

NEWLOX GOLD VENTURES CORP.

GROWTH REPORT

February 17, 2021

 Newlox Gold Ventures Corp.

 Symbol: LUX/CSE

 Market Cap: \$58 Million

 Share Price: \$0.305

 S/O(Fully Diluted): 190 Million

COMPANY OVERVIEW

Working with the University of British Columbia (UBC), Newlox Gold has developed a low-cost and efficient environmental reclamation technology, where tailings produced by previous gold mining are the input at Newlox's facilities. Newlox recovers gold from the waste material at low cost, without the crushing process used in traditional gold processing facilities and with minimal grinding. Newlox's flotation gold recovery is around 91%, substantially higher (26%) than the approximate 72% recovery rate of other facilities.

Newlox buys the mining waste material from artisanal/small-scale miners (ASMs) in Costa Rica (and, over the longer term, from ASMs in other developing countries). The company has reached agreements with Costa Rican artisanal mining cooperatives at 30+ mining sites. Newlox aims to become a low-cost, high-grade producer of gold without having to establish its own mining operations, thereby avoiding the exploration and development risks of mining, with substantial capex, labor and health care cost savings.

Newlox should be able to quickly become a sizeable and highly profitable gold producer without taking on any mining risk, and in the process reducing the aggregate quantity of mining waste material. Newlox is currently working with UBC and Chiba University in Japan on the leaching of gold with a non-toxic organic reagent as opposed to the typical mining reagent of sodium cyanide. If this environmentally friendly reagent is effective, it would have wide applicability in the gold mining industry with significant licensing revenue potential for Newlox.



SUMMARY

NEWLOX COULD POTENTIALLY REALIZE ANNUAL AFTER-TAX INCOME OF \$20.8 MILLION (\$0.11 PER FULLY DILUTED SHARE) FROM ORO ROCA AND THE BOSTON PROJECT IF THEY PRODUCE AS PLANNED. THE COMPANY HAS SAID THAT IT WILL OUTLINE A THIRD PROJECT BY Q2 2021. THE CAPITAL COSTS OF THESE PROJECTS ARE MODEST, AND THE ARTISANAL MINERS BENEFIT FROM HIGHER GOLD RECOVERIES AND HIGHER INCOME FROM THEIR OPERATION.

ACCORDING TO THE CPMS UNIT OF MORNINGSTAR, THE TYPICAL CANADIAN-LISTED GOLD COMPANY HAS A MEDIAN 20% FORECASTED YEAR-OVER-YEAR EARNINGS GROWTH RATE, AND TRADES AT 28.8X FORECAST (MEDIAN 2021) PRICE-EARNINGS MULTIPLES.

NEWLOX SHARES APPEAR TO BE QUITE INEXPENSIVE, AT ABOUT A 2.8X PRICE-EARNINGS MULTIPLE OF THE POTENTIAL ORO ROCA/ BOSTON PROJECT AFTER-TAX INCOME.

AS INVESTORS BEGIN TO APPRECIATE THE SCOPE OF THE NEWLOX GOLD OPPORTUNITY, THAT MULTIPLE SEEMS LIKELY TO RESET HIGHER – PERHAPS MUCH HIGHER.

ORO ROCA PROJECT

Newlox's first project, the Oro Roca Project, commenced operations in June 2019. The plant is ramping up to reach a throughput capacity of 80 tonnes per day. Notably, the waste feedstock has a gold concentration of a robust 9 grams of gold per tonne of stockpile (which Newlox considers the minimum mark for its reclamation projects). This level is 4x better material grade than the typical 2 grams of gold per tonne (g/t) of the gold mining industry.

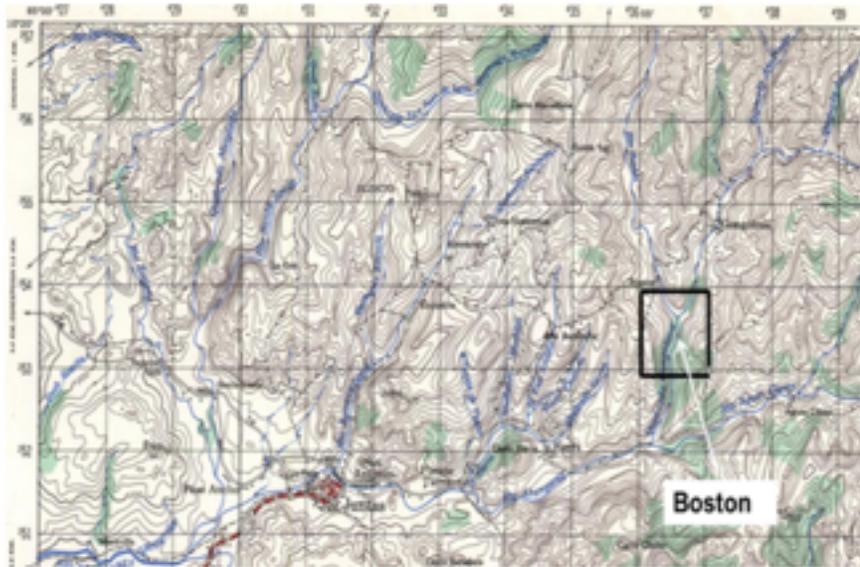
Assuming gold prices average US\$1,800 (approximately the current level), and this 80-tonne per day capacity is maintained, the project could potentially produce annual after-tax income of more than \$7 million Cdn. See Table 1.

