



## Rox Resources Limited (RXL)

5<sup>th</sup> February 2021

### 1.2Moz Resource and Extensive Exploration Upside at Youanmi

**Recommendation: Spec Buy**

#### Our View

- Rox Resources (RXL) is focussed on gold and nickel assets in Western Australia, with the flagship project being the Youanmi Gold Project (which includes an extensive exploration package that are either 100%-owned or a part of various JVs – see Figure 1).
- The Youanmi Project has a current Mineral Resource Estimate (MRE) of 12.4Mt @ 2.97g/t Au for 1.19Moz (532,700oz at 1.65g/t in near surface material) and RXL intends to update the MRE (in Q1 2021) to incorporate extensive drilling results from the Grace Prospect (amongst other areas that have been part of the recent drilling programs).
- The Resource within the “Deeps” currently stands at 2.41Mt @ 8.5g/t Au (with most of this being classed as “partially refractory”). Interestingly, this Resource is being reviewed and could potentially become part of the mining development. It has been proven that a high-quality concentrate is able to be produced from this mineralisation. Offtake terms for gold concentrates are favourable with industry sources suggesting +85% payability for clean gold concentrates.
- There is a high likelihood of immediate extensions to the known mineralisation at Youanmi and additional targets. A recent geological review of structural controls has provided RXL with strong evidence for unexplored targets. The latest data review has highlighted potential for (previously overlooked) high-grade, shallow north-plunging dilated shoots within broader vertical mineralised envelopes (i.e. ladder vein geometry).
- Two priority areas (Link and Junction) have been identified so far. RC drilling is planned to commence in early February to test to around 250m depth, with diamond drilling to start later in the month to follow-up deeper targets.
- Rox has also taken on management of all regional exploration programs and they intend to leverage of their improved knowledge of regional controls on gold mineralisation.
- Significant infrastructure exists on site, which offers substantial timing and cost advantages as RXL progresses towards a potential development stage:
  - Access roads and airstrip
  - Core shed and workshop
  - Borefield and process water from local aquifers
  - Tailings disposal facility
  - Mine village/offices
- The Mt Fisher Project contains a total nickel sulphide resource (Fisher East) of 4.2Mt @ 1.9% Ni for 78kt of Ni metal that is located ~150km from established infrastructure (BHP's Leinster Nickel Operations). A target generation review across 80km of strike of the Mt Fisher greenstone belt has shown significant gold and base metal potential. Heritage surveys are currently underway, with further exploration programs in February. Rox is currently examining a straight sale of its nickel assets or, alternatively a spin-out to shareholders via a new ASX listed company.
- Rox Resources (RXL) has rapidly progressed the Youanmi Project in 2020 and is now positioned to move to the next stage of development in 2021. Frustratingly (as with most mineral explorers) assays have been delayed due to the sheer volume going through the labs and RXL is hoping to resolve this issue (to a degree) by moving its gold assaying to the “photon method”, which should see turnaround times reduce significantly.
- We view RXL positively as the next potential gold development story (with open pit and underground options) and are encouraged by the significant exploration upside (600km<sup>2</sup> around the prospective Youanmi shear zone) yet to be properly drilled. **We continue coverage on Rox Resources (RXL) with a Speculative Buy recommendation.**

#### Summary (AUD)

Market capitalisation (undiluted)	\$73.8m
Share price (4 <sup>th</sup> February 2021)	\$0.036
52 week low	\$0.014
52 week high	\$0.087
Cash (31/12/20)	\$5.25m
Ordinary shares (undiluted)	2,050m
Unlisted options	147.0m
Fully diluted	2,197m

#### Share price graph (AUD)



#### Directors & Management

Stephen Dennis	Chairman
Alex Passmore	Managing Director
Brett Dickson	Company Secretary
John Mair	Non-Executive Director
Gregor Bennett	Exploration Manager

#### Top Shareholders\*

Venus Metals Corporation	2.03%
Alexander Passmore	1.80%
Gabor Matoricz	1.23%
Brett Dickson	1.18%

