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Company Information

ASX Code	RXL
Share Price	A\$0.045
Ord Shares	665.4m
Options	9.1m
Market Cap A\$	A\$29.9m
Cash (Dec 2013)	A\$2.4m
Total Debt	A\$ -
Enterprise Value	A\$27.5m

Directors & Management

Non- Exec Chairman	Jeff Gresham
Managing Director	Ian Mulholland
Finance Director	Bret Dickson
Exploration Manager	Will Belbin

Substantial Share Holders

Rox Directors	3.0%
Ram Kangatharan	2.4%
Siat Yoon Chin	1.6%
Teck Australia	1.5%
Top 20	20.2%

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



Rox Resources Limited (RXL)

Active explorer with two company making assets

Recommendation: Speculative BUY

Key Points

- **Mt Fisher currently hosts a JORC Resource of 1.6Mt @ 2.2% Ni including 0.5Mt @ +3% Ni**
- **Significant intercepts at Cannonball and Musket confirm potential for multiple nickel deposits**
- **Ongoing drill programs likely to lead to resource upgrades**
- **Teck earning 70% interest in 'Reward lead-zinc project' by spending a further A\$10M on exploration**
- **Wide spaced drilling intersects broad widths of Pb-Zn mineralisation providing confidence for +100Mt exploration target**

Rox has a portfolio of quality exploration plays, however two stand out as having potential to support a significant re-rating of Company's valuation. A JORC Resource has already been defined at Camelwood (at the Mt Fisher nickel project) with drilling confirming 'repeat' zones along strike. At the Teena prospect, wide spaced drilling has intersected broad widths of lead-zinc mineralisation which bodes well for Teck (and Rox) to meet the +100Mt exploration target.

Investment Thesis

Although Rox Resources (ASX: RXL) has a diverse exploration portfolio, each with their own merit, two projects stand out as possible 'company makers'.

The first project is the Mt Fisher East nickel exploration project where the Company has identified what looks to be a new nickel field. The first deposit, Camelwood, has been quickly delineated, hosting a current JORC Resource of **1.6Mt @ 2.2% Ni for 34,600t of contained nickel**. Encouragingly, a recent RC drill program has identified multiple high priority prospects along strike of Camelwood where drilling has intersected significant widths and grades of nickel mineralisation (e.g. 17m @ 2.2% Ni including 2m @ 8.2% Ni). Further RC and diamond drill campaigns, earmarked for much of 2014, will likely lead to further high grade intercepts and ultimately, an increase in the resource.

The second is the Teena lead-zinc prospect which is being fully funded by Canada's largest diversified mining company Teck Resources. Rox currently has a 49% interest, but will move to 30% once Teck has sole-funded a further A\$10M. Teena has scope to become a +100Mt ore body and is already regarded as one of the best zinc discoveries in Australia for many years.

Both of these projects have a significant excitement factor, and upcoming drill campaigns are designed to better quantify their size potential. With an EV of ~A\$27.5M and an active 2014 drill season, positive news flow will likely provide a meaningful adjustment to the Company's market valuation.

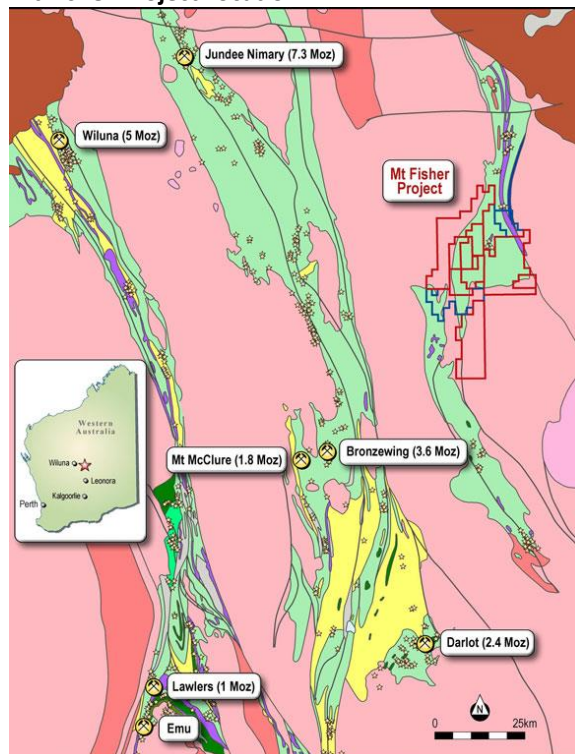


Project Review

Mt Fisher Project, WA — 100% interest Significant Gold and Nickel Exploration Potential

The Mt Fisher project encompasses 655km² of exploration tenure located in the North Eastern Goldfields of WA, ~500km north of Kalgoorlie. The tenements can be broadly divided into two groups. The first is a 100% owned 485km² tenement package while the second consists of an option to purchase a further 170km² of exploration ground (outlined in blue) which lies adjacent to the already owned licenses.