TABLE 1: Potential Operating and Financial Results from Newlox Gold's Announced Projects

	ORO ROCA	BOSTON PROJECT	COMBINED
Throughput (Tonnes Per Day)	80	150	230
Average Grade of Stockpile Material, (in Grams of Gold Per Tonne)	9	15	
Potential Grams of Gold Recovered/Day	720	2,250	
Flotation Recovery (%)	90%	–	
Grams of Gold Recovered/Day	648	2,250	
Number of Grams Per Ounce	28.35	28.35	
Ounces of Gold Recovered/Day	23	79	102
Assumed Number of Plant Operating Days Per Month	26	26	
Ounces of Gold Recovered/Month	594	2,063	2,658
Ounces of Gold Recovered/Year	7,131	24,762	31,893
Assumed Gold Spot Price Per Ounce (US\$)	\$ 1,800	\$ 1,800	
Assumed All-In Sustaining Costs of Production Per Ounce (US\$)	\$ 685	\$ 685	
Canadian Dollar – US Dollar Exchange Rate	\$ 0.784	\$ 0.784	
Annual Pretax Profit Millions of Canadian Dollars	\$ 10.1	\$ 35.2	
Less: Assumed 50% of Profits Shared with ASMs Who Supply Raw Material		\$ (17.6)	
Less: Taxes at Estimated 25% Tax Rate	\$ (2.5)	\$ (4.4)	
Newlox's After-Tax Annual Net Income (Cdn)	\$ 7.6	\$ 13.2	\$ 20.8
Sensitivity:			
Each US\$100 Change in the Price of Gold Affects Newlox's After-Tax Annual Profits By (Expressed in Millions of Canadian Dollars):	\$ 0.7	\$ 1.2	\$ 1.9

BOSTON PROJECT

In the first half of 2021, Newlox plans to bring a second facility, called the Boston Project, on line in Costa Rica. Located within the historic Juntas Gold Camp, the Boston Project should cost around US\$2 million to build. See Figure 1. By some accounts, more than one million ounces of gold have been produced at the Boston Mine.



Source: Newlox Gold Ventures Corp.

The Boston Project is expected to have throughput capacity of 150 tonnes of material per day, or almost twice Oro Roca's capability. More specifically, the input at the Boston Project will be freshly mined material from the Boston Mine – not tailings – with a gold composition of around 15 g/t, 66% richer than Oro Roca's level.

Based on similar gold price and cost assumptions as the Oro Roca Project, together with an assumed 50/50 sharing of the profits with ASMs, the Boston Project could generate annual after-tax income of \$13 million Cdn for Newlox. See Table 1.

ARTISANAL MINING

An ASM is an independent miner who generally mines with his own equipment. ASMs produce about 20% of all gold on a worldwide basis. Such a miner frequently lives in a rural area of a developing nation and has few other employment options. Around 40 million ASMs work in 80 different countries, including Costa Rica, Ghana, Honduras, Nicaragua, Peru, and South Africa.

Figure 1: The Boston Project

- A fully permitted mining concession.
 - Located within the historic Juntas Gold Camp in Costa Rica
 - Mining history dating back to early 1900s.
 - Over 1 million ounces of gold produced.*
 - Extensive historical exploration.
 - Continuous mining since 1908 by formal and artisanal mining groups.
- * According to historical estimates

GOOD COST CONTROLS; NEWLOX HAS SIGNIFICANT CASH ON HAND

Newlox management has controlled its costs reasonably well as it has developed and grown the company. Quarterly operating losses have averaged about \$300,000 over the last four quarters. See Table 2. More importantly, in December 2020, the company raised \$4 million Cdn from the sale of convertible bonds. Proceeds from the sale of the bonds should fund the construction of the Boston Project. (The convertible bonds have a 10% interest rate and a conversion price of \$0.15 per share with a 2-year half warrant at 25 cents).

