Canaccord Genuity Capital Markets

Australian Equity Research
22 October 2024

Flash Update

Rox Resources Limited

Precious Metals - Developer/Explorer

Rating	Price Target
SPECULATIVE BUY	**A$0.55**
RXL-ASX	Price **A$0.17**

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High grades aplenty

Rox Resources (RXL-ASX) continues to release high-grade results from an 11,000m diamond and RC program at the Youanmi Gold Project near Mt Magnet, WA.

Adding confidence to mineable stopes at United North: The second batch of assays of the program, released today, is from holes targeting Inferred portions of the resource and are designed to upgrade the confidence in stope design at the United North deposit:

- **30.1m @ 19.81g/t Au** from 325m (incl. 23.9m @ 24.7g/t Au)

As shown in the cross-section below, this intercept occurs on a flexure in the mineralisation, close to the granite contact. Variability in the widths and grade of the orebody is highlighted by another result reported today, ~50m up dip; 5.5m @ 0.83g/t Au from 339m and 1.45m @ 1.89g/t Au from 364m in hole #130. Assays for three step-out holes are pending.

Paddy's Lode; a growth opportunity: The above results follow the first batch of assays released earlier this month from Paddy's Lode, which is an emerging discovery located to the south and outside of the 2.3Moz @ 4.4g/t Au Youanmi resource. The five reported diamond holes have expanded mineralisation at Paddy's Lode. Results include:

- **3.0m @ 16.71g/t Au** from 111m
- **2.4m @ 15.44g/t Au** from 265m
- **3.95m @ 4.69g/t Au** from 176m

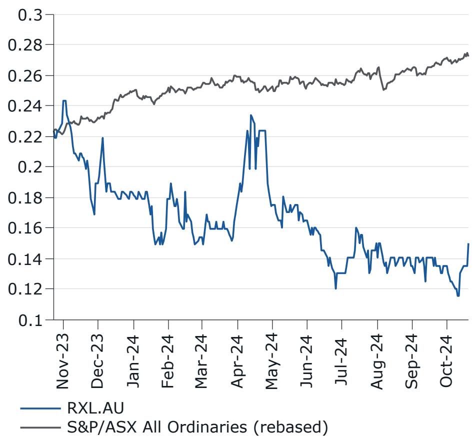
PFS moving to DFS: Recall that RXL released a PFS over Youanmi in July 2024. The PFS is underpinned by a 546koz @ 4.4g/t Au Ore Reserve and an 849koz @ 4.5koz mining inventory (comprises 64% Reserves, 7% Indicated and 29% Inferred) to produce an average of 103kozpa at A$1,676/oz AISC over 7.7 years from the Youanmi underground deposits. A 4.5g/t Au head grade is expected to be fed through a 750ktpa plant with overall recoveries of 92.6%. The ore is mostly refractory and metallurgical work demonstrates strong recoveries using The Albion Process. This Glencore patented technology incorporates the IsaMill fine grinding and conventional atmospheric oxidative leach technology for the treatment of sulphide ore. This increases capex marginal but is not prohibitive, in our view. As such, total pre-production capex is estimated at A$245m and includes A$39m of underground development, A$15m contingency, and A$15 of working capital to cover commissioning (net of revenue).

Upcoming news flow: Further assays results are expected from this drilling program. RXL will also use samples generated for metallurgical testwork ahead of a DFS in 2025.

Valuation and recommendation: With market attention seemingly filtering down to the gold juniors, RXL could be well-placed to take advantage of ATH gold prices as it progresses this high-grade, WA gold development, in our view. We retain our SPECULATIVE BUY recommendation and price target of $0.55.

Market Data

52-Week Range (A$) :	0.12 - 0.25
Avg Daily Vol (000s) :	673.86
Shares Out. (M) :	410.6
Market Cap (A$M) :	71.9
Dividend /Shr (A$) :	0.00
Dividend Yield (%) :	0.0