\*Iress Data

## Youanmi Gold Project Tenure

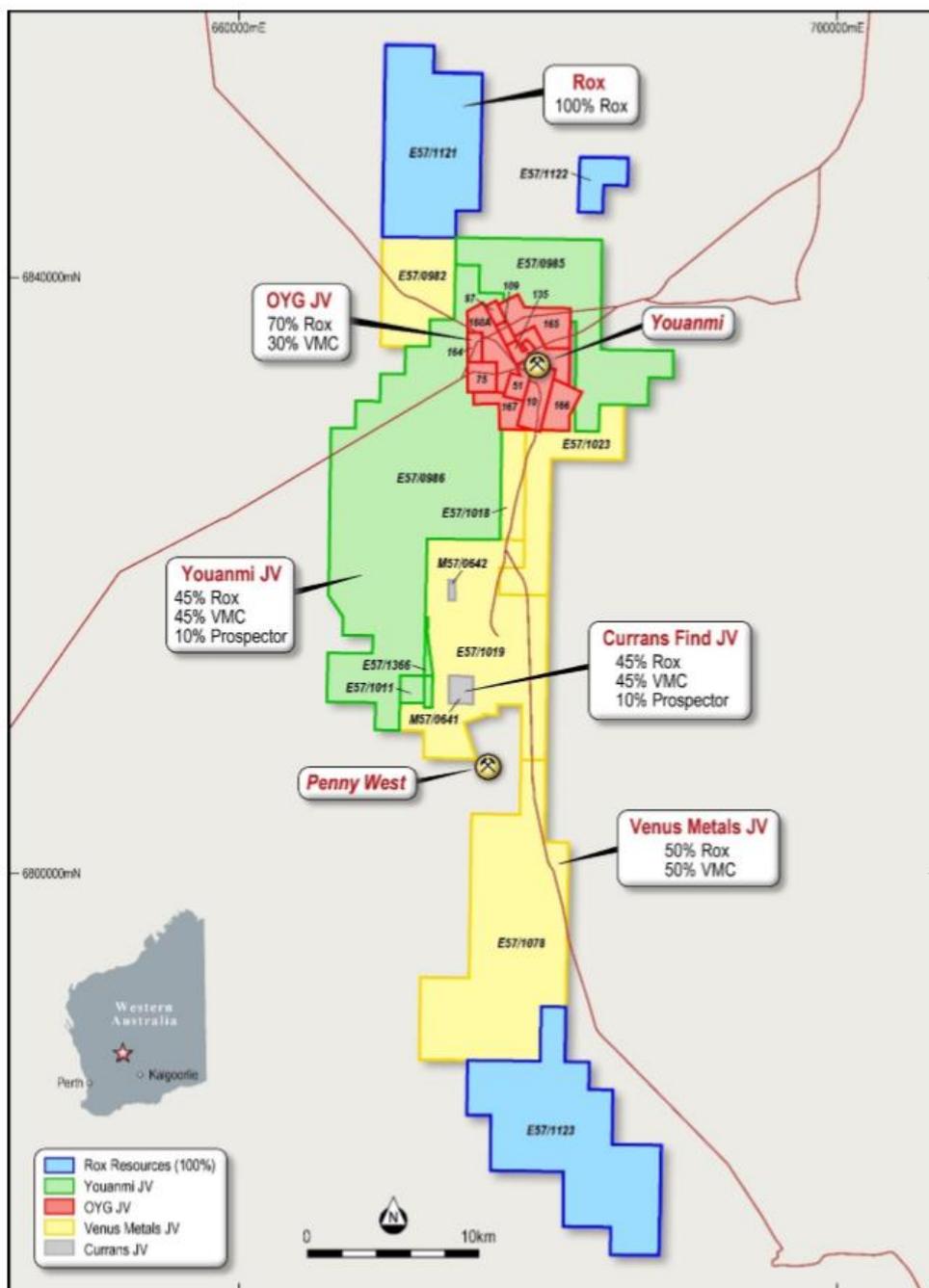


Figure 1 – Rox Resources' Youanmi Gold Project tenure

## Recent Exploration at Youanmi

Rox continued with work on the northern extents of the Grace mineralisation the December Quarter hampered by slow lab turnaround times. The favourable structure has been identified further along from the initial discovery, but the geology is complex with sporadic gold grades. The Grace lode eventually transitions into the wider lower grade open pit prospect Plant Zone.

