

Revised Scoping Study Strengthens Heap Leaching Operation

Fox Resources Limited (ASX: FXR) today announced the preliminary economic results of its Revised Scoping Study (Study) on the 100%-owned Radio Hill and Sholl Heap Leaching Projects in the Pilbara region of Western Australia.

The Study details how Fox plans to mine an inventory of six million tonnes of mineralisation containing weighted average grades of 0.59% nickel and 0.79% copper.

The Study, revised from March 2011, has optimised the project returns, involved a more thorough costing model, and advanced much of the detail of the earlier work. Many of the fundamentals regarding bacterial heap leaching, from the previous scoping study, remain.

The Study has a new processing route to deliver improved economics and lower technical risk. The heap leaching operation is expected to have an NPV of \$73 million (8% discount rate) and an Internal Rate of Return (IRR) of 31% over the nine year life of mine. The Project is estimated to produce a net operating cash flow of \$125 million with project revenues of \$815 million over the initial mine life.

Interim Chief Executive Officer Mr Laurie Chew explained, "The project remains sound with compelling economics despite changes in the external market which have led to a marginally lower NPV and IRR. However, if modeled against market conditions when the initial Scoping Study was released, it is clear the revised version is more robust."

"We are now looking at a more conservative process and one we believe will be more marketable to potential offtake partners," said Mr Chew.

The new processing route involves the use of a water-soluble metal sulphide to selectively precipitate copper and nickel as sulphides from the heap leach solutions. The sulphidization process, in comparison to the previously considered ion exchange process, has proven a more viable option.

The Revised Scoping Study has involved test work conducted at third party laboratories providing product specifications and design criteria used for the detailed design of the metallurgical process plant. The resulting data has produced a more attractive end-product, which can easily be incorporated into most refineries and smelters.

An enhancement to the original plan is to build the larger of the two planned heap leaching pads first, resulting in more metal recovered earlier in the project, shorter leaching time and some deferred capital expenditure. This has partially offset recent challenges with adverse exchange rate and commodity price fluctuations.

The Company will now recommence discussions with potential off-takers and progress efforts to obtain construction financing to advance the project.

Bacterial Heap Leaching at Radio Hill

The process of heap leaching has been used since the mid 20th century, particularly to extract gold and copper from low-grade oxide ores. Mined ore is crushed and heaped on an impermeable plastic and/or clay lined leach pad where it can be irrigated with a leach solution to dissolve the valuable metals. The solution is percolated through the heap and collected in a pond before progressing to a metal recovery process.

The nature of the irrigation solution depends on the ore being leached. The ore at the Radio Hill and Sholl deposits is disseminated sulphide ore and therefore requires bacterial action to oxidise the ores and release the associated base metals.

Sprinklers, or more often drip irrigation, are used to deliver the leach solution to the heaps. The solution then percolates through the heap taking any metals released through bacterial action into the solution as it progresses. The pregnant liquor solution (PLS) containing the dissolved metals is then collected and delivered to the process plant where the metal is recovered from the PLS.

Downstream processing of the PLS then manipulates the chemistry of the PLS in order to remove contaminants and produce relatively pure separate base metal products. In the Fox Heap Leach Project, iron is removed from the solution and then a copper sulphide and mixed nickel/cobalt sulphide is precipitated from the solution via sulphidization.

One of the major advantages for Fox to establish a bacterial heap leach operation at Radio Hill is the existing conditions and infrastructure that is already in place, including granted mining leases, operating licences, offices, buildings, accommodation, underground mine, tailings dam, grid power, mains water and roads. The existence of such established infrastructure results in a rapid project ramp-up, coupled with lower start-up capital costs and lower ongoing operating costs.

The utilization of heap leaching for metal extraction at Radio Hill saves the Company power costs and yields higher metal recoveries than the conventional crush, grind, and float process. In addition, the end sale-product contains a much higher metal content (and hence, higher value) than conventional concentrate material. The reduction in product volume also reduces handling and transport costs.

Process Route	Concentrate Production (2008)	Heap Leach
Annual throughput (tpa)	350,000	400,000 – 850,000
Recovery Ni (%)	55 – 65	80 – 87
Recovery Cu (%)	70 – 75	55
Product grade Ni (%)	4 – 5	40 - 45
Product grade Cu (%)	7 – 8	45 - 50
Operating cost (A\$/t)	A\$124/t ore processed	A\$97/t ore leached (average)

Table 1: A summary comparing conventional concentrate production at Radio Hill to the heap leach operation.

At least one third of the ore feed for the initial year of production at Radio Hill will be derived from existing surface stockpiles (approximately 300,000 tonnes), representing a significant saving in mining costs and leading to further cost savings for the project.

The Radio Hill operation will process ore within a range of 400,000 - 850,000 tonnes per annum and will be operated in two phases. Phase 1 will involve processing Radio Hill ore that is on surface and from the underground mine. Phase 2 will involve leaching disseminated ore that will be mined from Sholl B2, B1 and A1.

