

ASX Announcement : 03 September 2012

New High-Grade Zinc Discovery

Open Briefing interview with MD Ian Mulholland



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Rox Resources Limited (ASX: RXL) is an Australian exploration company with three key projects: the Mt Fisher gold project in Western Australia, and the Reward zinc-lead project and Marqua phosphate project, both located in the Northern Territory.

Market capitalisation: \$9.2 million

In this Open Briefing®, Ian discusses:

- New high-grade zinc discovery at Reward Project, Northern Territory
- Comparison of new discovery with existing zinc projects
- Reward Project joint venture with Teck

Record of interview:

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Rox Resources Limited (ASX: RXL) recently reported that its earn-in and potential joint venture partner in the Reward Project, Teck Australia, had uncovered significant historical drilling results that indicate a new and potentially high grade zinc deposit – the Teena prospect – within the Reward tenement package in the Northern Territory. What is the significance of this discovery? Given the assay data was undertaken from 1976 to 1978 and is now 30 years old, how accurate is it?

MD Ian Mulholland

The drill data Teck uncovered is significant and indicates the presence of a new zinc deposit on our tenements which will eventually increase our resource base by a significant amount. The data was never reported to the Mines Department. We found a reference to one of the holes in an open file report, but when we tried to find the data for the hole the trail went cold.

The data had been generated by Mount Isa Mines (MIM), which was taken over by Xstrata in 2002. Xstrata owns the McArthur River mine, which is close to Reward, and gave us permission to retrieve and examine the drill core from its core yard. We also found that more holes had been drilled, and eventually found the data in some old archived MIM files.

We're happy that the data is accurate. We spent some time verifying it and used a portable x-ray fluorescence (XRF) analyser to check the core. The grades, as well as our visual inspection of the core, matched the recorded assays quite well. In addition, we've also located some of the drill hole collars in the field.

If these results had come from our drilling, their significance would have been recognised immediately by investors as something quite special. These results, although 30 years old, are no less significant. The facts remain that mineralisation is there, a new zinc deposit is indicated that we didn't know about before, and it's on our tenements. These drilling results are like getting a bonus \$2 million drilling program for free.

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Is the Teena prospect an extension of the Myrtle deposit, which has been the main prospect at Reward to date?

MD Ian Mulholland

It's a new deposit of zinc and lead mineralisation that's highly significant given it's just 10 km from the McArthur River deposit, and was unknown in the public domain before. Myrtle is 15 km south of Teena and in a different area of the geological basin, so they're totally separate deposits.

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How does the Teena deposit compare with Myrtle? How does it compare with existing Australian zinc deposits?

MD Ian Mulholland

Myrtle currently has a JORC mineral resource of 43.6 million tonnes grading 4.09% zinc, 0.95% lead, for 5.04% combined zinc+lead. It contains about 2.2 million tonnes of zinc and lead metal in-situ, and there's a higher grade core of 15.3 million tonnes grading 6.84% zinc+lead.

Preliminary indications are that Teena is at least as big as Myrtle, and potentially higher in grade. The trade-off is that Teena is a little deeper than Myrtle, but that shouldn't be a problem as mining technology exists to exploit it if we can prove up the economics. It's too early to predict the resource we might find at Teena and how it will rate against other Australian deposits, but from what we've seen from the drill results it has the potential to be comparable to other significant zinc deposits.

If these drill results were published anywhere else in the world, the market would be sitting up and taking notice. Most zinc projects operate at lower grades than these worldwide, but the northern part of Australia is especially endowed with zinc and lead mineralisation, from Cannington, 200 km south of Mount Isa, through to McArthur River and further north into Arnhem Land, over a distance of at least 1,000 km. These deposits are exceptionally large and high grade, and form eight of the 10 "super giant" zinc deposits in the world.

In that context, our exploration target¹ of 100 to 200 million tonnes grading 10 to 12% zinc+lead would be economic anywhere in the world, and we're now starting to see strong evidence that it's achievable.

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To what extent are the geologies of Teena and Myrtle similar?

MD Ian Mulholland

The geologies of Myrtle and Teena are almost identical and have the same sequence of rocks found at McArthur River. The mineralisation is similar but not quite identical, to McArthur River.

This highlights how prospective our tenements are and suggests there is potential for multiple zinc deposits just like we see within 20 km of Mount Isa, viz. the Mount Isa, Hilton, and George Fisher deposits.

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Under your joint venture agreement on the Reward Project, Teck has the right to earn a 51% interest in the project by spending \$5 million. What has been the progress in Teck's earn-in?

¹ The potential quantity and grades of the Exploration Target listed above is conceptual in nature, insufficient exploration to define a Mineral Resource has been carried out at this point in time, and it is uncertain whether further exploration will result in the determination of a Mineral Resource.

MD Ian Mulholland

The earn-in is over a four-year period to 31 August 2014, so we're about halfway through. Teck has spent \$2.5 million, or about half the amount required. Under our agreement, Teck can increase its interest in the project to 70% by spending an additional \$10 million over an additional four years. After that, Rox can elect to contribute project capital at 30%, or dilute to a lower interest.

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What are the next steps in developing your portfolio? What strategic progress should shareholders be looking for in the short to medium term?

MD Ian Mulholland

We have drilling results coming out from Myrtle soon, and we've also just completed some RAB/aircore exploration drilling at our Mt Fisher gold-nickel project in Western Australia. Those results will also be out soon.

Mt Fisher has a number of strong gold targets and we're starting to develop some nickel sulphide targets there too. Our current resource is around 973,000 tonnes grading 2.75 g/tAu for about 86,000 ounces, but we believe the potential is for at least 1 million ounces. We've plenty of targets to test there.

Teck is currently re-logging the Teena drill core and will conduct some surface mapping and geochemistry to firm up the targets at Teena for drilling early next year. Some pretty exciting results should come out of all that.

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Thank you Ian.

For more information about Rox Resources, visit www.roxresources.com.au or call Ian Mulholland on (+61 8 6380 2988).

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The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Mulholland BSc (Hons), MSc, FAusIMM, FAIG, FSEG, MAICD, who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists. Mr Mulholland has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mulholland is a full time employee of the Company and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.