

QUARTERLY REPORT – MARCH 2006

ABOUT FOX RESOURCES

Fox Resources Limited ("Fox") (ASX code: FXR), listed on the ASX in April 2002 and has been active in the Pilbara since 2002. Fox is the Pilbara's only nickel producer.

The Company is currently operating the Radio Hill Nickel Mine 45 km south of the township of Karratha in Western Australia and is a Top Ten nickel sulphide producer in Australia.

Fox produces nickel and copper concentrates which are sold to China's largest nickel producer Jinchuan Group Limited. The company is also actively exploring for nickel and copper on its 1,000 km² of surrounding tenements with excellent success to date.

Fox's Ayshia Zinc project delivers excellent drill results confirming the Company has a zinc project.

Fox Resources Limited
ABN: 44 079 902 499
Suite 1 & 2
614 Newcastle Street
Leederville WA 6007
Australia

PO Box 146
Leederville WA 6903

Phone (61 8) 9318 5600
Fax (61 8) 9318 5666

www.foxresources.com.au

Don Harper, Managing Director

KEY POINTS

Radio Hill Operations

- The adverse impact of 5 cyclones crossing the Pilbara coast affected production at the Radio Hill operations
- Nickel and copper concentrate production for the quarter of 4,168 dry metric tonnes (dmt) @ 8.18% nickel, 1,762 dmt @ 26.74% copper, respectively.
- Unit net cash costs after by product credits was US\$3.74/lb nickel
- Operations remained cash flow positive for the quarter
- Installed Vertical Shaft Impact (VSI) crusher with commissioning underway
- Flotation cells refurbished and ready for installation in May 2006
- Feasibility Study on mining an additional 800,000t of low grade nickel and copper ore from Radio Hill nearing completion.
- 2,000t Batch trial of lower grade nickel ore delivers outstanding results validating the potential to extend Radio Hill nickel operations a further 2 years.

Whundo Copper-Zinc Project

- Independent consultants delivered an open pit mining reserve of 8,000 tonnes of contained copper metal for West Whundo
- Underground Scoping Study completed by independent consultants delivering a target reserve of 1,300t of contained copper metal and 3,700t of contained zinc metal
- Feasibility metal prices used were A\$5,500 per tonne copper and A\$2,900 per tonne zinc, metal prices subsequently risen by 72% and 55% respectively.
- Open pit mining at West Whundo currently underway with first copper concentrate expected to be produced in June 2006.

Exploration

- Ayshia, located 1.6km north east of West Whundo, returned an outstanding zinc drill intercept AYRC006 of 14m @ 10.4% zinc and 32.3 g/t silver 30m below surface, including 2m @ 26.3% zinc and 72.5 g/t silver from 37m below surface.
- Encouraging copper drill intercepts at Yannery where drill hole YNRC004 intercepted 3m @ 6.1% copper, 40m below surface, including 1m @ 9.5% copper which confirms mineralisation below the old workings
- Drill intercepts confirm northern extension to the West Whundo indicated resource with WHRC159 intersecting 3m @ 4.8% copper, 53m below surface
- Drilling currently targeting the Ayshia conductor plate

Corporate

- West Whundo Concentrate Agreement entered into with Jinchuan Group Ltd
- A\$4 million Finance Agreement entered into with Jinchuan Group Ltd to develop West Whundo Copper-Zinc Project
- Repaid remaining \$2 million Project Loan to become bank debt free
- Option conversions (97% take up) resulted in receipt of \$2.75 million to repay debt, fund capital upgrade of Radio Hill mill, and fund ongoing exploration and development

RADIO HILL NICKEL MINING OPERATIONS

Mining Operations

Nickel concentrate production for the quarter totaled 4,168 tonnes at a grade of 8.18% nickel for a contained metal content of 341 nickel tonnes. Copper concentrate production for the quarter totaled 1,762 tonnes at a grade of 26.74% copper for a contained metal content of 471 tonnes. Ore mined at Radio Hill Nickel Mine totaled 51,006 tonnes, while ore treated during the quarter was 47,913 tonnes. During the quarter stoping activities in F-Zone provided 47% of ore produced.

