



Resources Stocks Down Under

🗨️ *From chaos comes opportunity.* 🗨️

- Branch Rickey (1881-1965), MLB player and executive

ROX RESOURCES

Giving a Murchison gold deposit a third shot

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Stocks Down Under rating: ★★☆☆

ASX: RXL
Market cap: A\$54.9M

52-week range: A\$0.30 / A\$0.495
Share price: A\$0.335

It's hard to believe, we know, but currently with the Perth-based Rox Resources you can get 70% of the 3.2-million-ounce Youanmi Gold Project in Western Australia for just A\$70m. Given how well the project is progressing, we don't think it will stay this inexpensive for long. Potentially, Rox Resources could be approaching a Final Investment Decision on Youanmi by next year.

Share price chart



Source: Tradingview

Rox Resources finds its company maker

If you've ever travelled up the Great Northern Highway from Perth and got to Payne's Find in the Murchison at the 430 km mark, we bet you were never tempted to turn right and visit the town of Youanmi. For one thing the next 150 km would take you over an unsealed road before you got to the Sandstone Road. For another, there'd be nothing to see because Youanmi as a town no longer exists. A settlement had sprang up after Tom Payne – the same Payne of Payne's Find – discovered the original deposit, but that died along with the mine's first incarnation in the 1940s.

The second coming of Youanmi in 1987 didn't need a town, but it did produce from an open pit and underground operation for the next ten years before the low gold price of 1997 killed it off again. Since that time, various operators have schemed of a third Youanmi. A head grade in excess of 14 g/t from the last underground ore might not have cut it when gold was about US\$330. At close to US\$2,000, we believe there's a lot of future shareholder value just waiting to be developed.

Rox Resources reckons it's the company to do it. The company got involved in April 2019 when it teamed up with Venus Metals (ASX: VMC) to take Youanmi off the hands of its then operator and for Rox Resources to earn 50%. Venus had optioned the project for \$5.45m and with the exercise of that option the serious work of building the Youanmi resource began. At that time Youanmi was a 1.2-million-ounce project.

In April 2022, now with a 70% interest, Rox Resources upgraded the resource to 27.9 million tonnes grading 3.57 g/t for 3.2 million ounces. Of those ounces, 2.2 million represent an underground resource grading 6.9

g/t. Sure, there's still a lot of work to do given that the resource is about 60% inferred and 40% indicated, but that's still an impressive expansion. And that's not the end of the growth in this near-mine resource, which remains open along strike and at depth. Moreover, the company has still only undertaken aircore drilling on regional targets further afield. So, potentially, Youanmi could get a lot bigger.

Not-so-perfidious Albion

The thing about Youanmi is that it never had much modern exploration before Rox Resources came along. Only 667,000 ounces ever got out of the ground over the previous two versions of the mine, at an average 5 g/t, and on the second go around the operators were more focused on working known resources close to the mine rather than realising the potential of the whole field. That all changed with the new operator, which started looking more carefully up and down the Youanmi shear zone and punched down 50,000 metres of both diamond and RC holes between October 2020 and April 2022. It now costs Rox Resources a mere \$7 to add another ounce to its project, which is a great return on investment.

The company is now in the early stages of figuring out how to restart Youanmi. The 600-metre decline down to the underground workings that was part of Youanmi Version 2.0 is still in place, but Rox Resources is tentatively thinking to have a few open pits being worked concurrently with the development of the underground resource.

The company is currently completing a scoping study, due in June 2022, and it thinks it has cracked the puzzle about how to process the sulphide ore, with Glencore's proprietary Albion process having performed well in recent metallurgical test work. Albion is basically just ultrafine grinding followed by oxidative leaching at atmospheric pressure. For Youanmi ore it gets recoveries north of 90% and, since there's no emissions of sulphur dioxide, it's environmentally friendly.

Fishing for VMS

Youanmi is not the only arrow in Rox Resources' quiver. Prior to Youanmi, the company had spent a lot of time in territory northeast of Leinster, developing a nickel project called Fisher East, and that project now has an indicated and inferred resource containing 116,000 tonnes of nickel. Rox Resources spun it out last year as Cannon Resources (ASX:CNR), but retains 10%.

Meanwhile, about 120 east of Wiluna are the company's Mt Fisher and Mt Eureka Projects. The attraction of Mt Fisher is that there is a whole greenstone belt known to have both gold and nickel potential, but without anyone really having given this belt the time of day before Rox Resources showed up. The company has 850 sq km on the Mt Fisher Belt and its geologists reckon, after a data review, that there's strong potential to discover Volcanogenic Massive Sulphides. It has recently done some more aircore and RC drilling, and collected more magnetic data. However, the company-maker for Rox Resources is now clearly Youanmi.

We think 2022 will be a good year. There's likely to be further resource upgrades for Youanmi and some regular drill work there and at Mt Fisher. And there will be feasibility work on the mine restart. And as the gold price continues to hold up, the focus for many investors will be on finding the highest number of resource ounces for the lowest market cap. On that measure, we believe Rox Resources fits the bill. Four stars from us.

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