



Quarterly Activities Report

For the period ended 31 December 2011

December 2011 QUARTERLY ACTIVITIES REPORT

About Fox Resources

Fox Resources is a base metals development company with a substantial land holding in the Pilbara region of Western.

Fox is well advanced in developing an innovative heap leaching operation to capitalize on an existing 300,000+ tonnes of stockpiled material at its flagship Radio Hill copper/nickel Project. Returning to production at Radio Hill is a major priority for the Company with exploration to further define base metal resources key to extending the future heap leach operations.

Fox's exploration programme also covers a number of prospective gold targets and a magnetite project at Mt Oscar, located 25km south of the port at Cape Lambert which is a Joint Venture with Magnetic South Pty Ltd.

Board of Directors

Terry Streeter
Chairman

Dr Yulong Tian
Non-Executive Director

Rod White
Non-Executive Director

Garry East
Non-Executive Director

Chief Executive Officer

Laurie Chew

Chief Financial Officer/ Company Secretary

Bruce Garlick

Fox Resources Limited (ASX: FXR) today released the Company's December 2011 quarterly activities report. Over the past three months, the company has undertaken drilling as part of the ongoing exploration program, conducted a successful downstream processing trial and signed a Memorandum of Understanding with a Chinese co-operative for the provision of funding for the development of the Radio Hill and Sholl project.

EXPLORATION

Highlights

- Diamond drill hole completed at Radio Hill
- EM target identified at Radio Hill
- Gold nuggets found at Mt Regal
- Geological mapping and rock chip sampling completed at Mt Regal with anomalous Zn zone extended
- Mapping of Mt Oscar completed
- 3000m of RC drilling planned for next quarter at Mt Oscar

Base Metal Exploration

Radio Hill (100%)

The Radio Hill project is located in the West Pilbara region of Western Australia, approximately 35km south of Karratha. The site has established infrastructure including a camp, office and workshops and a fully developed underground mine that is currently in care and maintenance. The combined indicated and inferred resources at Radio Hill are 4.02 Mt grading 0.51% Ni and 0.89% Cu.

Historically, the ore mined and processed from Radio Hill was massive or semi massive nickel sulphide ore and the current geological model reflect these parameters. However, the proposed heap leach processing route for Radio Hill now enables the processing of lower grade disseminated ore. Some of this ore is not included in the existing geological model or mining inventory. Fox will undertake an assessment of the current model with a view to refining the model to include materials previously excluded from the current model. This review will not only potentially increase the mining inventory available at Radio Hill it will also assist with mine design. During remodelling, there may be a requirement for re-logging of historically drilled holes and the drilling of some new holes.

During mid-December 2011, a single diamond drill hole (11RHDD123) was completed at Radio Hill. This hole was drilled to test for disseminated mineralisation beneath the trial pit area and to provide geotechnical data for mine engineering purposes. A summary of the geological log appears below.

Drill Hole 11RHDD123 Diamond Hole -60/290 (mine grid) 4015mN/6870mE (mine grid)					
Date	Metres From	Metres To	Metres Drilled	Geology	Mineralisation
11/12/2012	0	18	18	0 - 18 peridotite Calcrete until 14.5	Weak disseminated mineralization 14.5 onward
12/12/2012	18	45	27	18 - 20.5 peridotite. Pyroxenite 20.5 – 34.5. Mine gabbro 34.5-45.	Peridotite and pyroxenite weakly mineralised. Mine gabbro moderate to weak mineralization.
13/12/2012	45	69	24	Mine gabbro 45 – 56. Chilled margin 56 – 57. Felsic volcanics 57 – 67.5. Mafic volcanics 67.5 – 69.	Mine gabbro variably mineralised weak to moderate. Very small (5cm) interval of remobilized semi-massive sulphide at 50m
14/12/2012	69	78.5	10	Mafic volcanics 69 – 78.5.	-

Table 1: Summary of Geological Log

The mineralisation reported from 11RHDD123 is in line with expectations and supports the geological model in this part of the ore body. 11RHDD123 will be geotechnically logged and then geochemically sampled, with assays expected in late February 2012. Following up from this first hole, a second hole will be drilled during January 2012.

