

# Red Rock's Balance Sheet Boosted By The Sale Of El Limon And An Uptick In The Value Of Jupiter Mines

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Andrew Bell

"I was looking at the top five mining equity raises this year", says Red Rock's Andrew Bell, "and the fifth one was just £4 million".

Although there are some signs of recovery out there, things are still tough, which is why [Red Rock](#) has lately been more in the business of trading assets than diluting shareholders.

The latest transaction is a case in point. The company has just announced that it is some way into a process which could see it realise US\$5 million in cash from the sale of its El Limon gold mine in Columbia.

El Limon has been on the block before, but a previous deal fell through when the gold price went into freefall. Things have stabilised now though, and although the current offer price is lower than the previous one, Andrew is confident that this deal will hold together.

"Two years ago they were chasing the downward gold price in trying to get the finance organised. But this is a sensible deal", says Andrew. "The buyer has a long history of working for big companies."

He's James Randall Martin, former chief executive of Colombia Goldfields, and the founder and current chairman of another regional gold play, Hemco in Nicaragua.

[Red Rock](#) will receive payment for its 50 per cent interest in El Limon in three tranches, subject to due diligence. The first will be a US\$2.5 million cash payment on completion of due diligence. The second will be in the form of a one-year US\$1 million promissory note secured against the 50 per cent interest itself. And the third

will be a US\$1 million payment in the form of a three per cent royalty on annual net sales.

"We're happy with the transaction", says Andrew. "If we've got an asset that we don't think is core, selling it is the right thing."

What's more, he points out that making a long-term success of El Limon is no easy proposition. "The risks are high. We don't have a resource. When we go down to the next level we don't know what we're going to find. It pinches and swells The grade goes from three grams per tonne to 400 grams per tonne."

Such is not completely out of the ordinary for South American gold mines, but for a junior company with a listing in London and a compelling need to keep an eye on the bank balance, managing such a proposition isn't easy.

Not that [Red Rock](#) made a bad fist of it. "In a declining gold price we managed to get El Limon's debts down", says Andrew. And in turn the sale of El Limon has now resulted in the reduction of [Red Rock](#) debt.

"We can make ourselves totally debt free", says Andrew. "But that's only part of it. The cash will support our exploration efforts and provide strength on our balance sheet. Having a sound balance sheet is the way to go."

But with the newly positive sentiment towards a potential mining recovery – witness the recent upgrade in outlook from JP Morgan - it's not just the cash from El Limon that could be strengthening Red Rock's balance sheet over the coming weeks and months.

Andrew is also confident that the company's long-standing interest in Jupiter Mines is about to deliver real value from its manganese assets.

"Jupiter Mines has changed its year end to February", he says. "The interims were pretty good but the full year results will be even better."

Now that the South African elections are out of the way he believes the true value of the Jupiter shares will begin to shine through. Jupiter is no longer listed, but [Red Rock](#) holds its 27 million shares at a valuation of between US\$0.06 and US\$0.08 per share, based on the last traded price before the delisting took effect.

Now that Jupiter is up and running, the true value could be several orders of magnitude higher

"The NAV will probably be US\$0.25 on the balance sheet", says Andrew. "But the real value – who knows? The real value is in the Tshipi manganese mine which has

been very profitable since it opened. Even in a poor market for manganese it is established as one of the lowest cost producers. It has a 50-to-60 year life, and it's going to be - for the last 40 years - the only open pit manganese mine in the world. This is an asset that should be worth more than the money it cost to develop it." For [Red Rock](#) shareholders the success of Tshipi can't come a moment too soon. But exactly how much the Jupiter shares are worth remains moot. Could it be, speculates Andrew, that their true value is as much as US\$0.30 or US\$0.40 or higher?

Certainly that would be a very satisfactory outcome. And now that the El Limon deal is done, Andrew will be more in control about what price he can command when buyers come knocking. And he's in no doubt that they will come knocking. "Any time we've been interested we've always been able to find a buyer", he says.