

# Quarterly Activities Report

For the period ended 31 March 2010

## About Fox Resources

**Fox Resources** is a nickel and copper exploration company with a substantial land holding in the Pilbara of Western Australia and established relationships with China.

Fox has a new operating strategy to capitalise on existing stockpiled material (300,000t+), to establish an initial five-year heap leaching operation. Part of this strategy is defining further base metal resources to incorporate into future heap leach operations.

The Company believes the implementation of a longer-term production strategy will drive positive cash flow in the near-term and deliver positive results for shareholders.

## Board of Directors

Terry Streeter  
Chairman

Bruno Seneque  
Managing Director

Geoff Clifford  
Non-Executive Director

Dr Yulong Tian  
Non-Executive Director

Rod White  
Non-Executive Director

## Investor Relations

Ann Nahajski  
Joint Company Secretary

## MARCH 2010 QUARTERLY ACTIVITIES REPORT

**Fox Resources Limited** (ASX: FXR, Fox) is pleased to announce the Company's Quarterly Activities Report for the period ended 31 March 2010.



During the March quarter, Fox continued to advance the development of a base metals heap leaching operation at its 100%-owned Radio Hill Project, evaluate opportunities for the Mt Oscar iron ore project, and explore alternative financing options to facilitate the return to nickel and copper production.

The Company's growth strategy throughout the quarter was focused on:

- Making progress towards a successful return to production at competitive profit margins
- Using an innovative bacterial heap leaching technology and hydrometallurgy to exploit the Radio Hill deposit
- Capitalising on the potential for additional value creation through the application of this technology to other resources
- Continuing growth through exploration in the Pilbara
- Unlocking additional value represented at the Mt Oscar iron ore project

During the period, Fox also received encouraging results from gold soil sampling at the Company's 100%-owned Mt Regal prospect in the Pilbara of WA. A follow-up drilling programme to test the bedrock potential at Mt Regal is part of the Company's exploration plans.

On 23 April, Fox announced plans to raise up to \$7.1 million through a non-renounceable rights issue to advance the Company's growth strategies. Existing shareholders will have the right to buy new 15 cent shares in the company on a one-for-six basis, with subscribers receiving one free attaching option for each new share. Southern Cross Equities have been engaged to manage any shortfall from the rights issue and provide corporate advisory services.

Following a busy March quarter of laying plans and exploring a variety of strategic alternatives, the Company anticipates an increase in news flow and

## **BACTERIAL HEAP LEACHING**

In late 2009, Fox announced plans to return to nickel and copper production at Radio Hill, located 35km south of Karratha in WA.

The Company is currently developing a base metals heap leaching operation with the aim of establishing an initial five-year mine life with commissioning expected to occur within the next 12 months.

A key component of the new operating strategy is based on commercialising the Company's Radio Hill deposit, using a proven and cost-effective technology known as bacterial heap leaching.

While common practice in the gold and copper industry, the bacterial heap leaching method is not unfamiliar to the nickel industry. The process uses bacteria in the area, essentially native bacteria, to liberate the nickel from the sulphide ore.

The development represents a new approach to the Company's assets and will capitalise on its 300,000+ tonnes of stockpiled material. Part of this strategy is defining further base metal resources to incorporate into future heap leach operations.

The Sholl nickel and copper project is a key deposit for Fox's developing heap leach operation and is located just 6km north of Radio Hill. Sholl's main mineralisation, Sholl B2, is a 2.5km continuous system that remains untested at depth. Fox is re-evaluating the Sholl B2 complex and adjacent resources in a similar manner to work conducted at Radio Hill last year.

Fox is currently exploring alternative financing options for developing the Radio Hill project, which will strengthen Fox's ability to achieve its target of first nickel and copper production within the next year.

### ***Column Testwork***

Column testwork continued during the March quarter with columns containing ore representing different periods in the heap leach project. Ores being tested include surface material from stockpiles at Radio Hill, disseminated ore from the Radio Hill mine, ore from Whundo and tailings from TSF1 as well as various composites of the aforementioned ores. To date, recoveries are now in excess of 70% for Ni and Zn, 60% for Co and approaching 50% for Cu.

External confirmatory testing has also been undertaken at metallurgical and mineral testing consultant Ammtec in order to determine metal liberation at a range of crush sizes. The results from this testwork indicate that at the operating crush size of 12.5 mm, in excess of 70% of the Ni, Cu and Co is exposed for bacterial oxidation and recovery into solution. A value of 70% recovery of each metal is being used internally for Year 1 and 75% for subsequent years. Acid consumption testwork has confirmed reasonably low acid consumptions of approximately 70 kg/t ore can be expected throughout the duration of the heap leach operation.