Capital Costs

Pre-production capital required to proceed with the Radio Hill project is estimated at \$29.9 million. Additional capital expenditure of \$8.2 million is planned in year two for the construction of the second leach pad at Radio Hill and \$25.4 million is planned in year three for the construction of the leach pads and supporting works to expand operations at Sholl.

Operating Costs

Mining, processing and secondary processing costs are estimated at \$97.38/tonne ore leached.

Mine operating, project administration and ore treatment costings are based on historical cost information from the Radio Hill Project, previous experience of management on similar processing projects or unit costs obtained from contractors/suppliers. The following table summarises the operating costs for the projects:

Area	A\$/t ore leached
Mining Costs (average)	44.88
Treatment Costs	36.85
Administration Costs	4.95
Shipping Costs	5.00
State Royalty Costs	5.70
Total Site Operating Costs	97.38

Revenues & Financials

Revenues averaging \$91 million per annum are based on forecast metal prices for the life of the mine of US\$9.75/lb nickel and US\$3.96/lb copper (sourced from independent base metal forward curve forecasts) and an exchange rate (A\$: US\$) of 0.97 averaged over nine years from 2012 onwards.

The Project generates an operating cash surplus before tax and capital of \$188 million, NPV of \$73 million (8% discount) and an IRR of 31%.

The financial projections are based on achieving the commercial terms assumed for product offtake.

Project Approvals and Permitting

The Radio Hill Project is situated on granted Mining Leases and possesses all the necessary approvals, permits and licenses to operate, granted from the various regulatory bodies.

As with all new or modified extraction processes, there is a requirement to submit certain documentation to the authorities for approval before the project can be constructed. It is envisaged that there will not be any major issues to be encountered during the approval process.

Dewatering approvals have been obtained and the dewatering program for the underground mine has already commenced.

Project timeline

The Revised Scoping Study will now be presented to potential offtake partners and financiers. It is anticipated that initial production will be ready for shipment within 12-15 months after construction funding is finalised.

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About Fox Resources

Fox Resources (ASX: FXR) is a base metals development company with a substantial land holding in the Pilbara region of Western Australia.

While the Radio Hill copper and nickel project is the Company's flagship operation, exploration is also a major part of Fox's strategy. Fox also has a number of prospective gold and zinc targets, as well as a Joint Venture with Magnetic South Pty Ltd for a highly prospective magnetite project at Mt Oscar, located 25km south of the port at Cape Lambert.

Appendix 1: Radio Hill and Sholl Complex Global Mineral Resources:

Deposit	Mineralisation	Classification	Tonnes	Ni %	Cu %
Radio Hill ¹	Primary Sulphide	Indicated	1,980,000	0.61	1.04
Radio Hill ¹	Primary Sulphide	Inferred	2,040,000	0.42	0.73
Sholl B2 ²	Primary Sulphide	Indicated	2,260,000	0.59	0.71
Sholl B2 ²	Primary Sulphide	Inferred	3,520,000	0.51	0.64
Sholl A1 ³	Primary Sulphide	Inferred	1,305,000	0.47	0.64
Sholl B1 ³	Primary Sulphide	Inferred	1,865,000	0.43	0.49
Total			12,970,000	0.51	0.71
Total Contained Metal (tonnes)				66,147	92,087

1 2009 estimate (Snowden) Cutoff Grade 0.5% Ni in Ni dominant material, and 0.5% Cu in the Cu dominant hanging wall

2 2010 estimate (Snowden) Cutoff Grade 0.3% Ni Equivalent (=Ni + Cu/3)

3 2010 estimate (Snowden) Cutoff Grade 0.3% Ni Equivalent (=Ni + Cu/3.3)

Competent Persons Consent

The information in this announcement which relates to the Sholl Mineral Resource estimate has been reviewed and approved for release by Mr Ivor Jones, who is a Fellow of the Australasian Institute of Mining and Metallurgy and Chartered Professional. Mr Jones is a full-time employee of Snowden Mining Consultants and has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones has consented to inclusion in this announcement of this information in the form and context in which it appears.

Information in this announcement 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 announcement of the matters based on his information in the form and context in which it appears.

Forward-looking statements

This announcement includes forward looking statements. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Fox's plans, objectives, estimates and targets in relation to the Radio Hill Heap Leaching Operation (including development plans and objectives relating to production forecasts), are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fox to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Such forward looking statements are based on numerous assumptions regarding Fox's present and future business strategies and the environment in which Fox will operate in the future. Among the important factors that could cause Fox's actual results, performance or achievements to differ materially from those in the forward looking statements include among others, levels of actual production during any period, levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation and such other risk factors. Forward looking statements should, therefore be construed in light of such risk factors and undue reliance should not be placed on forward looking statements.