



Rox Resources Ltd (RXL) - Update

Resource boosted to 3Moz of gold and development plans on the horizon

Our View

Rox Resources (RXL) has provided a significant increase to the resource at the Youanmi Gold Project in WA. An aggressive drilling campaign was completed to continue proving up the resources at several prospects within the Youanmi Mining Leases (70% RXL, 30% VMC) which has proven successful, and shown the mineralisation that has been previously mined within the open pit extends along strike and at depth. This led to the updated Mineral Resource Estimate of ~24.6Mt @ 3.78g/t Au for ~3Moz, which is an 81% increase from the previous figure released in June 2021 (~39% of which is in the JORC Indicated category).

Drilling results to the end of October 2021 were included in the latest update and includes ~35,000m of infill/extensional drilling on existing and new lodes. A lower cut-off grade of 3g/t Au was also used as part of the calculation for the 'Deeps' material (previously 4g/t Au), which generated a healthy average Resource grade of 6.89g/t Au (1.69g/t Au for the surface material).

With the combination of oxide mineralisation (standard processing) and the use of the Albion Process for the sulphide ore, RXL is confident of an average project metallurgical recovery of 95% (with potential ore feed likely to be source from a combination of open pit and underground at a respective ratio of 3:1).

We continue to follow progress at the Youanmi Gold Project, with several important milestones to come in 2022 and the current resource exceeding expectations at ~3Moz (which equates to an impressive 2,900oz/vertical metre down to 750m), we rate Rox Resources (RXL) as a Speculative Buy.

Key Points

- **Existing mineral resource** – A JORC-compliant gold resource that supports a potential development. With close to 3Moz now at Youanmi, the door is open to develop a 100kozpa+ operation.
- **Low hurdles to development** – ground disturbance has already happened (including an existing decline down to 600m), which places RXL in an enviable position from a permitting standpoint.
- **Infrastructure rich** – Access roads and airstrip, core shed and workshop, borefield and process water from local aquifers, tailings disposal facility and mine villages/offices.
- **Solid exploration results to date** – Drilling completed by Rox has confirmed the mineralisation continuity at the Youanmi Gold Project, with promising gold intersections from the identified prospects. The mineralisation is structurally controlled and captured with in a 'ladder vein' geometry. These include prospects like Grace, Link and Junction and further drilling will likely lead to additional resources upgrades over time.
- **Potential for further discoveries** – Exploration is ongoing, and several target areas exist across the entire exploration tenure (which includes ~600km² around the Youanmi Shear Zone under various JV agreements).
- **Location** – Rox's ground surrounds Ramelius Resources' (RMS) Penny Gold Mine, which has a resource of 300koz @ 15g/t Au and this ore will be trucked to the Mt Magnet mill. The area has several processing facilities in trucking distance, which may present some opportunities as part of a potential development scenario.
- **Experienced board and management** – Company personnel have extensive experience and exploration success in the junior resources sector. Rox personnel also hold shares in the Company, thus aligning their interests with those of other shareholders.
- **Further drilling and news flow** – Drilling is ongoing and assays will continue to flow through from the Youanmi Gold Project.

27 January 2022

Recommendation: Spec. Buy

Price Target: \$1.00/share

Summary (AUD)

Market Cap (undil.)	\$77.2m
Share price (Jan 25, 2022)	\$0.49
52 week low	\$0.34
52 week high	\$0.66
Cash (30/9/2021)	\$10.7m
Ordinary shares (undiluted)	157.6m
Fully diluted	178.5m
Unlisted options (total)	20.9m

Share price graph (AUD)



Directors & Management

Stephen Dennis	Non-Exec Chairman
Alex Passmore	Managing Director
John Mair	Non-Executive Director
Chris Hunt	CFO
Matt Antill	General Manager – Ops.
Gregor Bennett	Exploration Manager

Top Shareholders**

Hawke's Point	13.29%
Venus Metals Corporation	1.76%
Alexander Passmore	1.60%
Daryl Miller	1.02%
CQS Investment	0.97%
Board and Management	~2%
Top 20	26.05%

**Iress Data

Valuation/Price Target

Our ***Speculative Buy*** recommendation with a ***price target of \$1.00/share*** is based on the simple metric of ~A\$70/attributable oz + cash (\$10.7m as at 30th September 2021), which we consider is well below average (based on peer comparison with respect to both resource size and grade profile – see Table 1) and expect there will be further re-rate opportunities as the development scenario becomes clearer (certainly a higher valuation will be attributed from a Project NPV perspective).