During the quarter a total of five cyclonic events unduly impacted on the Radio Hill operations. The direct impact was periodic cessation of operations over the five cyclonic events. Water inflows directly affected the ore delivery schedules. Water quality issues affected the mill performance both for grade of concentrate produced and recovery of product. Lower levels of the mine have been pumped out with mining operations returning to normal. The quality issue with respect to the mill water has now been rectified with a subsequent increase in recoveries of both nickel and copper concentrate production.

Mill Upgrade

A tertiary crushing facility designed to increase the milling rate was installed during the quarter. Trials commenced on 13 April 2006, and mechanically and electrically the facility performed as expected. Minor modifications for surge capacity increase have been made allowing further trials to recommence 1 May 2006. The upgrade of the flotation capacity of the Radio Hill mill is progressing, with civil construction scheduled to commence on 1 May 2006.

Production Outlook

The production outlook remains positive for Radio Hill, with the F-zone ore body delivering a consistent nickel (1.0% to 1.3% nickel) and copper head grade (1.4% to 2.1% copper). Cash costs have improved during the quarter as operational costs reduced by 18% as compared to the December 2005 quarter. Radio Hill was cash flow positive throughout the March quarter and is anticipated to continue to be cash flow positive throughout the June 2006 quarter. With nickel and copper prices at near record levels the return on investment by upgrading the Radio Hill mill for less than \$1 million is a strategic investment for the future.

Radio Hill Operating Performance	March 2006 Quarter	December 2005 Quarter	September 2005 Quarter
Ore mined (tonnes)	51,006	57,537	46,613
Total ore treated (tonnes)	47,913	54,625	47,353
Head grade (% Ni)	1.26	1.40	1.51
Head grade (% Cu)	1.69	1.55	1.29
Nickel production (dmt concentrate)	4,168	5,306	5,555
Nickel concentrate grade (%)	8.18	9.58	9.25
Contained metal nickel (t)	341	508	514
Copper production (dmt concentrate)	1,762	1,504	1,002
Copper concentrate grade (%)	26.74	28.53	28.1
Contained metal copper (t)	471	429	282
Nickel sales in concentrate (t)	7,329	5,746	5,565
Grade (%)	8.40	8.95	9.57
Contained nickel metal (t)	616	514	533
Copper sales in concentrate (t)	2,949	1,801	556
Grade (%)	26.79	28	27.98
Contained copper metal (t)	790	512	156

Radio Hill Low Grade Feasibility Study

A 2,000 tonne batch trial through the Radio Hill plant was carried out in April 2006 with the aim of testing whether a 9% nickel concentrate grade could be achieved at a head grade of 0.9% nickel. The trial was an outstanding success with the metallurgical key being the addition of caustic soda and sodium xanthate reagents to the flotation process. This breakthrough has now proven that the low grade nickel at Radio Hill can be economically processed. The final component of the feasibility study, being the metallurgical testing, has now been successfully completed. The results of the feasibility study will be announced after an audit by independent consultants, which is expected to be completed by the end of May or early June 2006. This feasibility study should confirm that the Radio Hill nickel and copper operation has a **further 2 years of additional mine life**.

EXPLORATION

West Whundo North Extension

Drilling to the north of the previously announced West Whundo Resource of 894,000 tonnes @ 2.0% copper, 1.4% zinc and 3.3 g/t silver has extended the high grade copper mineralisation 10 metres, but closed off the shallow supergene northern zone. Further drilling is planned to define the deeper zinc zone pending a successful underground mining economic assessment as announced in the December 2005 quarterly.

3m @ 4.8% copper; WHRC159 ... from 53m below surface

2m @ 3.5% copper; WHRC158 ... from 47m below surface

Drilling will also test for mineralisation to the north east of West Whundo. This area is towards the larger AUSTIN Anomaly and will be drilled in due course.