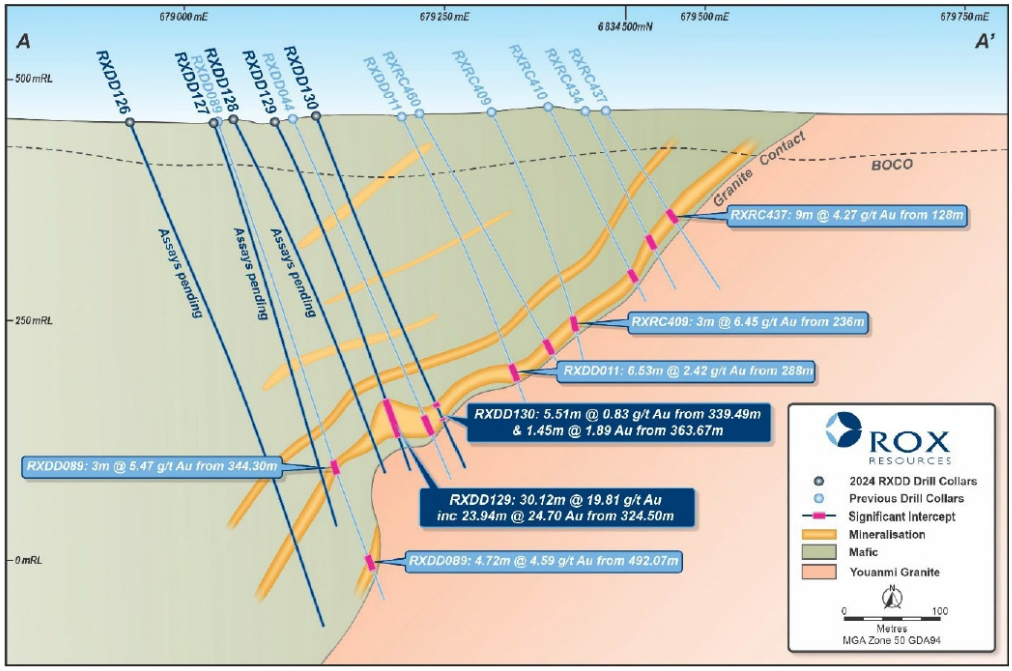
Source: FactSet

Priced as of close of business 21 October 2024

Rox Resources (RXL-ASX) is an ASX-listed gold explorer/developer. Its flagship asset is the 100%-owned Youanmi Mine in WA, which was consolidated in July 2023. There are currently 2.3Moz @ 4.4g/t Au in resources and a PFS which outlines 103kzpa at A$1,676/oz AISC for 8 years.

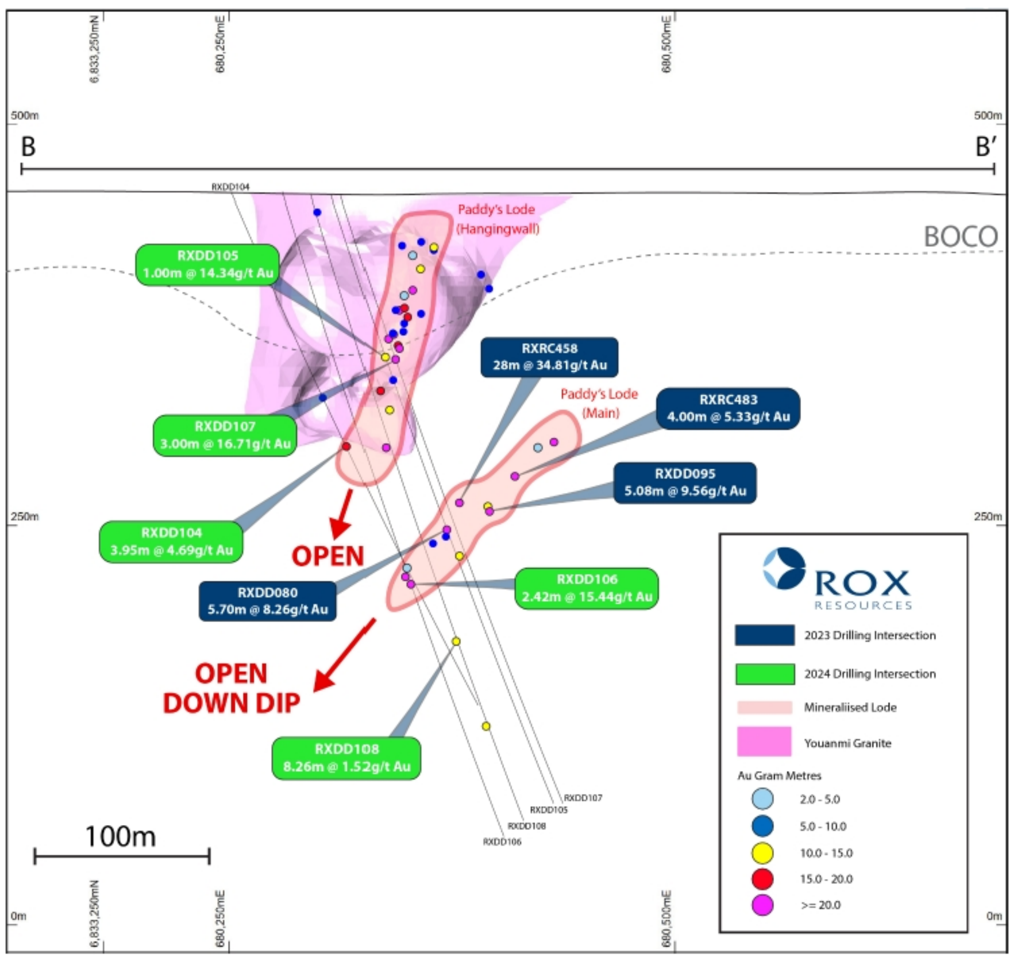
For important information, please see the Important Disclosures beginning on page 3 of this document.