There are several other factors we view as favourable for Rox Resources that have been included as part of the recommendation including:

- Active exploration programme with potential resource upside on top of the current ~3Moz
- Strategically positioned in WA with a large, prospective (and under-explored) land package (~600km²) amongst some of Australia's major gold producers
- Major infrastructure and facilities on site, which should allow for Rox to fast-track development once feasibility work has been completed
- Assays from 2021 drilling yet to feed into the Mineral Resource Estimate

Table 1: Comparable Gold Resources (ASX-listed exploration/development companies)

ASX Company	Project/s	Global Resource	Enterprise Value (\$m)*
Rox Resources (RXL.ASX)	Youanmi	~24.6Mt @ 3.78g/t Au (2.99Moz) 70% RXL ~2.10Moz	\$66.5m
Genesis Minerals (GMD.ASX)	Ulysses	~27.3Mt @ 1.80g/t Au (1.61Moz)	\$340.3m
Calidus Resources (CAI.ASX)	Warrawoona	~44.1Mt @ 1.21g/t Au (1.71Moz)	\$318.7m
Breaker Resources (BRB.ASX)	Lake Roe	~31.9Mt @ 1.60g/t Au (1.68Moz)	\$67.3m
Ausgold Ltd (AUC.ASX)	Katanning	~46.1Mt @ 1.24g/t Au (1.84Moz)	\$67.8m
Horizon Gold (HRN.ASX)	Gum Creek	~18.6Mt @ 2.3g/t Au (1.36Moz)	\$43.4m

*Accounts for cash only (not receivables/investments) and EVs were as at the time of writing on 25/01/2022

As a point of reference for our \$1.00/share RXL price target, the above table has an average company EV of ~A\$90/attributable oz, which not only supports the valuation, but shows further upside as the Youanmi Project progresses through the feasibility/development stages.

Youanmi January 2022 Mineral Resource

It is worth noting that more drilling from the last few months of 2021 is still yet to be incorporated in the overall resource, but the decision was made by RXL Management to release a new Mineral Resources due to the long assay turnaround times being experienced of up to 14 weeks. RXL is well positioned to benefit from the increased resource and continues to trade at very low enterprise value of ~A\$32 per attributable ounce.

Infill/extensional drilling is ongoing for the purposes of feeding into the progressive feasibility work. Also, greenfields exploration activities on targets outside the immediate Youanmi mine area continue in the search for new discoveries within the substantial tenement package.

For the Deeps Resource an increase of 156% has been achieved and (as stated previously) in 2021 a 4.0g/t Au cut-off grade was applied, which has now been reduced to 3.0 g/t Au based on RXL's recent mine planning assumptions, and that on an equal cut-off grade basis (using a 4.0 g/t Au cut-off), the comparison to June 2021 still shows a significant increase in metal of 128%.

Table 2: Summary of Youanmi Mineral Resource January 2022

Area	Classification	Cut-off	June 2021 Resource			Change in Au Metal (%)	January 2022 Resource		
			Tonnes (dmt)	Au Grade (g/t)	Au Metal (oz)		Tonnes (dmt)	Au Grade (g/t)	Au Metal (oz)
Near Surface	Indicated	0.5 g/t*	7,470,000	1.81	434,000	na	7,470,000	1.81	434,000
Deeps	Indicated	3.0 g/t	1,097,000	8.23	290,200	up 156%	3,060,000	7.55	744,000
SubTotal	Indicated		8,567,000	2.63	724,200	up 63%	10,530,000	3.48	1,178,000
Near Surface	Inferred	0.5 g/t*	7,240,000	1.57	366,000	na	7,240,000	1.57	366,000
Deeps	Inferred	3.0 g/t	2,279,000	7.73	566,200	up 156%	6,840,000	6.59	1,450,000
SubTotal	Inferred		9,519,000	3.05	932,200	up 95%	14,080,000	4.01	1,816,000
Near Surface	Ind + Inf	0.5 g/t*	14,710,000	1.69	800,000	na	14,710,000	1.69	800,000
Deeps	Ind + Inf	3.0 g/t	3,376,000	7.89	856,300	up 156%	9,900,000	6.89	2,194,000
Near Surface + Deeps	Ind + Inf		18,086,000	2.85	1,656,300	up 81%	24,610,000	3.78	2,994,000

