Dear Shareholders and Colleagues,

I have just returned from a trip to Australia, where I had some Resource Star meetings and also the Annual General Meeting and Board Meeting of Jupiter Mines Limited.

Jupiter Mines

Shareholders will have seen our announcement about the Jupiter results; the presentation and, in particular, the video put out by Jupiter itself are well worth a view. It was a surprise to find that even though the manganese price had been weak recently, costs had also been cut significantly, without harm to operations, making Jupiter probably the cheapest manganese producer on the planet. This allowed Jupiter to cancel some investment plans for Tshipi, since it was difficult to see how there would be much return from the additional spend, when the business was already performing so well.

JUPITER MINES: AGM Presentation

JUPITER MINES: Tshipi mine video

2 million tonnes is the target for this year's production (after 1m tonnes last year), and the facilities are set up to produce 2.4m tonnes. With minimal change, that can be raised to 3.6m tonnes, so this open pit mine with a 60 yr life has the capacity to increase its performance still further. The fast load-out station can load an entire train in four or five hours, which is less than half what other companies can achieve, which means a quick turnaround as well.

The manganese price weakness means that probably the Company is one of the few still making good profits. And once prices recover, as we expect they will, those profits will be very high.

JUPITER MINES: Red Rock RNS, 1 September 2014

There was a business valuation carried out at the same time, which we refer to, by South African consultants, and its preferred value of Jupiter's stake in Tshipi is $460m. These valuations are a useful exercise, but it is a natural tendency of consultants to use a discount to the price that is current, rather than looking at long term trends and making assumptions. If the production continues to increase, and prices recover, that valuation will seem vastly conservative.

Jupiter used to trade around 50 cents and at one point had a large placing at 70 cents a share, and the price reached 90 cents. Before delisting earlier this year, it was down to 5 cents, and based on the annual report, net asset value is over 20 cents. The business valuation of Tshipi would add something to that. However, my own opinion is that in a better market with slightly increased manganese prices, this asset should fetch twice that, if not more. Therefore, considering the value of Jupiter's iron ore assets as well, and the loan it has to Tshipi, in my mind the business is a 50 cents (or over $1bn) business and if we wait long enough, we should see these values return. As we have over 27m Jupiter shares, this could be over $14m of value.

The iron ore part of Jupiter has been neglected, and that's very understandable. The near-10m tonnes of Direct Shipping Ore ("DSO") at Mt Mason, has continued optimisation and planning work because in a worse

environment for explorers and miners, prices have come right down, and Jupiter can get new quotes for capital expenditure and operations.

Depending slightly on the progress of the Esperance port expansion, one would hope for 2017 production. Now, this may seem insignificant compared to Tshipi, but that is wrong. If Tshipi is producing 2m tonnes a year, then attributable to Jupiter is 1m tonnes of manganese, where margins are quite tight at the moment. If Mt Mason were producing 2-2.5 tonnes of haematite a year over a short mine life – though please note I'm not speaking with any authority in hypothesising these figures – then their 2.5m tonnes might all or mostly be attributable to Jupiter. If the DSO can be taken to port and loaded cheaply, then the margins can be good and the attributable profit might be similar to that from the manganese at current levels, for a short period of years. That partly depends what discount rate you use of course, but nearer term revenues are always going to be worth a lot more than future revenues, so the distant profits from Tshipi don't add so much to present value. That's why I think a valuation that ignores Mt Mason is overlooking something important.

As for the 1.9bn tonnes of magnetite at Mt Ida, that project has, after the feasibility was done, been put on hold because the infrastructure requirement and the iron ore prices mean that considerably more clarity will be needed on the Esperance expansion, and probably some increase in iron ore prices before that can be progressed. It is, after all, a very large project with probably over $2bn capital expenditure. So, unlike the Mt Mason development, it could not be financed within existing resources.

There's one really important point about Mt Mason and Mt Ida that we haven't yet discussed in depth. The neighbour to the north is a joint-venture with Legacy Iron Ore that is now 79% controlled by NMDC – the National Mineral Development Corporation of India – after they put in another $12m last month. Mt Mason extends a bit into their ground, and the Mt Ida structure certainly will continue into their ground. NMDC is an Indian state body tasked with procuring mineral supplies for India and is 80% owned by the Indian government. It has massive financial strength, and its real interest is developing the magnetite. Magnetite is much preferable in steel-making to haematite, although more expensive to develop. It arguably gives a better steel, has fewer impurities, and the steel-making process is likely to be less polluting. China wants to move towards 50% magnetite use in steel-making as well. Now, with Jupiter and its backers being by far the strongest active player of the new entrants in the Yilgarn, and NMDC sitting there planning with its colossal financial strength, a combination or alliance between these two parties represents the likely future of Yilgarn production. It probably hasn't escaped people's notice that Priyank Thapliyal – the CEO of Jupiter and one of the partners in Pallinghurt – is ex-Vedanta, and GG – another key executive tasked with detailed planning and implementation of the iron ore projects – is another ex-Vedanta executive. Brian Gilbertson himself brought Vedanta to the London market. These people know how to deal with Indian businesses, and have a long-term vision.

Finally, we come to the issue of the Esperance Port expansion. The plans are going ahead, and we think that we are a key player. There is an interesting footnote to that, which is that Cliffs Natural Resources in the US has recently had a management change, and they want to refocus on their core business. This means that the Portman business in the Yilgarn that they acquired a few years ago, is now non-core and a candidate for disposal. Portman invested perhaps $120m in the rail upgrade historically and put money into the port, and so they have an agreement for use of a key train unloading facility at the port, and yet we believe that their production is in decline. The question of whether Esperance actually needs much expansion may be an open one, but a dialogue with Cliffs is inevitable and the possibility is that Jupiter's strength in the area may increase

still further, enabling it to create a much clearer pathway to production at both Mt Mason and Mt Ida. Mt Ida is of particular importance to us because we have a royalty over that resource and given the involvement of NMDC in the Northern part of that deposit, we have a strong confidence that eventually it will be developed. And at 1.9bn tonnes in our ground alone, that has the potential to become a massively important producer. It is frustrating to see how much Jupiter is still under-recognised and perhaps it will be a long process for full understanding to be developed. However, the fact that there is now in Jupiter a 2m tonne producer of manganese, taking 11% of the Chinese sea-borne market, the cheapest producer in the world with easy expansion capacity and an ultra-long life from open-pittable resources, means that the perception change has already begun.

Resource Star

Whilst Red Rock was in Perth, we had meeting with Resource Star where the due diligence and documentation process for the Cloud Lands acquisition is proceeding. This seems an excellent solution, with very great upside, though the extent of that upside will of course depend on the performance of the business in the next months. What can be said is that we are impressed and convinced by the vision and credentials of the Cloud Lands team, and believe that in a fast-growing marketplace, they should be able to carve out a space for themselves. The valuation of our interests in Resource Star has gone from very little to nearly $1m, with fluctuations of course, but we hope for much more, and in due course that will be an opportunity for realisations as this is a non-core business for us.

Elsewhere

In Colombia and Kenya, we continue with our work and no doubt before too long will have announcements to make. There, as everywhere, we are striving to maximise the value of our assets. We are in a stage of the market where the potential and blue-sky of assets is not recognised, and everyone is looking at break-up value, but the time will come soon when people will start to look more positively, and we are preparing for that. It is a great encouragement to us that we are able to find ways to add value at this stage in the market and indeed it is essential that we do that, because this is when assets are cheap, and when geologists and drillers are cheap and opportunities abound. We do feel the need to work on achieving a sale, but in all other aspects are very satisfied with performance.

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Chairman & CEO

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