Whundo Pit Supergene

Drilling undertaken around the Whundo Pit was unsuccessful due to inadequate drill locations. Further drilling is planned with the start of mining at West Whundo and the availability of equipment to create suitable drill pads.

Yannery

Drilling has targeted down plunge extensions to the old Yannery underground mine. Ten drillholes for 892m were drilled as a first pass. Initial results are very encouraging with intercepts proving the mineralisation is open to the north. The geometry of the ore body is yet to be confirmed with several holes missing the hinge of a north plunging fold structure. Further drilling will be based on an assessment and interpretation of the fold structure once all geology and assays are collated. This is a very positive first up exploration result for Yannery.

Yannery is located on mining lease M47/9, only 900m north east of the West Whundo copper deposit and was first mined in 1913. A total of 477 tonnes of copper ore grading at 42.5 % copper was produced until 1920 from the mine and stockpiles. In the 1950s, a further 1,912 tonnes of copper ore was extracted. Yannery is under explored and has only been drilled to a limited extent to test the extensions at depth of the gossanous (mineralised) zones.

3m @ 6.1% copper; YNRC004 ... from 40m below surface

including 1m @ 9.5% copper ... from 41m below surface

1m @ 3.2% copper; YNRC005... from 43m below surface

Ayshia

Twenty Six holes have been drilled into the Ayshia deposit between the Ayshia conductor plate and Ayshia gossan. Drilling is continuing and is currently testing the strike and dip extensions of the Ayshia zinc discovery. Further drill results from Ayshia will be released as they come to hand.

18m @ 8.8% zinc, 31g/t silver 48m below surface, AYRC022

including 8m @ 15% zinc and 49 g/t silver

21m @ 6.5% zinc and 14 g/t silver 60m below surface, AYRC019

including 4m @ 18% zinc and 15 g/t silver

2m @ 10.2% zinc and 23 g/t silver 96m below surface, AYRC024

5m @ 7.7% zinc and 48 g/t silver 42m below surface, AYRC020

7m @ 5.0% zinc and 22 g/t silver 74m below surface, AYRC023

8m @ 12.9% zinc and 33 g/t silver 25m below surface, AYRC011

including 4m @ 16.8% zinc and 42 g/t silver from 26m below surface

7m @ 10.5% zinc and 33 g/t silver 36m below surface, AYRC012

including 2m @ 21.3% zinc and 60 g/t silver from 38m below surface

12m @ 9.4% zinc and 33 g/t silver 34m below surface, AYRC009

including 1m @ 24.2% zinc and 26 g/t silver from 43m below surface

14m @ 10.4% zinc 30m below surface, AYRC006

including 2m @ 26.3% zinc

4m @ 5.2% zinc from 33m below surface, AYRC008

including 1m @ 8.5% zinc

2m @ 5.0% zinc 29m below surface, AYRC007

VOLCANOGENIC MASSIVE SULPHIDE (VMS) DEPOSITS

VMS deposits tend to cluster in districts (or camps) and locally within districts. The average massive sulphide camp in Canada has about 9 deposits, but ranges from 4 (Manitowadge) to 21 (Noranda), however, individual deposits may consist of a number of closely associated, discrete lenses ranging from several thousand to several million tonnes in size. The largest deposits in this group may be in excess of 100 million tonnes such as Kidd Creek in Canada.

FLTEM Geophysics

To date the use of FLTEM (Fixed Loop Electromagnetics) on the Whundo VMS Copper-Zinc Project has been very successful in locating mineralisation. The technique has revealed anomalies at West Whundo, Whundo, Austin, Shelby, Yannery and Ayshia. Drilling thus far has shown mineralisation at West Whundo, Whundo, Yannery and Ayshia. Drilling in the near future will test the anomalies at Austin and Shelby, currently the two largest anomalies by size.