During December, an untested ground Electromagnetic (EM) target was identified within the Radio Hill database. It is proposed to follow up on this existing anomaly with a program of ground based EM surveying during the upcoming quarter. Figure 1 details the location of the EM anomaly and proposed follow-up activity.

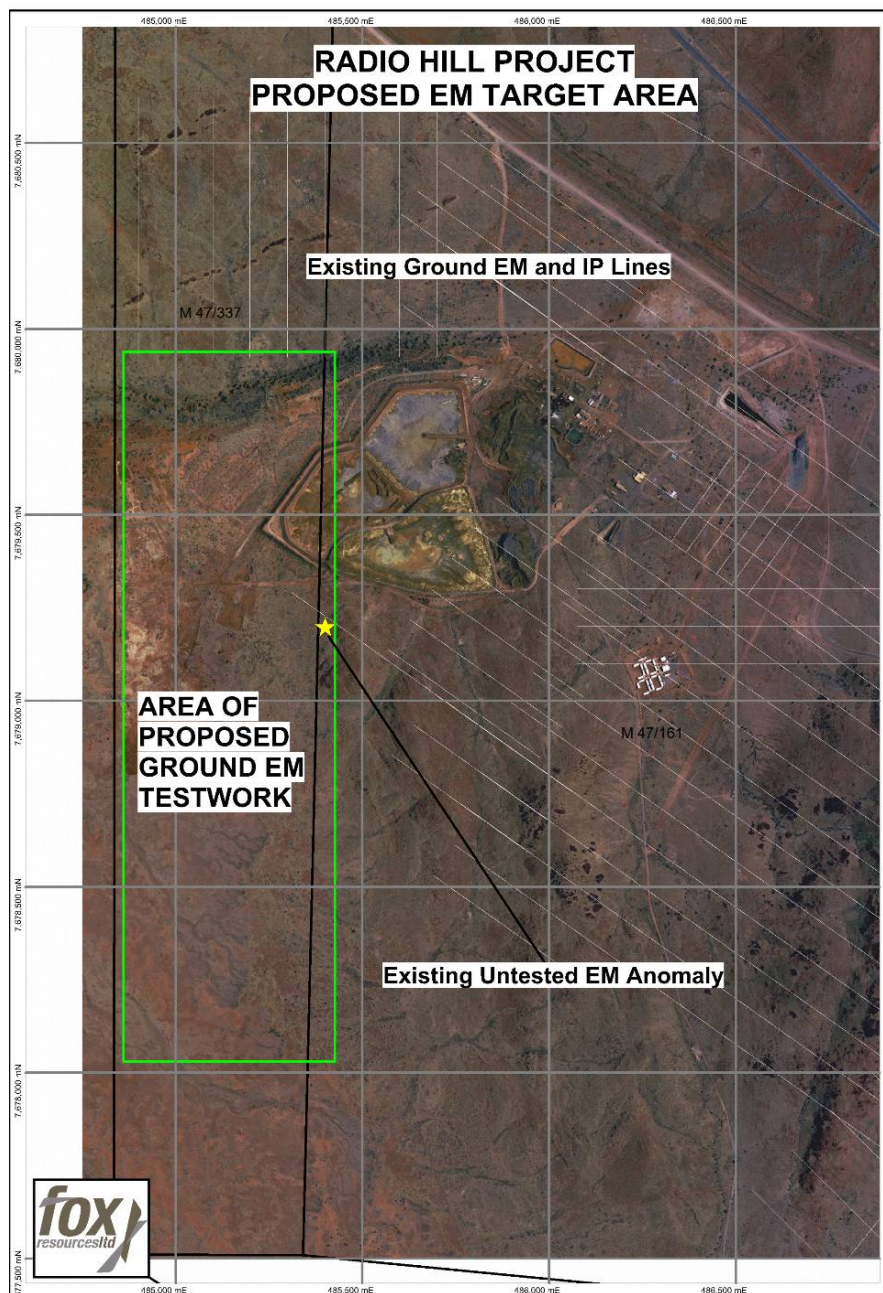


Figure 1: Location of EM anomaly and proposed follow up activity

Ayshia (100%)

A diamond drilling program consisting of 3 diamond drill holes for a total of 680m of drilling has been proposed for Ayshia. It is anticipated to complete this drilling during the upcoming quarter.