Resin testwork is all but complete, with high recoveries of soluble metal from the leach solution and clean high-grade end products of copper precipitates containing over 50% Cu and nickel/cobalt precipitates grading over 30% Ni.

Heap and process plant design work is now progressing, along with costing and sourcing of required equipment.

## EXPLORATION

### *Radio Hill Nickel & Copper Project (100% Fox)*

Radio Hill is located 35km South of Karratha, Western Australia.

In late 2009, the Company employed Fugro Spatial Solutions Pty Ltd to carry out ortho-imagery and produce a digital elevation model for the Radio Hill area. This work has now been delivered to Fox and is being used in the design and planning for the heap leach operation.

Evaluation of the surface stockpiles and Tailings Storage Facility 1 (TSF1) material at the Radio Hill mine has been completed (Figure 1). This work involved extensive sampling of the ROM, scats and waste material in the surface stockpiles, for a total of 105 samples. The Tails Dam Storage Facility No 1 (Figure 2) has been tested with a total of 97 drill holes. Geosonic Drilling carried out this work with a maximum hole depth of 7m. Specific gravity was measured for each metre submitted for assay (412 in total).

This evaluation was carried out to assess the volume and grade of the various stockpiles and TSF1 for the heap leach operation.

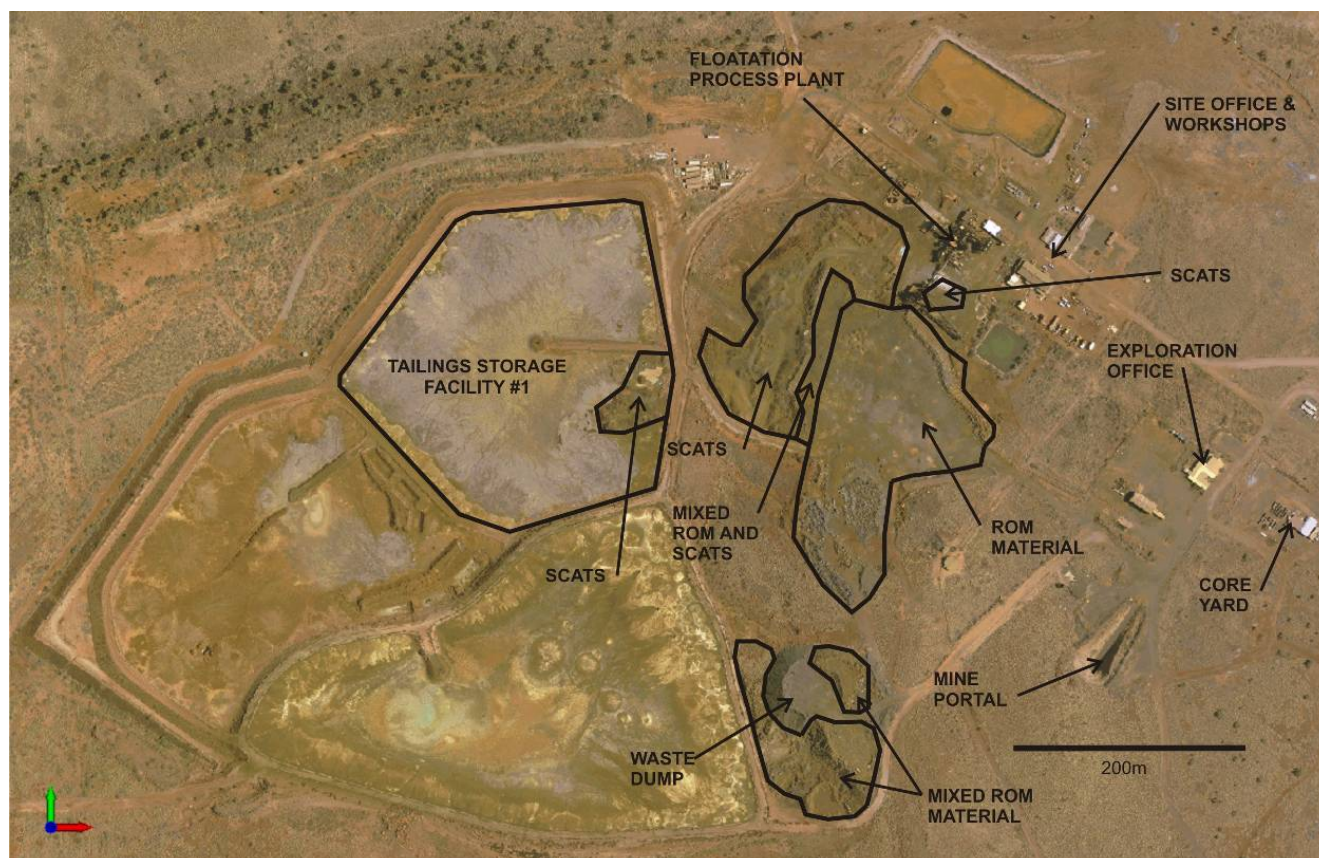


Figure 1: Radio Hill site, showing existing infrastructure and the stockpiles that were the subject of evaluation.



Figure 2: Plan view of drill-hole collars for the drill-out of the TSF1.

### **Sholl (100% Fox)**

The Sholl nickel and copper project is located 6km northeast of Radio Hill.

An updated Sholl B2 wireframe model has now been handed over to Snowden Mining Industry Consultants Pty Ltd for Resource and Reserve calculations. Results from this work are expected during the June quarter.

Sholl A1 and B1 databases are currently being validated and new wireframes generated. Once complete, the wireframe models will be handed over to external consultants for block modelling. All the Sholl projects are currently being assessed for their potential to supply additional feed for the heap leach operation.