The impending FLTEM program (Figure 1) will test the unexplored western portion of the Whundo mining lease for geophysical conductors. The low level high resolution aeromagnetics flown in 2004 indicates multiple unexplained magnetic anomalies in this area. West Whundo and Whundo both have strong magnetic anomalies associated with mineralisation, with Austin and Shelby yet to be tested. Yannery and Ayshia have low level magnetic responses which nevertheless are associated with mineralisation. The results of the survey will be reported as soon as they become available.

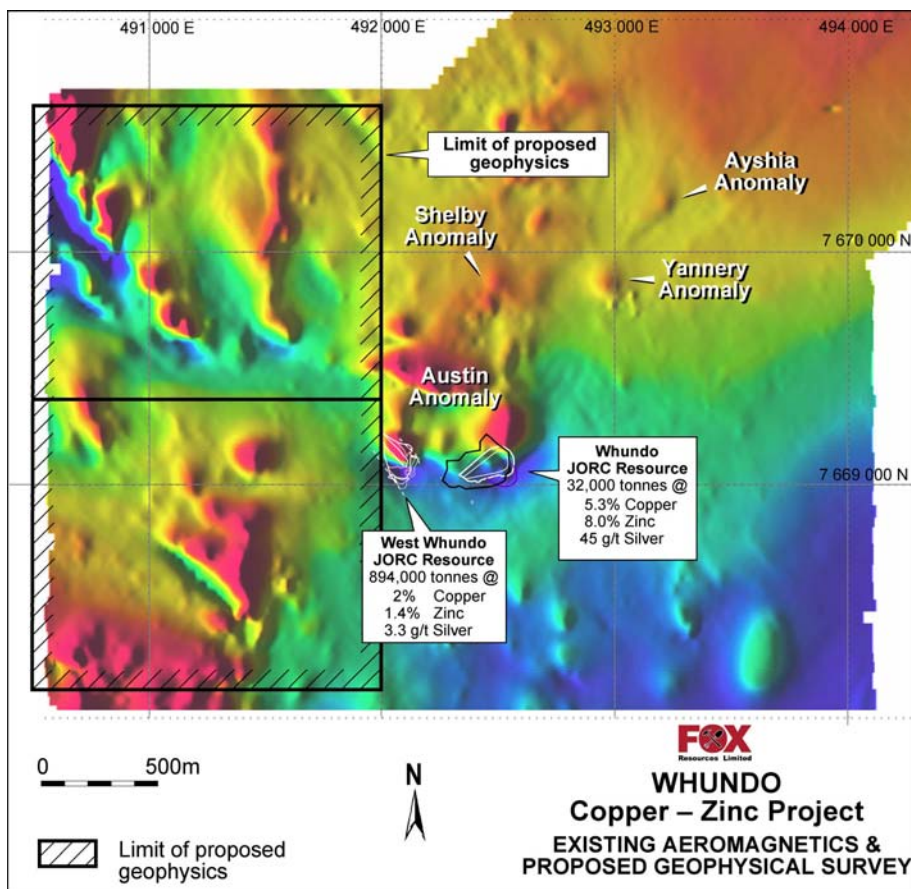


Figure 1 – Proposed FLTEM geophysical program.

PROJECT DEVELOPMENT

West Whundo Copper-Zinc Project

All approvals and permits from regulatory bodies have been granted for mining operations to proceed. These include clearing permit, works approval, notice of intent and aboriginal heritage clearance.

Roche Mining has been appointed to carry out the main contract mining and construction works. Mobilisation of their plant, equipment and personnel is now complete. The major mobile equipment include a Komatsu PC1250 excavator, 3 x Caterpillar 777C haul trucks and a Caterpillar D10R bulldozer.

Site clearing and establishment of site infrastructure, including offices and workshop, is complete. Construction of the main haul road commenced on 18 April 2006 and is expected to be finished in approximately three weeks.