Mt Fisher Project Location



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

Option Terms:

Rox recently renegotiated the terms of the Option Agreement.

The new terms provide for a 12 month extension with the option now expiring on the 30th June 2015 (for total exercise payment of A\$3.7M)

- Payment of \$A100,000 by 31st Jan (completed)
- Payment of A\$1.1M by 30th June 2014
- Payment of A\$200,000 by 31st Dec 2014
- Payment of A\$ 2.3M by 30th June 2015

~25% of the Mt Fisher Greenstone Belt controlled by Rox

Option terms renegotiated to delay final payment

The image above illustrates the prolific Yandal (middle) and the Agnew-Wiluna (left or western) greenstone belts which are known to host over 25Moz of gold collectively, while the **Agnew-Wiluna belt alone accounts for ~53% of WA's total nickel resources**.

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.

Mt Fisher belt underexplored

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.

Although the Mt Fisher and Dingo Range belts are highly prospective for gold mineralisation, it is the nickel potential that is currently attracting strong market interest.



Camelwood Nickel Deposit

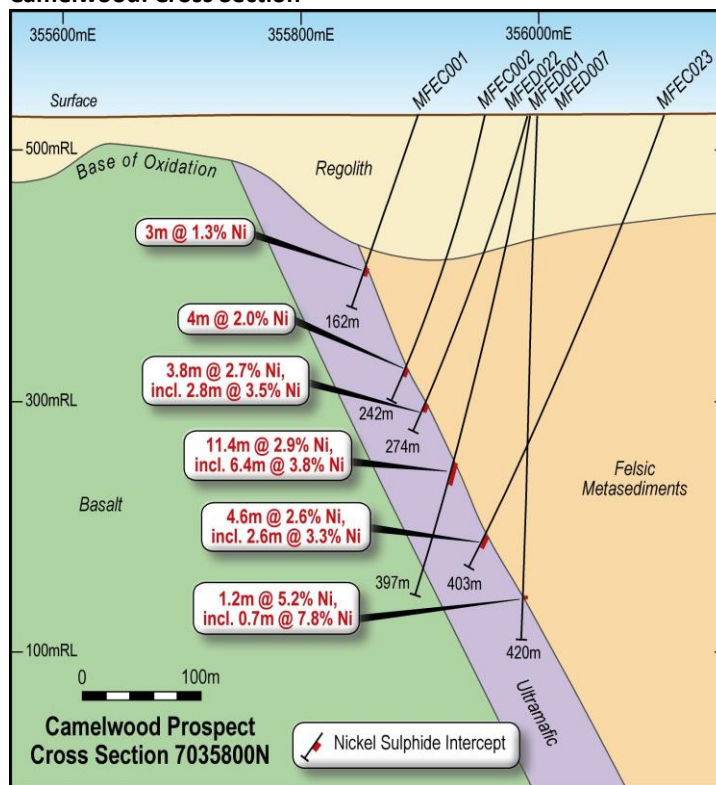
Located on the 'option tenements' – Rox to pay \$3.6M to earn 100% interest

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

Camelwood: Cross Section

JORC Resource of
1.6Mt @ 2.2% Ni for
34,600t

Resource defined
within in 9 months of
first discovery



The discovery of nickel sulphides at Camelwood was followed up with a major drilling campaign in the first half of 2013. In total 5,200m of RC and 15,152m of diamond core has been drilled resulting in a maiden **JORC Resource of 1.6Mt @ 2.2% Ni for 34,600t** of contained nickel at a cut-off of 1.0% Ni (with approximately 40% in the Indicated and 60% in the Inferred).

Camelwood: JORC Resource

	Ore type	Tonnes (Mt)	Grade (%Ni)	Contained Ni (kt)
Indicated	Oxide			
	Transitional			
	Fresh	0.6	2.4	13.8
	Sub Total	0.6	2.4	13.8
Inferred	Oxide	0.03	1.7	0.5
	Transitional	0.02	1.7	0.7
	Fresh	0.9	2.1	19.6
	Sub Total	1	2.1	20.8
Total		1.6	2.2	34.6

Source: Rox Resources

High grade core of
520,000t @ 3.1% Ni
for 16,200t

The Resource hosts a higher grade core of **520,000t @ 3.1% Ni for 16,200t** of contained nickel (using a 2.5% Ni cut off).

Rox is now focused on at least doubling the resource

To meet mine development capital costs, Rox has set a production target of 5,000t p.a. Ni for a minimum of 6-year mine life. To meet this target of 30,000t of recoverable metal, Rox is now focused on at least doubling the current resource at the higher grades.