A review of VTEM data over the Sholl tenement package has identified several new anomalies. Surface EM surveys have been planned to test these new targets.

### ***Whundo (100% Fox)***

Mining leases in this complex cover approximately 900 hectares, located 10km South of Radio Hill.

Modelling in the previous quarter highlighted areas of exploration potential. A downhole EM geophysical programme using existing drill holes to test this potential is currently being designed to commence in the June quarter.

Exploration targeting within the prospective areas of the Whundo, Yannery, Ayshia and surrounds has continued. Conquest and Sunchaser prospects have also been reviewed, with further exploration potential identified.

### ***Balmoral (100% Fox)***

Field investigation of existing targets is planned during the upcoming field season. Hyperspectral data is currently being reviewed along with the existing geophysics and geochemical sampling data to help prioritise targets.

## **GOLD EXPLORATION**

Mt Regal (E47/1202) was granted in July 2009 and lies to the west of the Ruth Well nickel sulphide occurrence and north of the regionally extensive Sholl Shear.



*Mt Regal Prospect*

Following up on initial results from the orientation soil sampling, a large soil sample program was carried out between Dec 2009 and Jan 2010 (Figure 3). In total, 1,262 soil samples were collected over the area of greatest prospector activity, with a line spacing of 200m and a sample spacing of 40m running north/south. Results were highly encouraging with several anomalies identified containing values up to 652 ppb Au above a background of approximately 6 ppb.

In February 2010, a 456 sample infill soil program was conducted over the four strongest anomalies. Sample spacing was reduced to 100m by 40m sample spacing. Results confirmed and tightened the anomalies, which included several assays greater than 1 g/t Au.

Field investigations of the anomalies indicate the quartz veining, which is currently believed to host the gold, has an east/west trend and is sub-vertical.

During the June quarter, a RAB/AC drill program is currently been planned to further test the identified anomalies.