Metallurgy

Metallurgical test work has been done and highlights the positive results (circa 92% average recoveries reported for the underground sulphide ore and 95% overall) that can be achieved using the Albion process for the high-grade sulphide-associated ore bodies at Youanmi (a positive outcome considering there has been a tripling of the Deeps ore since 2018). The Albion process is proven and well understood. As an example, St Barbara Ltd (SBM) has proposed an upgraded processing plant at its Leonora Operation and is expected to alternate as required between free milling and refractory ore on a campaign basis. In comparison to traditional pressure oxidation processes, the Albion Process operates under atmospheric pressure, making it substantially lower in capital cost and operating costs. According to a Glencore study, operating costs are approximately a third lower than traditional pressure oxidation.

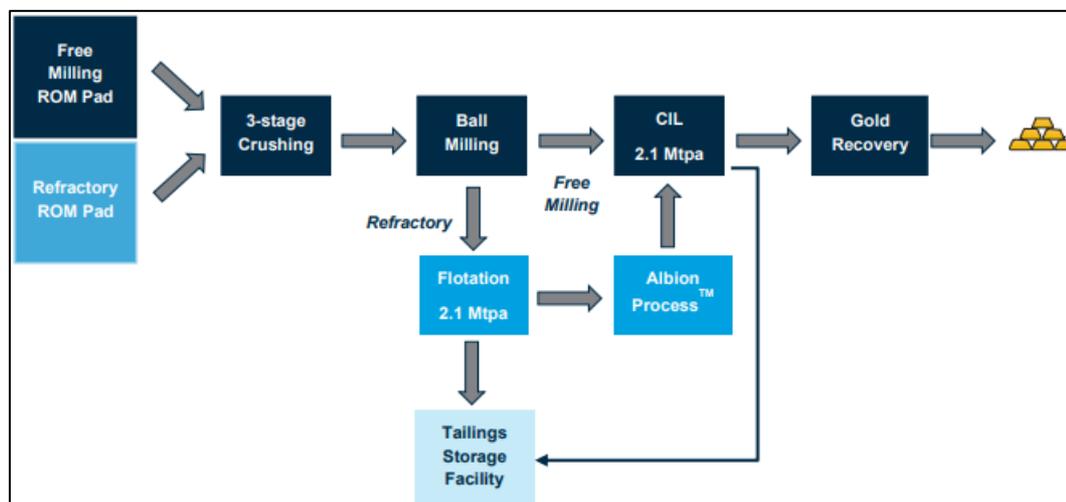


Figure 1: Proposed plant flowsheet at Leonora Gold Operations (source: SBM ASX release 20th December 2021)

Next Steps at Youanmi

Additional drilling results from November/December 2021 will be incorporated into the next Mineral Resource Estimate update expected in the June 2022 quarter. Exploration programs in 2022 will include resource conversion in addition to extensional drilling, noting that the resource remains open down dip and along strike.

In the meantime (on the back of the latest significant resource upgrade), Rox is putting together concept-level project economics and is currently evaluating potential development pathways for the Youanmi Gold Project. This will include open pit and underground mining studies (design and optimisation) and a detailed metallurgical flowsheet that will be utilised in plant design work.

