

## **FOX SECURES \$4M PROJECT FUNDING FROM CHINA'S JINCHUAN GROUP LTD FOR WEST WHUNDO COPPER- ZINC PROJECT**

### **HIGHLIGHTS**

- **China's Jinchuan Group Ltd backs Fox with A\$4 million pre-payment for copper produced from the West Whundo Copper-Zinc Project**
- **Fox is delighted with the strengthening of this important existing relationship with China's largest nickel producer Jinchuan Group Ltd.**
- **A binding offtake agreement has been reached with excellent terms for all copper produced from West Whundo**
- **No bank debt nor equity raising required to fund the West Whundo Copper -Zinc Project**
- **Feasibility study delivers open pit JORC compliant mine reserve of 8,000 tonnes of contained copper metal**
- **Underground Scoping Study delivers an additional mineral inventory of 3,700 tonnes of contained zinc metal and 1,300 tonnes of contained copper metal**
- **First unhedged copper ore anticipated to be produced in June 2006**

Fox Resources Limited ("Fox") (ASX code FXR) is pleased to announce that it has entered into a binding offtake agreement with Jinchuan Group Limited (Jinchuan), for all copper concentrate sales from the West Whundo Copper-Zinc Project. Fox has also entered into a financing agreement with Jinchuan, who have agreed to provide A\$4 million as a prepayment for sales from West Whundo.

### **Concentrate Sales Agreement**

Fox has a current life-of-mine offtake agreement, with Jinchuan, for all nickel and copper concentrate sales from the Radio Hill operations. The expansion of the relationship with Jinchuan now includes the West Whundo binding offtake agreement. The West Whundo offtake agreement's terms, including payable terms and pricing, are excellent in the current market. Fox has the additional advantage of leveraging off the current transport logistics, storage infrastructure at the Port of Dampier and existing shipping arrangements with Jinchuan.

### **West Whundo Copper-Zinc Project**

#### **Open Pit Feasibility**

Independent mining consultants RSG Global (RSG) have produced a JORC compliant mine reserve statement for the West Whundo feasibility study of **134,000 tonnes @ 6% copper (8,000t contained metal)** based on an optimised open pit mine design using a copper price of A\$5,500 per tonne.

The prevailing current copper price has currently exceeded A\$7,500 per tonne, which is 36% higher than the estimate used in the feasibility study. RSG are at present remodeling the open pit to include additional tonnes of copper and zinc, which have now become economical. Unhedged copper production is due to commence in June 2006, enabling the company to benefit from record breaking commodity prices.

## Underground Scoping Study

As previously announced in the December 2005 quarterly report, RSG were engaged to undertake a study to determine the economic viability of accessing a high grade zinc ore zone via a small underground decline from the base of the West Whundo open pit. The underground scoping study has delivered an economical mineable mineral inventory of 3,700t of contained zinc metal and an additional 1,300t of contained copper metal. Underground capital costs were estimated to be A\$2 million. With zinc prices surging to record highs and London Metal Exchange zinc stockpiles falling, Fox is well placed to benefit from rising both zinc and copper metal prices.

*“Jinchuan’s support in the form of an offtake agreement and provision of funding to kick start the West Whundo Copper-Zinc Project is seen as a vote of confidence in the new management team at Fox. The pre-payment provided by Jinchuan avoids the need for equity funding or bank debt which would have required hedging to be put in place. Fox is delighted to have the support of one of China’s leading nickel and copper producers and is determined to strengthen this extremely important relationship by becoming a reliable supplier of quality copper and nickel concentrates in the years to come.” Don Harper, Managing Director said.*

## Jinchuan Group Limited

Jinchuan Group Limited is a large integrated non-ferrous metallurgical and chemical engineering enterprise engaged in mining, concentrating, metallurgy and chemical engineering. It produces nickel, copper, cobalt, rare and precious metals and also some chemical products such as sulfuric acid, caustic soda, liquid chlorine, hydrochloric acid and sodium sulfite, together with some further processed nonferrous metals products. The output of nickel and platinum group metals respectively accounts for more than 90% of the total in China. Jinchuan Group Ltd is the largest producer of nickel cobalt in China, and is honored the Nickel City of China.

Jinchuan Group Limited has an annual production capacity of 130,000 tonnes of nickel, 200,000 tonnes of copper, 6,000 tonnes of cobalt, 8,000 kilograms of platinum group metals (PGMs) and 1,200,000 tonnes of chemical products.



Figure 1 – Jinchuan’s nickel and copper processing facility

## **ABOUT FOX RESOURCES LTD**

### **NICKEL, COPPER & ZINC – Radio Hill, Sholl & Ruth Well**

Fox is a Top Ten Australian nickel sulphide producer which operates the Radio Hill Nickel Sulphide Mine, located near Karratha in W.A. Fox's nickel and copper concentrate production is shipped monthly to China's largest nickel producer, Jinchuan Group Limited. A feasibility study has commenced into mining and heap leaching of the disseminated nickel resources at Radio Hill and the surrounding Sholl deposits. These deposits contain 40,000 tonnes of nickel and 50,000 tonnes of copper and on successful completion of the study, Fox aims to commence production in 2007.

### **GOLD – Star of Mangaroon, Four Ounce Show, and Radleys gold deposits**

The Star of Mangaroon Gold Mine is located 170 km north of Gascoyne Junction and 250 km northeast of Carnarvon, in the Gascoyne Mineral Field. The deposit was discovered in 1956 with underground production between 1960 and 1983 of 7,464 ounces of gold from 5,357 tonnes of treated ore (average grade of 34.8g/t gold). Fox holds the lease on which the deposit is located, as well as a surrounding lease application giving Fox a tenement holding of 65 km<sup>2</sup>. Fox is currently assessing joint venture opportunities.

The Four Ounce Show and Radleys gold deposits are situated on a mining lease approximately 12 km from the Radio Hill Mine in the Pilbara. This tenement hosts a number of gold-bearing systems where previous exploration outlined a preliminary resource in excess of 36,000 ounces to a depth of 50m. The mineralisation is mainly open in all directions. An additional promising gold prospect is East Well where previous drilling intercepted 2 m at 5.5 g/t gold. Assays of up to 50 g/t gold were obtained from rock chip sampling over a strike length of 800 m.

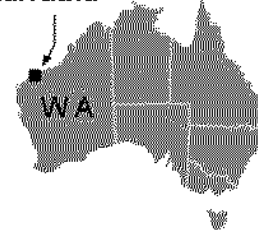
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**Karratha**



*The information in this report that relates to exploration results, mineral resources or ore resources is based on information compiled by Mr Ed Mead who is a full-time employee of the company and is a member of the Australasian Institute of Mining and Metallurgy. Mr Mead 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 Mead consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*