Actual mining and earthmoving operations for the open pit have commenced on 27 April 2006.

Radio Hill Disseminated and Sholl BioHeap Leach Projects

Throughout the March quarter, test-work has continued with good results with respect to the recovery of nickel and copper using the BioHeap technology. With the metallurgical flotation success achieved with the Radio Hill disseminated ore, the Company will review the future continuation of the BioHeap test-work.

CORPORATE

Radio Hill Operations

Despite the adverse impact of cyclonic events on the Radio Hill operations, concentrate sales revenue for the quarter amounted to \$7.5 million compared to \$8.5 million for the December 2005 quarter. Direct site costs for the March quarter fell by 18% (\$5.5 million) compared to the December 2005 quarter (\$6.7 million). Indirect site costs (royalties, interest etc) remained constant compared to the previous quarter, at \$1 million for the March 2006 quarter.

Project Loan

During the March 2006 quarter, the Company repaid the outstanding balance of \$2 million on the Project Loan payable to Société Generale, and became debt free.

Equity Movements

The Company received \$2.75 million from the conversion of ASX listed \$0.20 options which expired on 31 January 2006. This represented a 97% take up of the total outstanding at 31 December 2005. These funds were used to repay the Project Loan, fund the capital upgrade of the Radio Hill processing plant and ongoing exploration and development.

West Whundo Concentrate Sales Agreement and Finance Agreement with Jinchuan Group Ltd

During the March quarter, the Company entered into a binding off-take agreement with the Jinchuan Group Ltd (Jinchuan), for all copper concentrate sales from the West Whundo Copper-Zinc Project. The Company has a current life-of-mine off-take agreement, with Jinchuan, for all nickel and copper concentrate sales from the Radio Hill operations. This relationship with Jinchuan has now been expanded to include the West Whundo Project. The West Whundo off-take agreement's terms, including payable terms and pricing, are excellent in the current market. Fox also has the additional advantage of leveraging off the current transport logistics, storage infrastructure at the Port of Dampier and existing shipping arrangements with Jinchuan.

The Company also entered into a financing agreement with Jinchuan, who have agreed to provide A\$4 million as a prepayment for sales from West Whundo. These funds provided by Jinchuan will fund the development of the West Whundo mine, and avoids the need for equity funding or bank debt which would have required hedging to be put in place. This means Fox will be able to take full advantage of favourable copper and zinc metal prices which reached record highs in April 2006 and are projected to remain high for the operational life of the West Whundo mine.

CORPORATE DIRECTORY

Board of Directors

Don Harper Managing Director
 Bruno Seneque Executive Director
 Terry Streeter Non-Executive Director
 Julian Hanna Non-Executive Director

Company Secretary

Bruno Seneque

Competent Person

The information in this report that relates to exploration results, mineral resources or ore reserves 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.

For further details, please contact:

Don Harper Managing Director +61 8 9318 5600

Issued Share Capital

Fox has 111.6 million ordinary shares currently on issue.

In addition, there are the following options currently on issue:

ASX Listed Options
 75c Options expiring 30 June 2007 24,167,458

Unlisted Options
 60c Options expiring 31 Jan' 2007 3,505,000
 25c Options expiring 30 June 2007 500,000
 75c Options expiring 30 June 2007 900,000
 60c Options expiring 30 June 2008 1,000,000
 52c Options expiring 30 April 2008 1,715,000

Registered Office

Fox Resources Limited
 614 Newcastle Street
 Leederville
 Western Australia 6007
 Phone (61 9) 9318 5600
 Fax (61 9) 9318 5666
www.foxresources.com.au

Share Registry

Computershare Investor Services Pty Limited
 Level 2
 Reserve Bank Building
 45 St Georges Tce
 PERTH Western Australia 6000

Phone (61 8) 9323 2000
 Fax (61 8) 9323 2033
www.computershare.com.au

Please direct enquiries regarding your shareholding to the share registry.