Bertram (100%)

A diamond drilling program consisting of 2 diamond drill holes for a total of 165m has been proposed at Bertram. It is anticipated to complete this drilling during the upcoming quarter.

Baynton (100%)

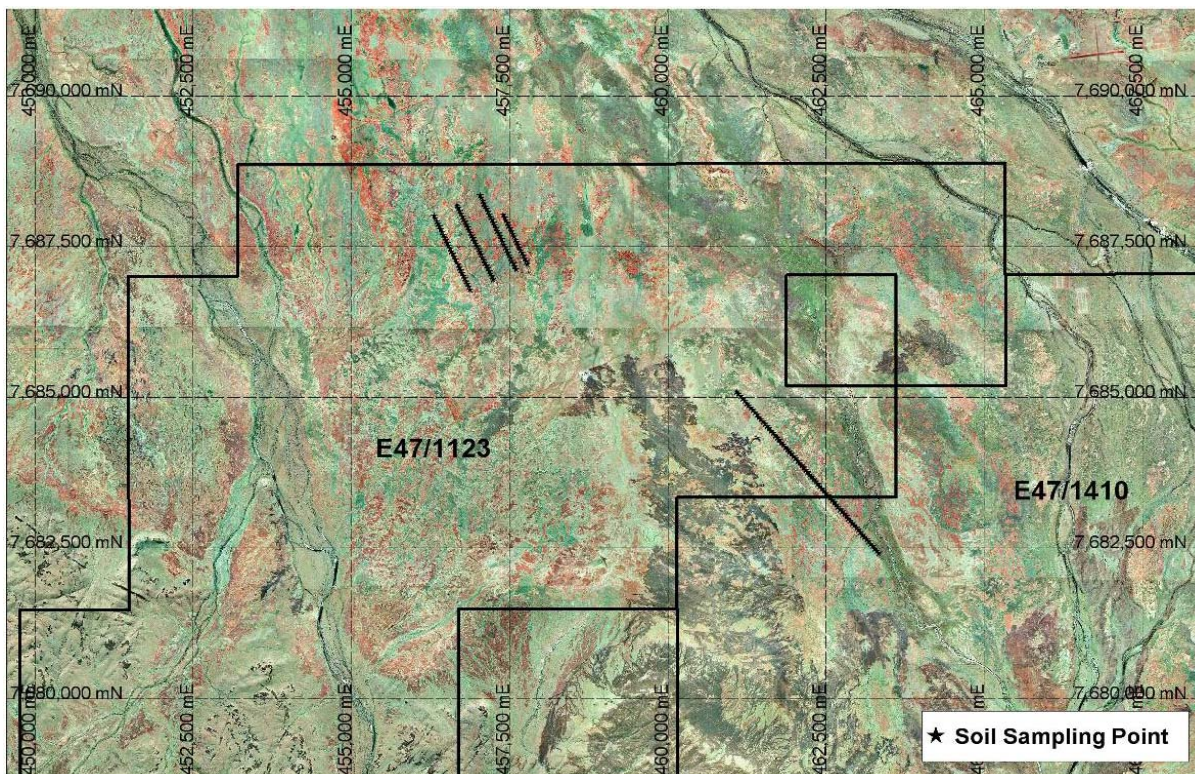


Figure 2: Baynton Project soil sampling locations

Following on from the previous quarterly report, the results of the 171 samples collected from the two geochemical surveys have been received. Preliminary analysis and interpretation of the results is ongoing with a number of geochemical consultants. Figure 2 details the location of the soil samples collected at Baynton.

Gold Exploration

Mount Regal (100%)

Mt Regal is prospective for both gold and base metals. Mt Regal (E47/1202) occurs to the west of the Ruth Well nickel-sulphide occurrence and north of the regionally extensive Sholl Shear zone. The tenement is active in both base metals and gold evaluation. Several prospectors have reported to Fox that using metal detectors, they have located gold nuggets of unspecified size within the Mt Regal tenement. Fox Resources will investigate these occurrences within the overall tenement geology and develop an exploration strategy to follow up on these results. Figure 3 details the location of the reported nuggets.