Encouragingly, the southern extent of the Grace structure, and the structure at depth, have emerged as compelling targets with first pass drilling undertaken in late December (assays pending). Rox's exploration model indicates that this zone has good potential to enhance near-mine gold inventory. The Grace structure likely intersects the Youanmi mine shear below and south of

the historically mined Pollard lodes (see Figure 2). Pollard lodes were mined in the 1930's with historical mine records indicating production of 260,000oz @ 15g/t Au. Between 1987–1993, the open pit operations mined out remnant mineralisation between surface and 120m below ground level.

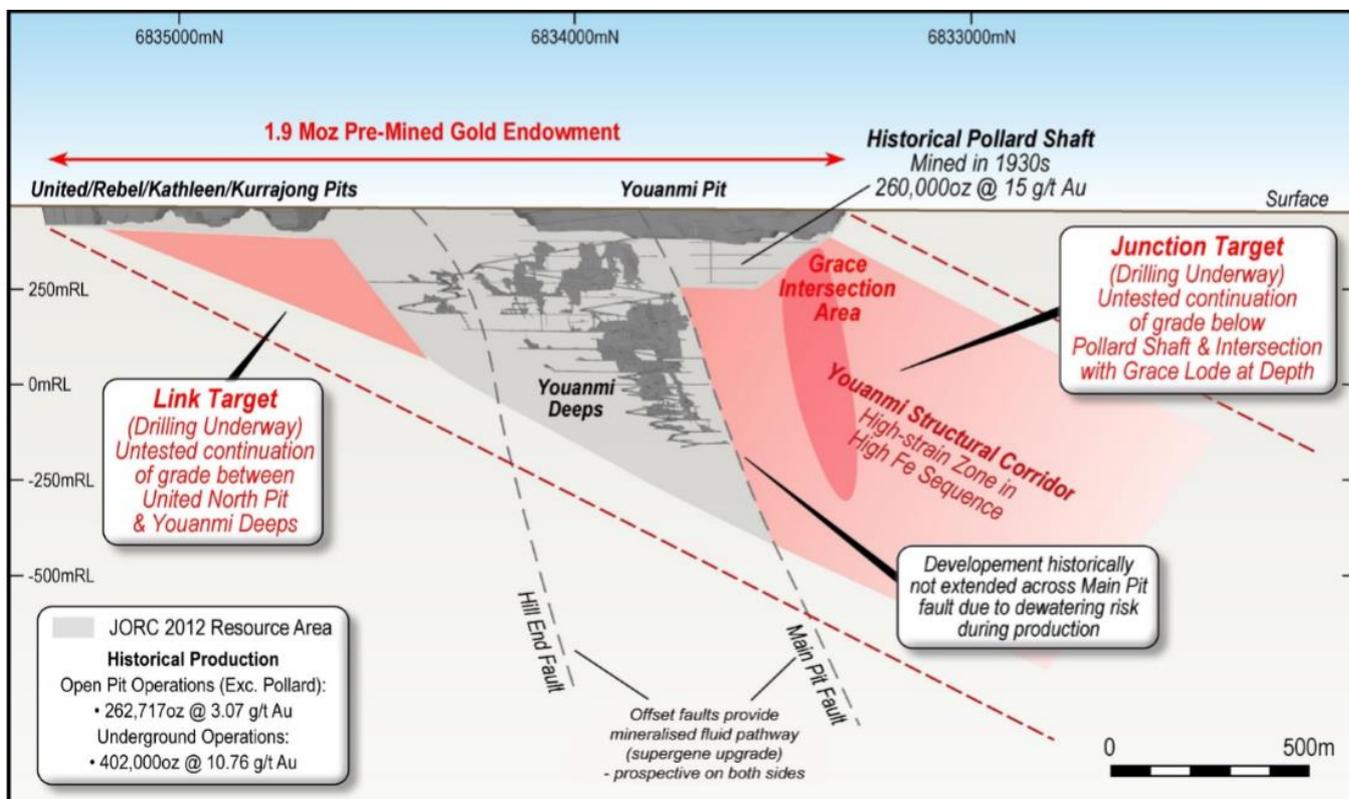


Figure 2 – Long-section of the Youanmi Mine plus target areas (including Grace)

### Mt Fisher Project (nickel) – Fisher East

The Company owns the advanced Fisher East nickel deposits located in WA, 150km to the North East of Leinster, is earning an interest in an exploration joint venture to the north of these deposits (Cullen JV), and also holds the Collurabbie Nickel Project located approximately 80km to the east of Fisher East. Fisher East is the flagship asset in the package with a 78kt contained nickel metal resource and a scoping study having been last updated in 2018.