Exploration Potential

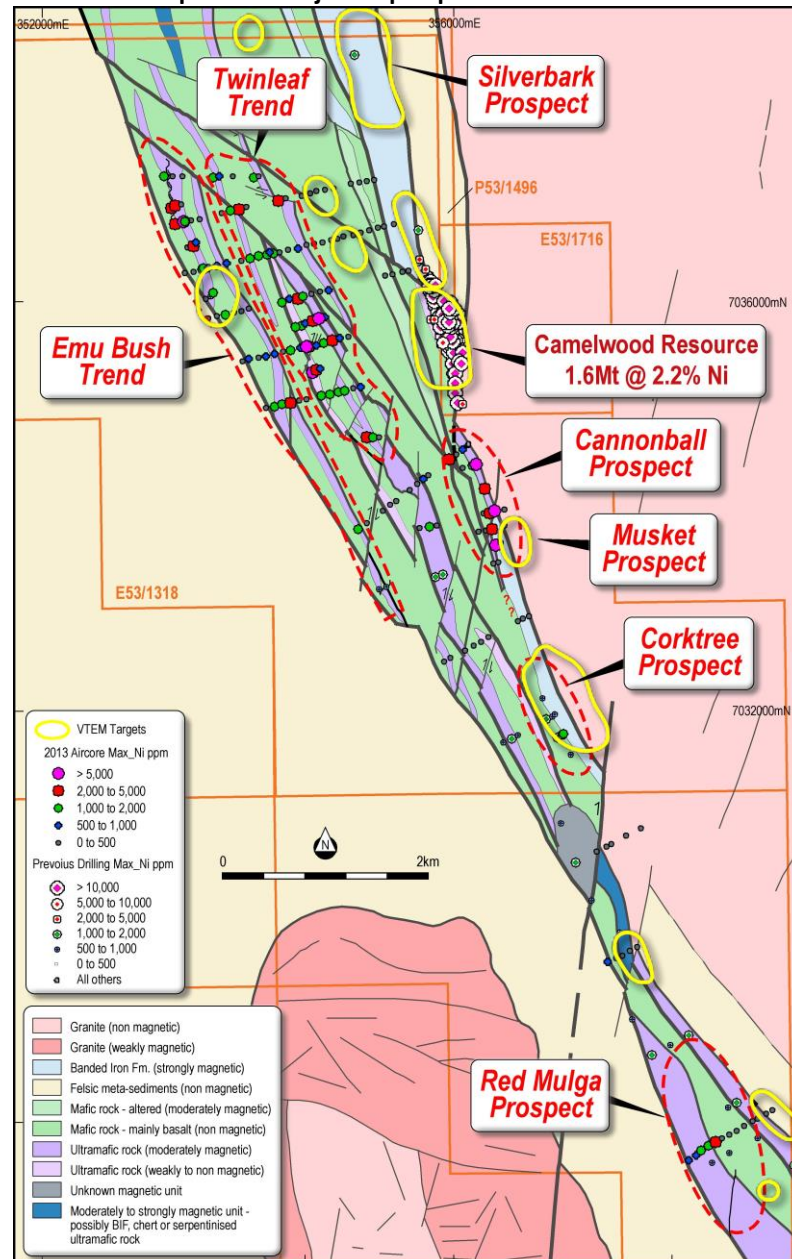
The Camelwood deposit appears to be a typical 'Kambalda style' deposit, which is generally recognised to occur in clusters. **This is significant as it enhances the probability for further zones of mineralisation to be identified within the immediate Camelwood footprint.**

Rox recently undertook a 191 hole aircore drill program (for 11,565m) which identified multiple new targets along four principle prospect trends. Of particular interest, massive nickel sulphides were identified at the Cannonball prospect (located ~500m south of the Camelwood deposit) which intersected 3m @ 3.42% Ni, including 1m @ 5.83% Ni from 62m depth. Highly anomalous results were also obtained from the Emu Bush, Twinleaf and Red Mulga prospects.

Significant potential for repeat zones of mineralisation

Multiple prospects identified for follow up drilling

Camelwood deposit and adjacent prospects



Source: Rox Resources

*RC drill campaign
confirms repeat zones
of nickel
mineralisation*

Following the aircore dill program, Rox completed an 18 hole (for 2,619m) RC drill program designed to test the depth extent of the nickel mineralisation identified in the 'scout' aircore program. Encouragingly, Rox intersected significant widths and grades of nickel mineralisation at the Cannonball prospect and also identified a new prospect called 'Musket'. Both of these prospects are located south along strike from the Camelwood deposit: Assays highlights include:

Cannonball Prospect:	Musket prospect:
<ul style="list-style-type: none"> 2m @ 2.4% Ni 5m @ 2.3% Ni 5m @ 2.0% Ni 	<ul style="list-style-type: none"> 3m @ 3.1% Ni 13m @ 1.9% Ni (including 5m @ 2.6% Ni) from 176m 7m @ 1.8% Ni (from 129m) 8m @ 1.3% Ni (from 55m)

Source: Rox Resources

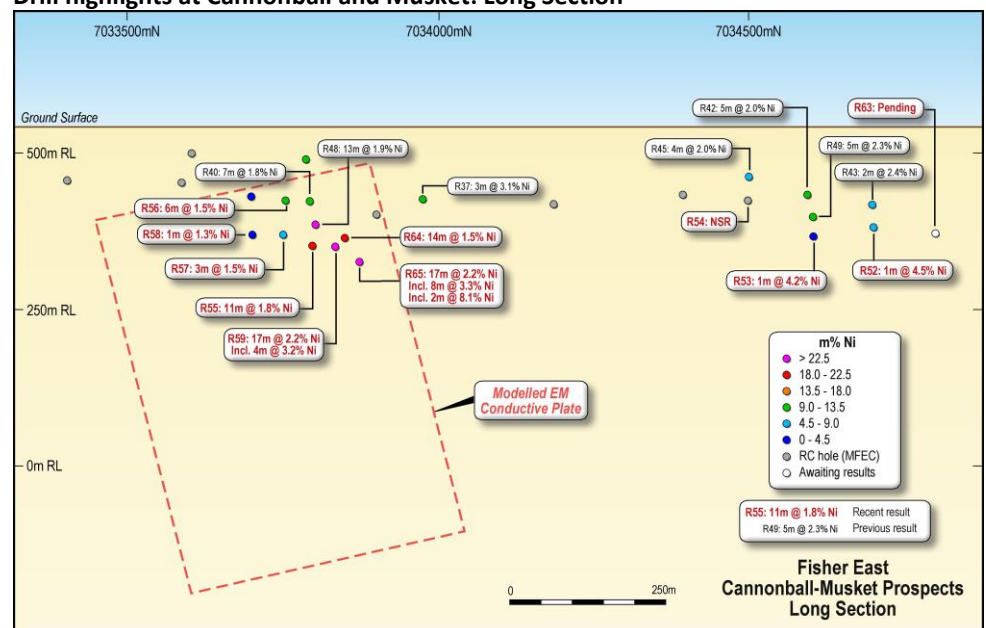
Following up drilling at Cannonball and Musket was recently completed (7 RC holes at Musket and 4 RC holes at Cannonball), intersecting **significant widths of high grade massive nickel sulphide mineralisation at the Musket prospect**, including:

- 11m @ 1.8% Ni from 220m downhole in hole MFEC055, including 3m @ 2.4% Ni from 225m
- 6m @ 1.5% Ni from 127m downhole in hole MFEC056,
- 17m @ 2.2% Ni from 214m downhole in hole MFEC059, including 4m @ 3.2% Ni from 214m, including 1m @ 6.2% Ni from 215m, including 4m @ 2.5% Ni from 225m
- 14m @ 1.5% Ni from 191m downhole in hole MFEC064,
- 17m @ 2.2% Ni from 227m downhole in hole MFEC065, including 8m @ 3.3% Ni from 227m including 2m @ 8.1% Ni from 227m**

Highlight intersections from the **Cannonball** prospect include:

- 1m @ 4.5% Ni from 176m downhole in hole MFEC052,
- 1m @ 4.2% Ni from 199m downhole in hole MFEC053.

Drill highlights at Cannonball and Musket: Long Section



Source: Rox Resources



Breakaway's View

Repeat zones of mineralisation heighten potential for further deposits to be identified