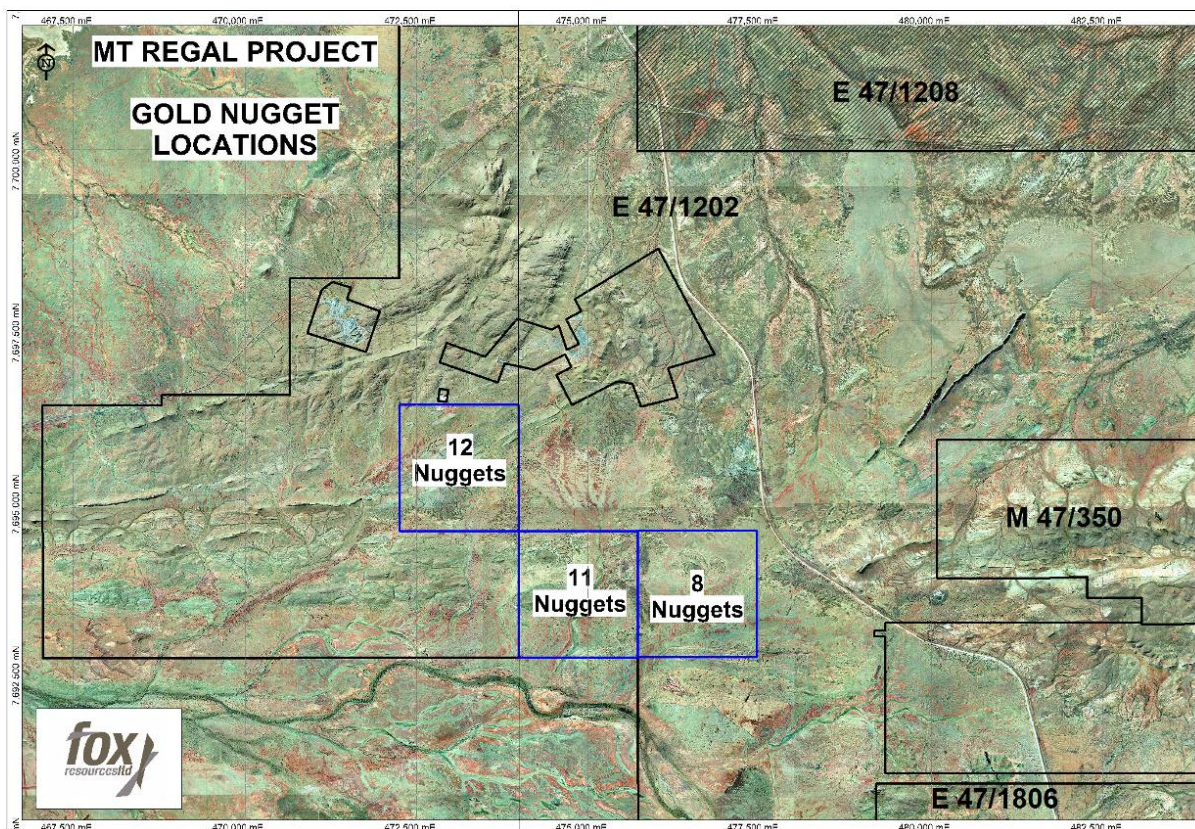


Figure 3: Mt Regal - location of reported nuggets

Fox Resources is also undertaking base metals exploration on Mt Regal. Following on from rock chip sampling conducted in the previous quarter, a further 24 rock chip samples were collected this quarter from the prospective zone north of the Mt Regal gold prospect. In total, 41 rock chip samples have been collected from this area, with 10 returning results greater than 500ppm Zn, with a maximum assay result of 2750ppm Zn being reported.

A limited program of mapping was conducted over the zone of anomalous zinc. The zone of anomalous rock chip geochemistry has a strike extent of 1200m and is open to both the north and south. The mapping confirmed that the zinc rich zone is a chert horizon ranging in thickness between 10 and 30m.

Figure 4 displays the location and grade of all rock chips in this area, taken from both the first and second sampling programs and also the location of the zinc rich horizon as determined from the geological mapping.