According to the company's Scoping Study on the Fisher East Nickel project (late 2018). There are two primary development scenarios available to the project: (1) building a stand-alone concentrator or (2) toll milling at a nearby operation. Under either scenario, the study demonstrated that the project had strong economic and technical credentials at a nickel price of US\$7.50/lb.

In addition, there would be significant upside to project economics with an increased resource base. Capital costs were relatively low, with competitive cash operating costs.

There is solid regional nickel potential applying the Fisher East model to the 80km of strike of prospective stratigraphy held in the belt. Additionally, incremental resource growth along strike and down plunge from existing deposits could add significantly to the company's scoping study numbers. This will form part of forward-looking drilling programs in the first half of 2021.

Rox is currently reviewing options for the strategic nickel portfolio with a number of monetising avenues available (outright sale, JV or spinout), which is warranted based on the existing Resource and the substantial exploration tenure that is likely to continue providing nickel-prospective targets.

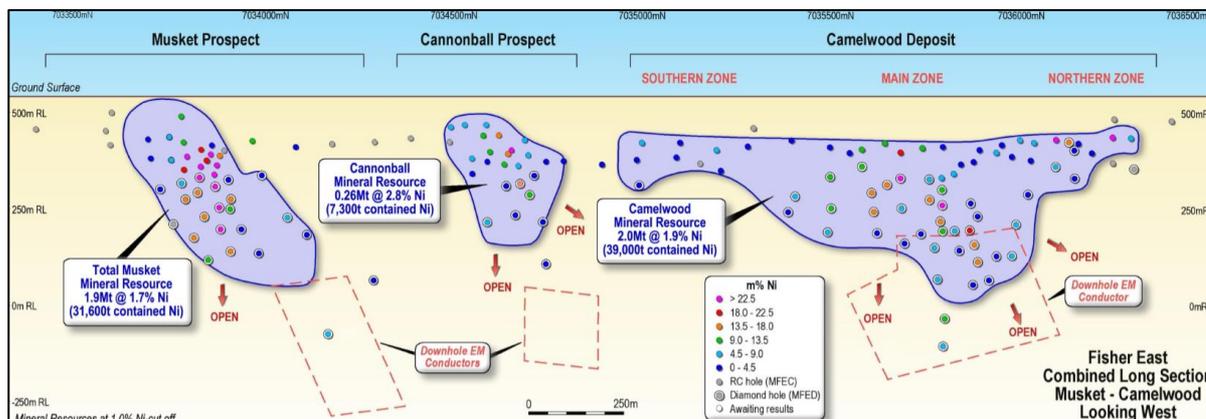


Figure 3 – Long-section of Fisher East Deposits (Musket, Cannonball and Camelwood)

### Current and Planned Activities

#### Q1 2021:

- Ongoing drilling at Youanmi with a focus on two new targets (Link and Junction)
- Resource estimation (Grace maiden resource and incorporation of all drilling from 2020)
- Transition into management of regional JVs
- Monetise the substantial nickel portfolio

#### Q2 2021

- Commence feasibility studies into production from Youanmi
- Advance exploration on regional targets
- Ongoing exploration on Rox 100% tenure at Youanmi

### ASX-Listed Comparable Companies (gold and nickel)

Rox Resources has a multi-commodity exploration portfolio and the market valuation is quite favourable when comparing to other respective gold and nickel assets on the ASX. We consider Table 1 and Table 2 (below) highlights two main points:

- The gold assets are undervalued based on a simple EV/ounce metric
- There is effectively no value attributed to the nickel assets

With an impending Resource upgrade at the Youanmi Gold Project (which should provide further clarity on development options) and options being assessed for the monetisation of the nickel assets (either by way of sale or spin-out as was outlined by RXL in the “Update on Nickel Asset Divestment” announcement released on the 1<sup>st</sup> February 2021), we view a strong opportunity for a potential market re-rate.