Youanmi Gold Project – Tenement JVs

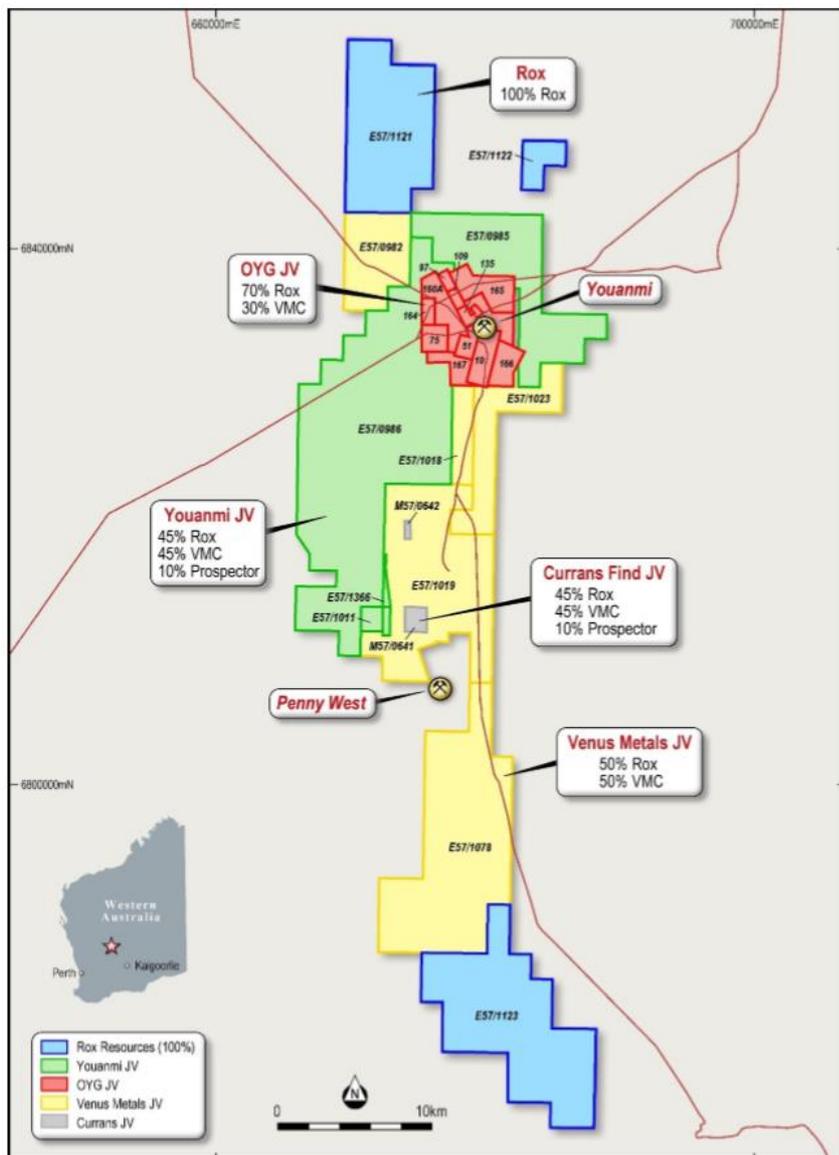


Figure 2: Rox Resources' Youanmi Gold Project Tenure

Mt Fisher – Mt Eureka Gold Project

The Mt Fisher-Mt Eureka Gold Project about 500km northeast of Kalgoorlie (about 120km east of Wiluna) within the Mt Eureka greenstone belt. Rox holds 850km² of the Mt Eureka greenstone belt and surrounding prospective zones (Rox 100% 500km²) and via the Cullen Resources JV, 350km² (Rox currently earning up to 75%, Cullen Resources Limited 25%). A 4,000m RC and diamond drill program is currently being conducted on high priority drill ready gold targets generated from a project review. Rox believes that the Mt Fisher – Mt Eureka Gold Project has the potential to host significant sized gold deposits of orogenic gold and strata-bound VMS style mineralisation. Current activities on site include:

- 4,000m RC program to test priority drill ready gold targets
- Project wide high resolution (50m spaced) aeromagnetic surveying

Reconnaissance drilling of 160 aircore holes for 7,300 metres was completed later last year to test the intersection of the regional scale NE trending Mt Fisher Fault. Assays remain pending for all holes.

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Analyst Interests: The Analyst does not hold stock in RXL.

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