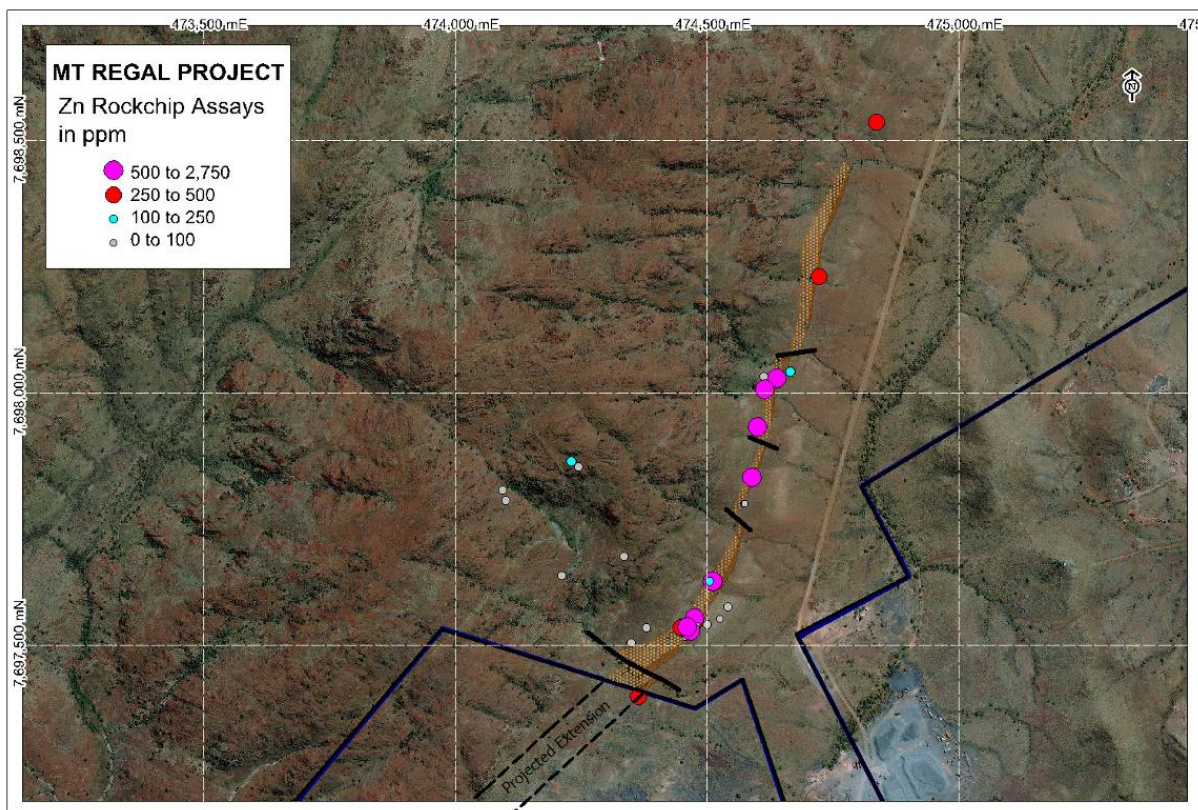


Figure 4: Location of the Zinc rich horizon at Mt Regal and the Zn assay results from rock chip samples collected from within this horizon

Mangaroon (100%)

Exploration tenement E09/1813 located at Mangaroon was granted by the DMP on Dec 5. FXR now has two contiguous granted tenements at Mangaroon, the second being E09/1081. These tenements cover the historic Star of Mangaroon gold mine and the surrounding prospective geology. Fox Resources will commence compiling data on this tenement group as a prelude to the commencement of exploration activities during upcoming quarters.

Magnetite Iron Exploration

Mt Oscar (100%)

During the previous quarter, geological mapping was undertaken at Mt Oscar. This mapping clearly displayed that the area previously and currently targeted by drilling are those parts of the tenement that are the most prospective for Magnetite Iron Ore. Fox Resources has a program of RC drilling planned to extend the strike of the known resource area at Mt Oscar. This program consists of the drilling of 3000m of RC drilling and will be commenced during February 2012.

Geological mapping also highlighted the potential for Mt Oscar to host other commodities. A review of the existing geochemical database for Mt Oscar is underway with a view to targeting soil and stream sediment opportunities for gold and base metals within the Mt Oscar tenure.