Table 1: Gold Resources (ASX)

ASX Company	Project/s	Resource	Enterprise Value (\$m)*
<b>Rox Resources (RXL.ASX)</b>	<b>Youanmi</b>	<b>~12.4Mt @ 2.97g/t Au (1.19Moz)</b>	<b>\$68.5m</b>
Ora Banda Mining (OBM.ASX)	Davyhurst/Mt Ida	~23.7Mt @ 2.8g/t Au (2.13Moz)	\$229m
Genesis Minerals (GMD.ASX)	Ulysses/Kookynie	~17.1Mt @ 2.34g/t Au (1.28Moz)	\$131m
Calidus Resources (CAI.ASX)	Warrawoona	~43.7Mt @ 1.06g/t Au (1.50Moz)	\$116m
NTM Gold (NTM.ASX)	Redcliffe	~13.4Mt @ 1.6g/t Au (679koz)	\$107m
Kin Mining (KIN.ASX)	Cardinia	~28.2Mt @ 1.3g/t Au (1.15Moz)	\$99.3m

\*EV accounts for cash only (not receivables/investments)

**Table 2: Nickel Resources (ASX)**

ASX Company	Project/s	Resource (JORC 2012)	Enterprise Value (\$m)*
<b>Rox Resources (RXL.ASX)</b>	<b>Fisher East</b>	<b>~4.2Mt @ 1.9% Ni (78kt Ni)</b>	<b>\$68.5m</b>
Mincor Resources (MCR.ASX)	Cassini + ALL	~5.2Mt @ 3.8% Ni (196kt Ni)	\$380m
Panoramic Resources (PAN.ASX)	Savannah	~13.5Mt @ 1.6% Ni (210kt Ni)	\$288m
Poseidon Nickel (POS.ASX)	Black Swan/LJ/Windarra	~38.7Mt @ 0.8% Ni (319kt Ni)	\$185m
Auroch Minerals (AOU.ASX)	Saints	~1.05Mt @ 2.0% Ni (21kt Ni)	\$64.0m
Duketon Mining (DKM.ASX)	Rosie	~2.56Mt @ 1.9% Ni (49kt Ni)	\$19.1m

\*EV accounts for cash only (not receivables/investments)

### Quick Summary

Rox Resources (RXL) is highly leveraged to exploration success and has multi-commodity exposure through the Youanmi Gold Project and the strategic nickel assets (Fisher East). At this stage the nickel assets are ascribed little value and ripe for sale/spin-out, which we believe could deliver significant value to shareholders in the near-term. A separate entity with a dedicated focus and enough funding (\$5-\$10m) for exploration should be able to quickly build upon the current nickel resource.

As for the recent drilling on the Youanmi Gold Project – this has been targeting both the near-mine and regional targets, with the prime focus being the high-grade Grace Prospect (free-milling ore that is adjacent to existing Main Pit). More assays are pending from Grace and further drilling will continue to define other similar potential deposits (Link and Junction).

With a full geological review completed, Rox will look to apply the technical learnings from recent drilling across the entire exploration package at Youanmi as part of the next exploration phase (now all areas with full management control) and we look forward to extensive news flow over the coming weeks/months as further prospects are drilled. The upgraded Resource is projected to be released by Q1 2021 (which will be an important part of further feasibility work).

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**Analyst:** Ryan Armstrong

**Release Authorised by:** David Cutten

**TAYLOR COLLISON LIMITED**  
Sharebrokers and Investment Advisors  
Established 1928

**ADELAIDE**  
Level 16, 211 Victoria Square  
Adelaide SA 5000  
GPO Box 2046  
Adelaide SA 5001  
Telephone 08 8217 3900  
Facsimile 08 8321 3506  
broker@taylorcollison.com.au

**SYDNEY**  
Level 10, 151 Macquarie Street  
Sydney NSW 2000  
GPO Box 4261  
Sydney NSW 2001  
Telephone 02 9377 1500  
Facsimile 02 9232 1677  
sydney1@taylorcollison.com.au

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ABN 53008172450  
AFSL 247083