Open along strike and at depth

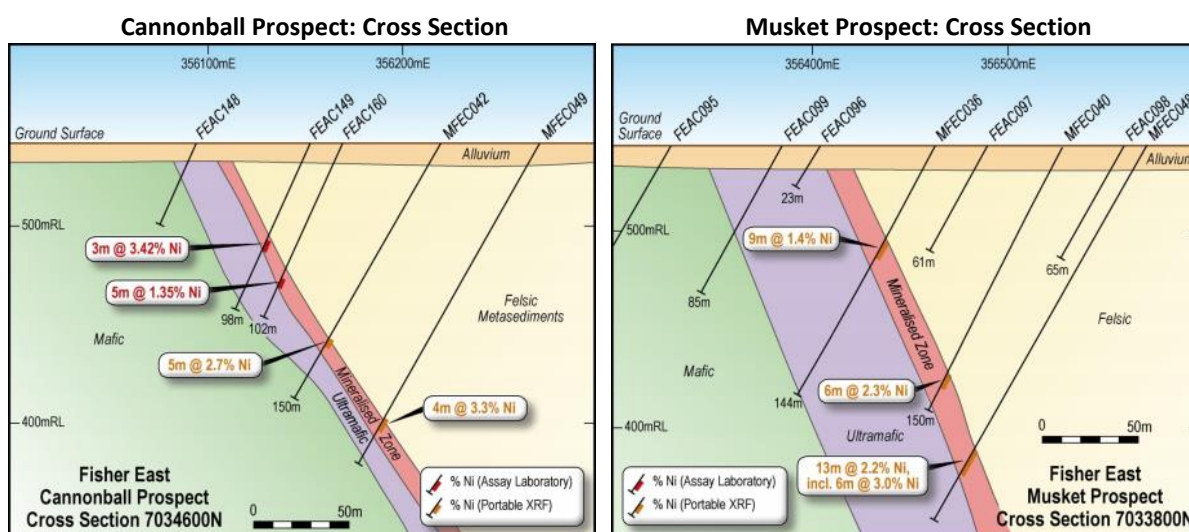
Resource upgrades likely

The Fisher East Project (encompassing Camelwood, Cannonball and Musket) is located along 3km strike length of a prospective ultramafic rock sequence, **reinforcing the concept that Rox has identified a whole new mineral field**, rather than an isolated deposit at Camelwood. The recent drill campaigns at Cannonball and Musket have confirmed this, the significance of which should not be underestimated.

The thick high grade mineralisation at Musket is particularly encouraging with one drill hole intersecting 2m @ 8% Ni, indicating the presence of high tenor massive sulphides and **the potential for delineating a high grade shoot** off the main mineralised region.

Rox has now demonstrated that the area hosts multiple 'ore grade' intersections, highlighting the potential for further deposits to be identified. Breakaway expects both the Cannonball and Musket prospects will add meaningful tonnages to the existing 1.6Mt @ 2.2% Ni resource, placing Rox on a clear pathway to meet its objective of at least doubling the resource in the near term.

Rox will soon mobilise a diamond drill rig to commence drilling adjacent to MFEC059 (which intersected 17m @ 2.2% Ni from 214m) and MFEC065 (which intersected 17m @ 2.2% Ni from 227m), designed to extend the depth and extent of mineralisation. Completion and assaying of these diamond holes will likely provide further positive news flow and the impetus for a further share price re-rating (expected mid-late April).



Source: Rox Resources



Mt Fisher – Gold Potential

Located on tenements where Rox already has a 100% interest

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.

Mt Fisher - JORC Resource

Deposit	Tonnes	Grade (g/t Au)	Gold (Oz)
Moray Reef	31,800	7.5	7,664
Mt Fisher	215,200	3.57	24,707
Damsel	726,000	2.3	55,705
Total	973,000	2.75	86,080

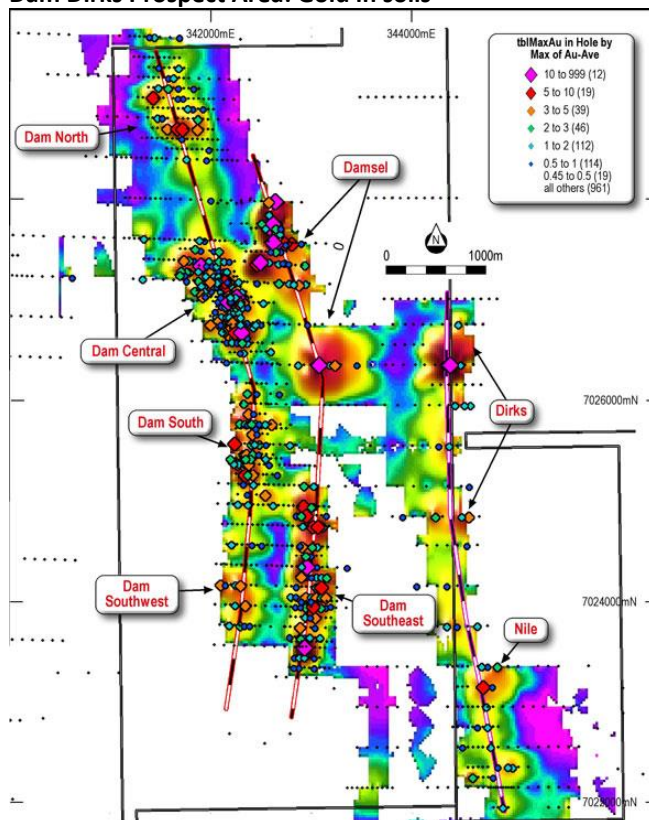
Source: Rox Resources

~1Mt @ 2.75g/t Au
for ~86koz gold

Dam-Dirks

The Dam-Dirks project 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 soils



Source: Rox Resources

Gold in soil values
highlight exploration
potential

Gold exploration a
secondary focus after
nickel discovery

These three sub-parallel anomalous zones have largely only been tested by shallow drilling. Due to the nickel discovery at Mt Fisher East, drilling at this prospect has been temporarily suspended.