United North cross-section



Source: Company reports

Paddy's Lode cross-section



Source: Company reports

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: October 21, 2024, 21:38 ET

Date and time of production: October 21, 2024, 21:38 ET

Target Price / Valuation Methodology:

Rox Resources Limited - RXL

We have modelled a potential development scenario based on the PFS, using weighting for 1.0x forward curve, consensus and spot commodity prices, and have applied a conservative 12% discount rate to our NPV. Additionally, our NAV is risked.

Risks to achieving Target Price / Valuation:

Rox Resources Limited - RXL

Financing risks

As an exploration/pre-production company with no material income, RXL is reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Accessing these markets may result in further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of Inferred Resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. It is not known whether exploration will delineate further Mineral Resources, nor that the company will be able to convert the current mineral resource into minable reserves.

Operating risks

If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, RXL is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 10/21/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	614	66.96%	24.27%
Hold	132	14.39%	10.61%
Sell	14	1.53%	7.14%
Speculative Buy	148	16.14%	52.03%
	917*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate returns greater than 10% during the next 12 months.

HOLD: The stock is expected to generate returns from -10% to 10% during the next 12 months.

SELL: The stock is expected to generate returns less than -10% during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

Given the inherent volatility of some stocks under coverage, price targets for some stocks may imply target returns that vary temporarily from the ratings criteria above.

*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

Risk Qualifier

SPECULATIVE: The stock bears significantly above-average risk and volatility. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

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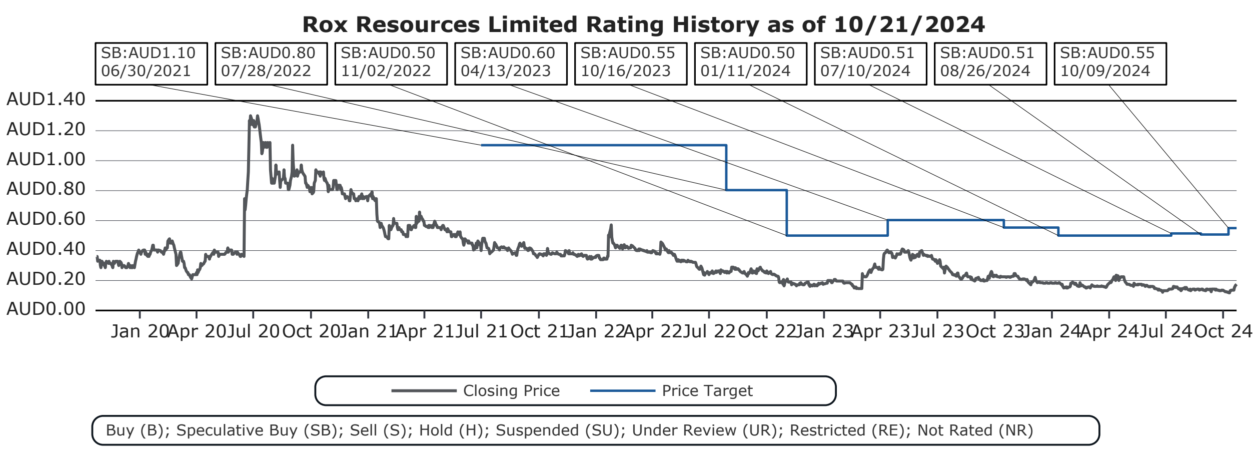

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