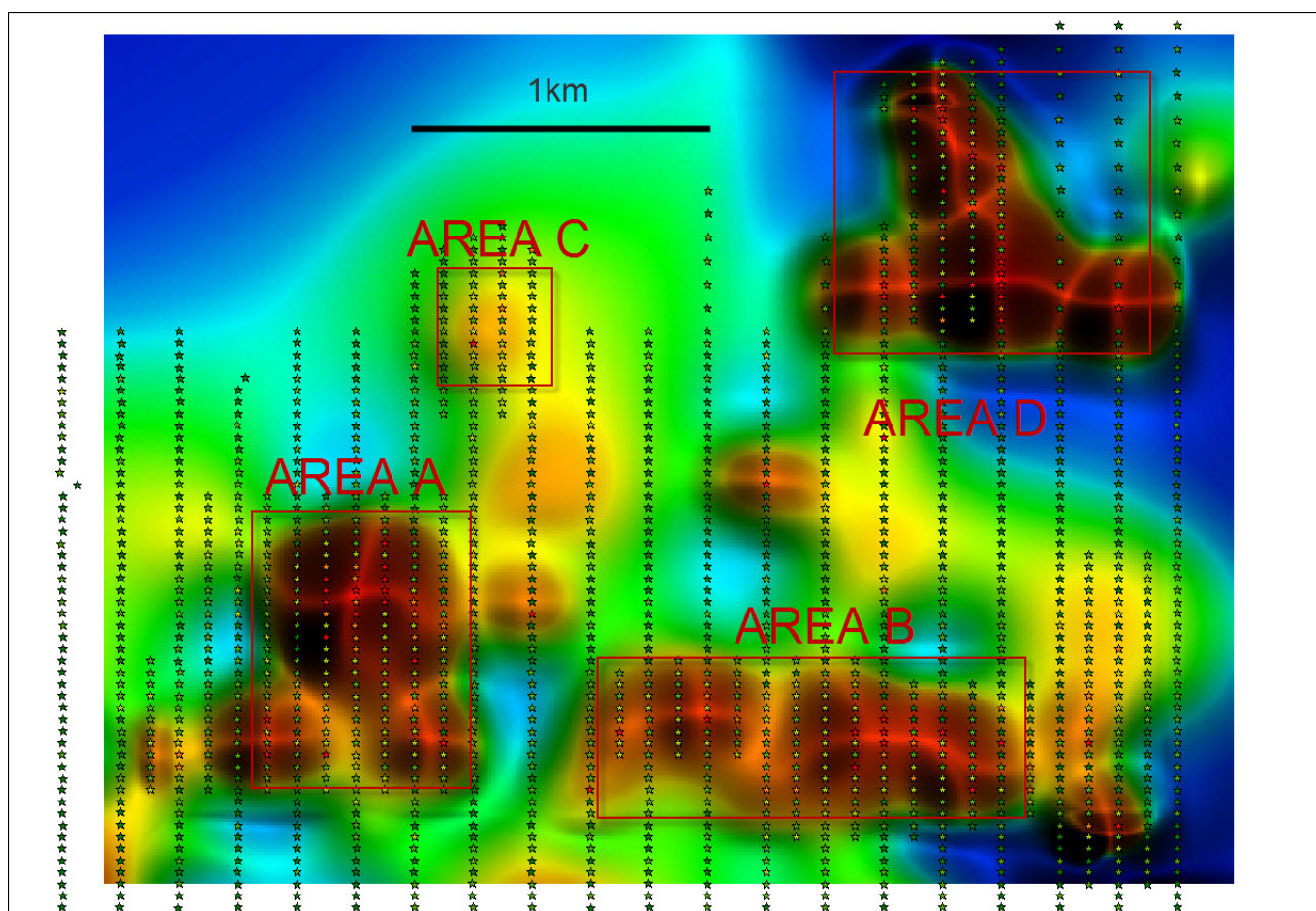


Figure 3: Soil sample locations coloured by Au showing original 200m spaced lines and 100m infill in areas of interest with colour image of Au values.

### **Mount Oscar Iron Ore Project - Mt Oscar (100% Fox)**

Discovered in July 2007, Mt Oscar is highly prospective for magnetite iron-ore mineralisation.

The project is located 25km south of the iron ore Port of Cape Lambert. The area of interest is a prominent outcropping banded iron formation (BIF), coincident with regional magnetic high, which has a potential 10km strike length.

A site visit by the consultant geologist was undertaken during the quarter to visually inspect the drill hole locations for potential future drilling programmes. Inclusive of the visit, a 20 kg sample of diamond core was taken for further metallurgical testwork.

As reported in the previous quarterly report, the Company has completed a QEMSCAN analysis on the Mt Oscar magnetite concentrate with the following conclusions;

- The silica level in the flotation concentrate can be reduced by removing the chlorite containing silica particle
- Theoretical grades, which calculated from the mineral map showed that the Mount Oscar sample exhibited the potential to be upgraded
- It was determined that concentrate with a theoretical Fe grade of 68.5% can be produced
- At 68.5% Fe, this would yield a concentrate with a silica grade of 3.4% Si

## **CORPORATE**

### ***Roadshows***

In February, Fox conducted roadshow presentations with a variety of brokers and analysts in Sydney and Melbourne. The objective of these meetings was to communicate the Company's future plans of the bacterial heap leaching operation and to help update the capital markets. A copy of the investor presentation was lodged on the ASX and posted on Fox's website during the quarter. It is the Company's intention to increase the number of investor briefings in the coming months as financing is secured and the Company has further updates to provide shareholders and potential investors. Please contact the Company if you would like to be made aware of future investor briefings in Perth, Sydney and Melbourne.