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).



Reward, NT – Teck owns 51% with right to earn up to 70%

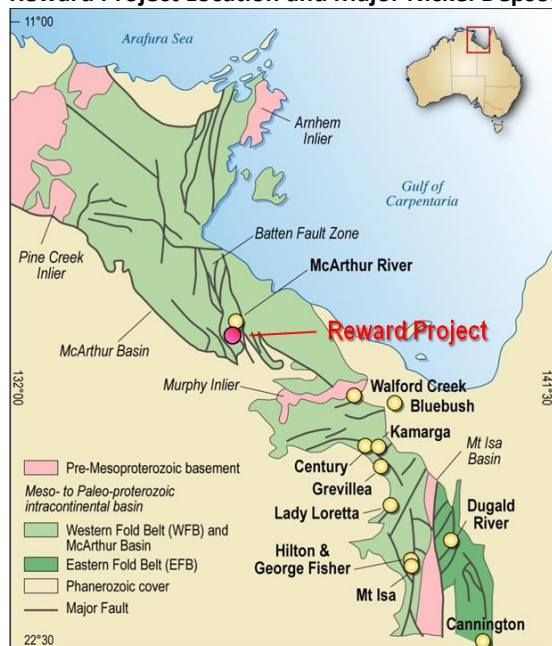
Large scale lead – zinc exploration project fully funded by Teck

Located adjacent to the world class McArthur River lead-zinc mine

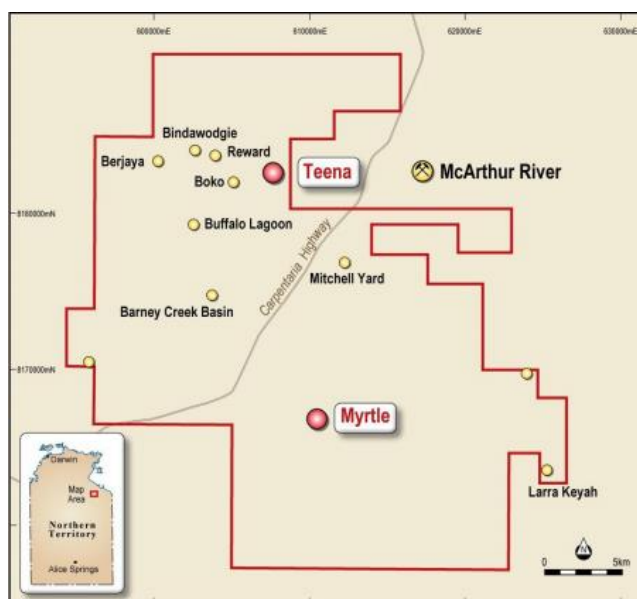
The Reward exploration project encompasses 669km² of exploration tenure and is located within 20km of the world-class McArthur River lead-zinc mine (owned by Glencore - Xstrata) in the Northern Territory. The project area is well serviced by existing infrastructure (bitumen roads, gas pipeline and airstrip)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

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.

Reward Project Location and Major Nickel Deposits



Source: Rox Resources



JV Agreement with Teck Australia

Teck to spend a further A\$10M to earn additional 19% interest

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 sole funding 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.

To date, Teck has spent the required A\$5 million to earn 51% and has advised Rox it will move to earn an additional 19% by spending a further A\$10M.

Myrtle

Large low grade resource already identified

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.



Teena Deposit

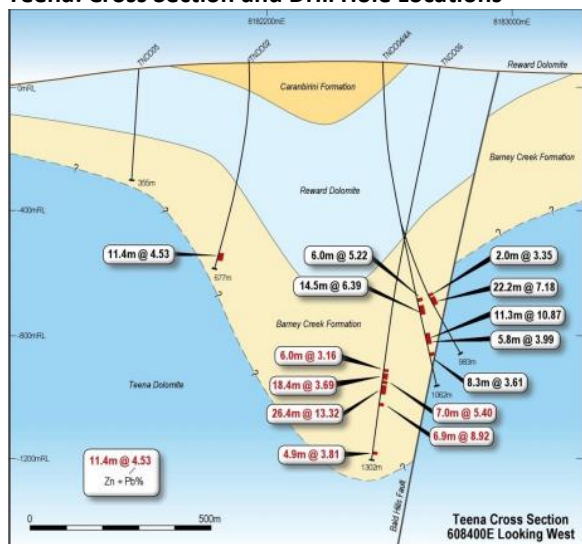
Between 1976 and 1978, Mount Isa Mines (MIM), then operators of the exploration licence, drilled numerous deep diamond holes at the Teena Prospect, located ~10km west of the McArthur River mine. The drilling was wide spaced, with two sections drilled 1.2km apart, with holes along those lines spaced at 400-800m.