TABLE 2: Selected Quarterly Financial Data

(in thousands of Canadian \$, except for shares outstanding)	2Q FY21 SEPT. 2020	1Q FY21 JUNE 2020	4Q FY20 MARCH 2020	3Q FY20 DEC. 2019	2Q FY20 SEPT. 2019
Operating Income	\$ (277)	\$ (325)	\$ (364)	\$ (265)	\$ 125
Operating Cash Flow	(737)	(247)	27	251	8
Cash – Period End	39	266	6	33	186
Debt – Period End	0	0	0	0	0
Shares Outstanding (in Millions)	94.7	89.9	77.6	77.6	76.7

Fiscal year 2021 ends March 31, 2021.

INVESTMENT SUMMARY

Newlox could potentially realize annual after-tax income of \$20.8 million from Oro Roca and the Boston Project if they produce as planned. The company has said it will outline a third project by Q2 2021. The capital costs of these projects are modest, and the artisanal miners benefit from higher gold recoveries and higher income from their operation.

The typical Canadian listed gold company has a median 20% forecasted year-over-year earnings growth rate, and trades at 28.8x forecast (median 2021) price earnings multiples.

Newlox shares appear very inexpensive, at about 2.8x the potential Oro Roca/Boston Project after-tax income.

As investors begin to appreciate the scope of the Newlox Gold opportunity, that multiple seems likely to reset higher – perhaps much higher.

JAMES P. McFADDEN, CFA, MBA

Jim has worked as an equity analyst and hedge fund portfolio manager on Wall Street for more than 25 years, first as an Institutional Investor-ranked utilities analyst for Bear Stearns, Goldman Sachs and Drexel Burnham, and then as a long-short equity portfolio manager for Amaranth Advisors and the Bass Brothers. In addition, he ran the equity portion of JP Morgan's North American proprietary trading desk.



A Chartered Financial Analyst (CFA), Jim holds an MBA in Finance from The Wharton School of the University of Pennsylvania (graduated "With Distinction"), as well as an undergraduate civil engineering degree from the University of Notre Dame (Magna Cum Laude) and a master's degree in aeronautical engineering from the Air Force Institute of Technology.

Since becoming as independent CFA, Jim has written research reports covering the technology, mining, industrial, Bitcoin mining, cannabis, and other sectors.

Jim's interests include reading and all sports and enjoys spending time with his wife Joan.

INVESTOR CUBED provides specialized services to small and mid cap, private and public companies. As a trusted partner to our clients, our objective is to help take them to the next level of development ensuring their objectives are met and/or exceeded. By accomplishing this, we help create value for their shareholders.

Every client comes to us with a different set of requirements, needs, strengths and challenges. As such, we rely on our experience, industry contacts and sales and marketing strengths to deliver individualized solutions to prepare the company for success.

Investor Cubed provides multiple services to their clients with a strength in providing investor relations services.

For over 30 years Investor Cubed owner Neil Simon has developed personal relationships focused on ensuring clients meet the appropriate audience.

Neil has developed long standing relationships with numerous of Canada's largest advisors (\$100+ Million AUM), portfolio managers, Institutions and high net worth investors.

*** DISCLAIMER**

Legal Disclaimer/Disclosure: All information contained herein is for information purposes only. Investor Cubed Inc. is not licensed to sell securities in Canada and provides marketing, investor relations and general consulting services. This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. No information in this report should be construed as individualized investment advice. We make no guarantee, representation or warranty and accept no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the author only and are subject to change without notice. Investor Cubed and the author assumes no warranty, liability or guarantee for the current relevance, correctness or completeness of any information provided within this report and will not be held liable for the consequence of reliance upon any opinion or statement contained herein or any omission. If you have received this report in error please notify the sender and delete the email and report immediately. Investor Cubed, its owners, affiliates, employees or consultants may own shares in the company and may, at any time, buy or shares sells. Investor Cubed is not an insider and will not release or inform anyone or any body of any investment decisions regarding this company. Only regulatory Sedar approved documents or equivalent should be relied upon. Investing in small cap stocks carries a high degree of risk and investors can lose all their money. It is recommended to consult a professional before investing in high risk junior companies.

INVESTOR CUBED

67 Yonge Street
Suite 1401
Toronto, Ontario M5E 1J8
CANADA

☎ 647 258 3310
✉ nsimon@investor3.ca
🌐 investor3.ca
📌 [/investor-cubed](https://www.linkedin.com/company/investor-cubed)