### ***Advisory***

During the March quarter, a leading resources focused stockbroking firm, Southern Cross Equities, was engaged to act as corporate advisors to the Company for current and future funding requirements.

### ***Finance***

On 23 April 2010, (in the June quarter) Fox announced a 1 for 6 non-renounceable pro-rata Entitlement Offer with one free attaching option exercisable at 30 cents on or before 31 March 2011. The Entitlement offers each new share for 15 cents to raise approximately \$7.1 million dollars (before costs), to be used to further advance the proposed heap leaching operation, continue exploration to define further base metal resources and mine life for the heap leaching operation and to provide working capital.

The Company is currently exploring additional funding arrangements to cover the balance of the estimated capital expenditure associated with the Company's return to production.

**For further details please contact:**

Bruno Seneque, Managing Director	+61 8 9318 5600
Ann Nahajski, Joint Company Secretary	+61 (0)400 205 433 ann@amncorporate.com

**COMPETENT PERSON STATEMENT**

The information within this report as it relates to mineral resources is based on information compiled by Fox Resources Ltd and Adrian Black of Newexco Services Pty Ltd. Adrian Black is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to this style of mineralisation and deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Adrian Black consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information within this report relating to exploration activities on the Company's projects is based on information compiled by Nicholas Revell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Revell 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 Revell has consented to the inclusion in the report of the information on the Mt Oscar Iron Ore Project in the form and context represented above.

Information in this document that relates to Mineral Resources is based on information compiled by Mr Jeremy Peters, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Peters is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Peters 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" (the JORC Code). Mr Peters consents to the inclusion in the document of the matters based on his information in the form and context in which it appears.



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Fox Resources Ltd

ABN

44 079 902 499

Quarter ended ("current quarter")

31 March 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	667	2,293
1.2 Payments for		
(a) exploration and evaluation	(283)	(2,600)
(b) development	(76)	(483)
(c) production	(762)	(3,352)
(d) administration	(700)	(3,052)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	32	94
1.5 Interest and other costs of finance paid	(97)	(316)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	2
<b>Net Operating Cash Flows</b>	<b>(1,219)</b>	<b>(7,414)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(101)	(284)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	(44)
<b>Net investing cash flows</b>	<b>(101)</b>	<b>(328)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,320)</b>	<b>(7,742)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,320)	(7,742)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	8,461
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	500
1.17	Repayment of borrowings	(242)	(710)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(242)	8,251
	<b>Net increase (decrease) in cash held</b>	(1,562)	509
1.20	Cash at beginning of quarter/year to date	2,295	224
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter *</b>	733	733

\*Subsequent to 31 March 2010, the Company announced (23 April 2010) a 1 for 6 Non-renounceable Rights Issue, to raise a maximum of approximately \$7.1m (before costs). The Offer entitles eligible shareholders to subscribe for 1 new share for every 6 held together with 1 free attaching option exercisable at 30 cents on or before 31 March 2011. Southern Cross Equities have been engaged to manage any Shortfall from the Offer.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	123
1.24	Aggregate amount of loans to the parties included in item 1.10	N/A

1.25 Explanation necessary for an understanding of the transactions

\$123k relates to director salaries & superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	180
4.2 Development	225
<b>Total</b>	<b>405</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	733	2,295
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>733</b>	<b>2,295</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E47/1223	REDUCED	100%	50%
6.2 Interests in mining tenements acquired or increased	E47/1758	ACQUIRED	0%	100%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3 <b>+Ordinary securities</b>	284,329,483	284,329,483		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	2	2	30 cents	30 cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Unlisted Employee Options 6,366,000	6,366,000	<i>Exercise price</i> \$1.00	<i>Expiry date</i> 30 June 2011
	Listed Options 48,051,388	48,051,388	\$0.30	30 November 2010
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	2	2	\$0.30	30 November 2010
7.10 Expired during quarter	N/A	N/A	N/A	N/A
7.11 <b>Debentures</b> <i>(totals only)</i>	N/A			

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	N/A	
------	---	-----	--

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: .....29/4/2010.....  
(Company secretary)

Print name: .....Tim Lee.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

---

+ See chapter 19 for defined terms.