Teena shaping up to be a significant deposit

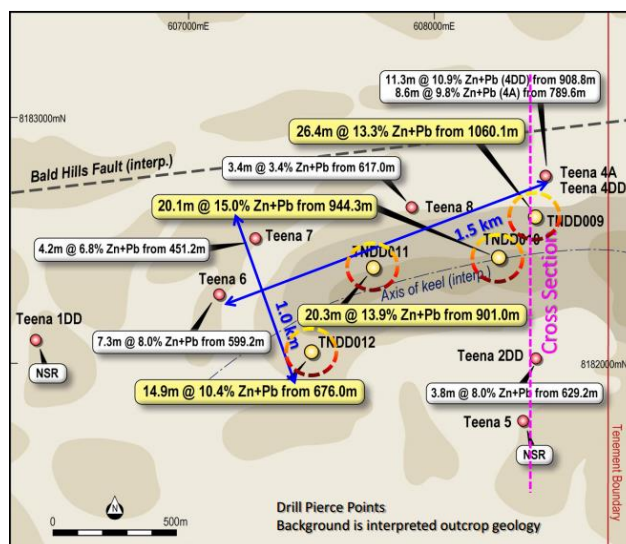
In the 2013 field season, Teck completed a 5,300m diamond drill program and intersected significant grades and thicknesses of high grade zinc-lead mineralisation. Highlights include:

- 26.4m @ 13.3% Zn +Pb from 1060m and 5m @ 10.7% Zn+Pb from 1,121m
- 20.1m @ 15.0% Zn+Pb from 944m, and 6.2m @ 10.0% Zn+Pb from 988m
- 20.3m @ 13.9% Zn+Pb from 901.0m, and
- 14.9m @ 10.4% Zn+Pb from 676.0m

Teena: Cross Section and Drill Hole Locations



Source: Rox Resources



Breakaway's View

The drilling completed at Teena indicates that the mineralisation occurs in a syncline which extends ~1.5km in strike length (east-west) and still remains open. The highest grades appear to be found in the keel of the syncline with intercepts grading >13% Zn+Pb, at down hole thicknesses >20m. Encouragingly, drill hole TNDD0012 intercepted 14.9m @ 10.4% Zn+Pb from 676m down hole, indicating that significant mineralisation also occurs within the flanks of the syncline.

Although mineralisation is deep, mining at a depth of ~1,000m is relatively well understood and manageable, especially for a company of Teck's calibre. The decision to mine will more be a function of capital and operating costs rather than technical limitations.

Teena is shaping up as a very large deposit and one of the best zinc discoveries in Australia for many years. Mining will likely be amenable to large scale low cost production (such as open stope mining) supporting production rates of at least ~1-2Mtpa. Further drilling in the 2014 field season is likely to intersect additional broad zones of 'ore grade' mineralisation, providing comfort that Teck (and Rox) will meet the ambitious exploration target of 100-200Mt @ 10-12% Zn+Pb.

Mineralisation evident over 1.5km strike

A large scale mining operation would likely ensue



Bonya Copper Project - Earning up to 70%

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

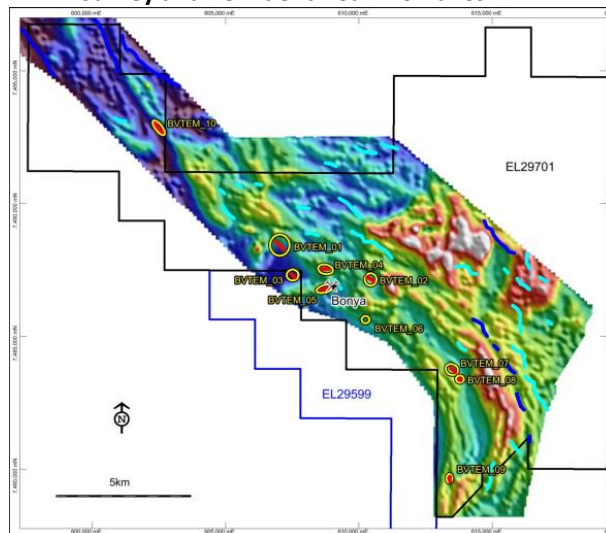
Under the terms of the agreement, Rox is required to spend \$500,000 within the first two years to earn a 51% interest in the copper, lead, zinc, silver, gold, bismuth and PGE mineral rights. Rox can then elect to earn a further 19% (for 70% in total) by spending a further \$1 million over a further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

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

At the Bonya prospect in particular, 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' 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-rich polymetallic deposits.

