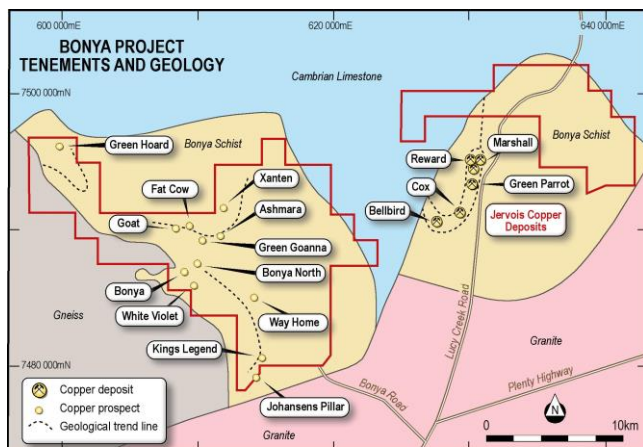
Terms of farm in agreement

Under the terms of the agreement, Rox is required to spend \$500,000 within the first two years to earn a 51% interest in the copper, lead, zinc, silver, gold, bismuth and PGE mineral rights. Rox can then elect to earn a further 19% (for 70% in total) by spending a further \$1 million over a further two years.

The Bonya project tenements cover an area of 279km² and incorporate the old Bonya copper mine and are adjacent to the Jervois copper deposit which hosts a JORC resource of ~13.5Mt @ 1.3% Cu and 25g/t Ag.

*Attractive terms
agreed for earn in to
Bonya Copper*

Bonya prospects: Location and historical mine shaft



Source: Rox Resources



At the Bonya prospect particularly, there is abundant outcropping copper mineralisation which has returned values of **up to 33% Cu, 55g/t silver and 0.6g/t gold**. These 'walk-up' drill targets have never been drill tested. Geological interpretation suggests Bonya is in a highly metamorphosed Volcanogenic Massive Sulphide (VMS) geological setting, which is considered particularly prospective for hosting high grade copper deposits.

*Rock chip assays up to
30% copper*

In the near term, Rox is undertaking an airborne VTEM survey to enhance its geophysical data and generate targets for detailed evaluation.

The Bonya farm in agreement gives Rox an opportunity to enter into a quality copper exploration play under favourable terms with 'walk-up' drill targets. Historical mining in the area bodes well for additional mineralisation to be identified as exploration advances over the coming years.

*Walk-up drill ready
targets*



Directors

Non-Executive Chairman

Jeffrey Gresham

Jeffrey Gresham a geologist and has more than 40 years' experience in exploration, operations and corporate affairs in Australia and internationally. Previously Mr Gresham was Managing Director of Titan Resources, an active nickel explorer in Western Australia, and roles prior to that have included Managing Director of gold miner Wiluna Mines Limited, General Manager – Exploration for Homestake Gold of Australia, and several senior executive roles with Western Mining Corporation (WMC) including Chief Geologist of the Kambalda Nickel Operations, and Executive Vice President Exploration for WMC's Canadian subsidiary Westminster Canada Ltd. Mr Gresham is also currently Non-Executive Director of Breakaway Resources.

Managing Director

Ian Mulholland

Ian Mulholland is a geologist with over 30 years of broad experience in the exploration and mining industry in a number of commodity groups including gold, silver, copper, lead, zinc, uranium, nickel and kaolin. He has been Managing Director of Rox Resources since its inception, and prior to that he managed activities from grass roots exploration to advanced resource definition, feasibility studies and mining operations for a number of major, medium sized and junior companies including WMC, Esso, Otter Gold, Aurora Gold, Anaconda Nickel, Archaean Gold, Summit Resources and Conquest Mining.

Finance Director

Brett Dickson

Brett Dickson has over 20 years' experience in the financial management of companies, principally companies in early stage development of its resource or production, and offers broad financial management skills. He has been Company Secretary and Chief Financial Officer (CFO) for a number of successful resource companies listed on the ASX, and in addition to Rox Resources currently also acts as Company Secretary and CFO for Azure Minerals Limited.

**CV's extracted from company annual report*



Analyst Verification

We, Grant Craighead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Rox Resources and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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