BACTERIAL HEAP LEACHING TESTWORK & ENGINEERING

Final downstream processing pilot trials have been run and completed at the Radio Hill mine site during the quarter. The pilot plant used for the trials was designed to treat solution generated from bacterial heap leaching. A program of work was carried out in order to generate final design data for detailed engineering of the commercial scale plant, test the downstream process itself and generate sufficient product for testing and analysis by potential offtake partners.

The test campaign ran continuously for eight days, 24-hours per day and was manned by members of the management team, site personnel and engineers from both Bateman and Delkor. Solution generated from pilot scale column leaches entered the pilot plant and was first treated to remove iron through precipitation with limestone. Thickening and filtration testwork carried out on the resulting slurry provided data for final design of the filters and proved that the precipitate was readily amenable to filtration using plate and frame filters and required minimal washing to remove entrained copper and nickel; as specified in the downstream processing design. The iron precipitate generated from this stage of precipitation provided samples of 'waste material' for further characterisation testwork to determine the most appropriate methods of re-handling and disposal.

As mentioned in the previous quarterly report, iron removal from the pregnant liquor solution comprises approximately half of the capital and operating cost of the downstream processing plant. The excellent results achieved from iron removal in the two pilot trials conducted, demonstrates that the current engineering design is suitable for removing iron from the system.

Once iron was removed from the solution, copper and nickel were sequentially removed as sulphides through careful manipulation of the solution pH and through the addition of sodium hydrosulphide (NaHS) to the solution. The process was optimised for reagents consumption, settling and filtration rates by varying the slurry recycle rates and like the iron precipitation, test data generated from this work will be used in the detailed design process.

The successful completion of this testwork concludes testwork on the Radio Hill section of the heap leach project.

CORPORATE

Board Update

During this quarter, Mr Garry East was appointed to the Board of the Company. Mr East is a successful Western Australian based businessman who has taken leadership roles in the agricultural industry and has been an active investor in the resources sector for many years.

Issue of shares

During this quarter, Fox finalised the Tranche 1 and Tranche 2 Placements it announced on 21 September 2011, issuing 68,750,000 shares at \$0.08 per share to raise \$5,500,000 before issue related costs. \$1,029,065 of this amount was applied to repay loans (and accrued interest) made to the Company by Jungle Creek Gold Mines Pty Ltd.

The balance of the amount raised will provide funding to progress development of the bacterial heap leach operations at Radio Hill, in the Pilbara region of Western Australia, fund ongoing exploration and provide general working capital.

The Company received overwhelming approval for the issue of the Tranche 1 and Tranche 2 placement shares at the Annual General Meeting of the Company which was held on the 23 November 2011. The new shares rank equally with Fox's existing fully paid ordinary shares.

Memorandum of Understanding

As disclosed to the ASX on 15 November 2011, a non-binding Memorandum of Understanding was signed by the Company and Chinese co-operative Jiangxi Jiangli Sci-Tech Co Ltd (Jiangli) in relation to the provision of funding for the initial phase of development of the Radio Hill and Sholl nickel/copper bacterial heap leaching project. The agreement contemplated by the memorandum is subject to the agreement of, and entry into, formal documentation between the Company and Jiangli. The negotiations are continuing and further updates will be provided as appropriate.

For further details please contact:

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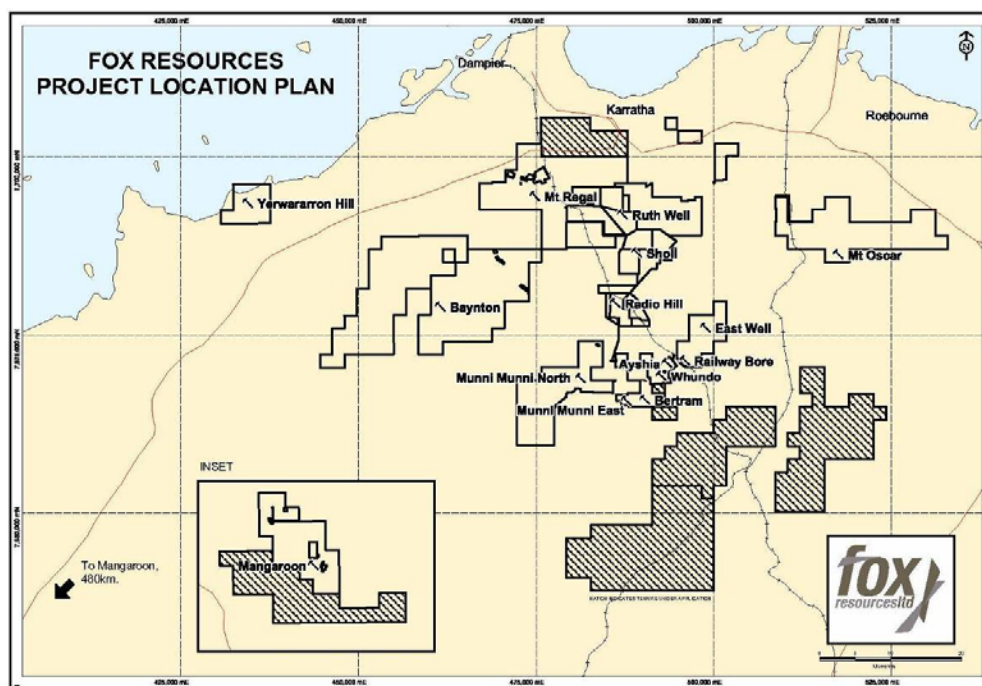


Figure 6: Pilbara Project Map

COMPETENT PERSONS STATEMENT

Information in this document as it relates to the geology, geochemistry, assay results, geological interpretation and QAQC of the Mt Oscar database is based on information compiled by Mr Kelvin Fox, who is a Member and Fellow of The Australasian Institute of Mining and Metallurgy. Mr Fox is a full-time employee of Fox Resources Ltd. Mr Fox 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).

Information in this document relating to Exploration and Geophysical activities and results on the Company's projects is based on information compiled by Mr Adrian Black, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Black is a consultant working for Newexco Services Pty Ltd. Mr Black 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 Fox and Mr Black have consented to the inclusion in the document of the matters based on their 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, 01/06/10.

Name of entity

Fox Resources Ltd

ABN

44 079 902 499

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	805	1,775
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(659) (681) (1,373) (928)	(1,028) (996) (2,677) (1,796)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	49
1.5 Interest and other costs of finance paid	(60)	(125)
1.6 Income taxes paid	-	-
1.7 Other: R&D 2011 refund	805	805
Net Operating Cash Flows	(2,065)	(3,993)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (20)	- - (44)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - 40
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	56
Net investing cash flows	(20)	52
1.13 Total operating and investing cash flows (carried forward)	(2,085)	(3,941)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,085)	(3,941)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,370	4,270
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	200	845
1.17	Repayment of borrowings	(254)	(530)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	1,316	4,585
	Net increase (decrease) in cash held	(769)	644
1.20	Cash at beginning of quarter/year to date	1,913	500
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,144	1,144

**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	39
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

\$39k relates to Director Fees and 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

+ See chapter 19 for defined terms.

N/A

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

These estimated cash outflows are based on the fact that the Company assumes cash inflows from various sources of approximately \$2.5m.

	\$A'000
4.1 Exploration and evaluation	720
4.2 Development	501
4.3 Production	1,100
4.4 Administration	900
Total	3,221

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	1,144	1,913
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,144	1,913

+ See chapter 19 for defined terms.

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	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	N/A	N/A	N/A

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	Preference securities <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	+Ordinary securities	407,207,397	407,207,397	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A		
7.5	+Convertible debt securities <i>(description)</i>	N/A		

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A			
7.7	Options (description and conversion factor)	Unlisted Employee Options 3,420,000		<i>Exercise price</i> \$0.15	<i>Expiry date</i> 28 May 2012
7.8	Issued during quarter	N/A	N/A	N/A	N/A
7.9	Exercised during quarter	N/A	N/A	N/A	N/A
7.10	Expired/ forfeited during quarter	90,000		\$0.15	28 May 2012
7.11	Debentures (totals only)	N/A			
7.12	Unsecured notes (totals only)	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.

B. M. Garlick

Sign here: Date: 27/01/2012
(Company secretary)

Print name: Bruce Garlick
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+ See chapter 19 for defined terms.

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.

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+ See chapter 19 for defined terms.