The nearby Jervois copper deposit contains massive and stringer zones of chalcopyrite (copper sulphide) and pyrite (iron sulphide) which are well defined by VTEM. As such, Rox recently completed a VTEM survey over 174km² of the Bonya project, aimed at identifying copper sulphide targets for drill testing. Encouragingly, Rox has identified ten anomalies, three of which are considered 'high priority'.

VTEM Survey and Ten Identified Anomalies



Source: Rox Resources

Rox reports that the B_10 anomaly has a very similar signature to the Jervois deposit while the B_01 and B_03 deposits are strong, well defined anomalies in their own right. The Company will now undertake field work to better define the targets ahead of a drill campaign earmarked for Q2 2014.

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

Attractive terms for earn in

Abundant outcropping of copper mineralisation

VTEM survey identifies ten anomalies

Two anomalies considered 'high priority'

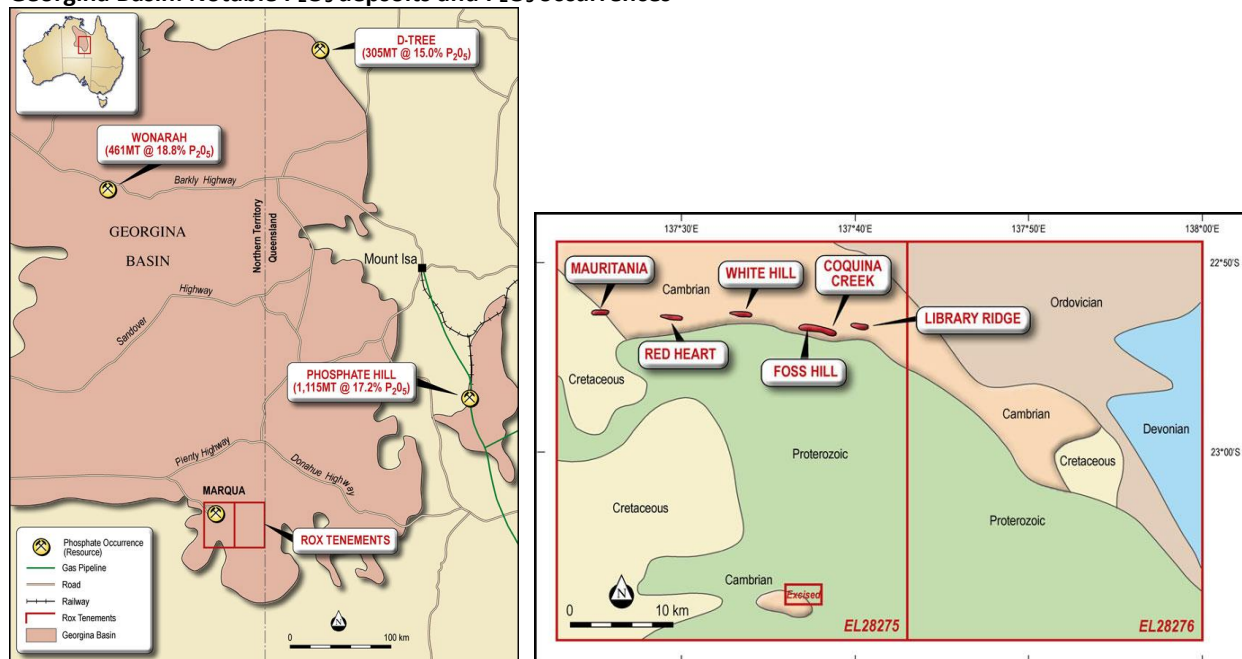


Marqua Project, NT – 100% interest

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 four tenements encompassing an area of ~1,900km². The project area is primarily prospective for phosphate deposits; however, there is potential for lead-zinc mineralisation as well (the Georgina Basin hosts 90% of Australia's hard rock phosphate resources).

Georgina Basin: Notable P₂O₅ deposits and P₂O₅ occurrences



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.

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

Exploration has slowed due to Mt Fisher nickel discovery

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.



Directors

Non-Executive Chairman

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 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 has had a successful corporate career focussing on the start-up, restructuring, management, growth and financing of emerging publicly listed mining, exploration and oil and gas companies. This experience ranges through a spectrum of activities: from capital and debt raisings, corporate restructuring, stock exchange listings (TSX, ASX, AIM), mineral exploration, mining and feasibility studies.

He has been a director of, and involved in the executive management of, a number of publicly listed resource companies with operations in Australia, Finland, the Ukraine, Laos, Papua New Guinea, South Africa, Chile and Mexico.

He has proven corporate skills and sound financial background with a Bachelor's degree in Economics and Finance and is a Certified Practising Accountant in Australia.



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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