AUDIO INTERVIEW TRANSCRIPT

MiningMaven interviews Andrew Bell

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Malcolm Palle: My name is Malcolm Palle and you're listening to MiningMaven. I'm here at the offices of Red Rock Resources talking to chairman Andrew Bell. Andrew, thanks for joining MiningMaven today.

Andrew Bell: Thank you for coming in.

MP: Andrew, you've just released news of the disposal of your interest in your Colombian assets – a producing gold mine at El Limon. At this stage in the market cycle, this is obviously quite good news because there's money involved!

AB: Yes. We thought we were doing a good deal a couple of years ago when we were talking about selling it for $11m, now we're selling it for $5m. But when you look at the market, we've come down from a range of $1,600-1,800 per oz to a range of maybe $1,100-$1,200, and capital values transactions have dropped a lot more than 50% and our share price has dropped a lot more than 50%. So, like for like, we think we are able to sell oranges at a good price, to buy apples at a better price.

MP: And this deal is with Nicaragua Milling Company Limited, and if I'm not mistaking, you were originally expecting some kind of interest from Ashmont. Could you explain how this deal came about and why Ashmont are no longer in the picture?

AB: Well Ashmont, to give them their due, they started trying to do a deal when it was very easy to raise money and the gold price was high. They were trying to structure a deal as the price came down and they had a complexity too in that they had raised money from their shareholders and they had explored and found a very large exploration asset. Exploration assets came down more than production assets – if possible! – and therefore the extent to which they'd have diluted their shareholder stake in their very exploration assets in order to buy a comparatively small production asset made structuring the deal quite hard for them. We know a little bit about that in retrospect, though we didn't always know it at the time. We'd, however, eventually concluded we had to open this up. We ended up having an open process with about 10 potential buyers: this was the one that came through, and also, we thought much the most professional.

MP: And what do you know about Nicaragua Milling Company Limited?

AB: We know the principal of it – Randy Martin – has a very good record. He's built up the second biggest producing mine in Nicaragua which he sold a year or two ago for $85m in a private deal. He was before that involved as one of the three partners in Marmarto, and RAB-backed Colombian Gold and Colombian Goldfields, which he was involved in, and a local partner were the partners in that, and then they merged with Medoro and the whole story is, I think quite well known and quite well documented. Our cross-references on him and on his patterns are pretty good and one of our non-exec directors actually encountered him at that time as he was a non-exec director of a Colombian gold company.

MP: So they're giving you $50,000 for an exclusivity period of 60 days, and a further $50,000 if required. Then you get a lump sum of $2,500,000m on agreement. How useful is that money going to be for Red Rock?

AB: Well, very useful! The $50,000 of course doesn't go very far but we wanted to be absolutely sure that they were serious, so the fact that they're paying $50,000 for us taking this off the market for 60 days seemed quite fair to us, and it's something that they would lose if they didn't proceed, and if they carry on for another 30 days then in most circumstances they lose another $50,000. So we have a high level of confidence, both because of that and because we have enquired, that they are serious about and are likely to complete this transaction. But the $2,500,000 – yes, that in this market is quite a substantial amount and it will materially impact our balance sheet.

MP: How much confidence do you have that this transaction is likely to complete, bearing in mind the difficulties you've had in the past with some related transactions?

AB: Yes, I think delivering on transactions in a bear market is never quite as easy as it is in a bull market. In this case, however, one thing we know about the group is that they know Colombia very well, they know the asset, and they have a record of successful production and building up small producers to big and professional producers because they've done it before, in Central America. So what we feel is that here is a group that knows exactly what it's getting into, has selected this asset with some care, and is anxious to do the deal…and has plenty of money. So, other than having the money already in our hands, we can't be sure it will complete, but we are very anxious to avoid a situation where we announce a deal, we go through due diligence, and then it doesn't happen.

MP: **So, as and when the deal completes, you'll have a strengthened balance sheet, and you've obviously got other projects that you want to be working on. What would you say is your central focus from that point?**

AB: I would say that we remain a business strongly focussed on gold exploration: we are exploring and advancing our exploration in Kenya; and we are starting gold exploration Ivory Coast where we think the potential is great. So this will be the real focus of our activity.

MP: **If we can just touch on your Ivory Coast exploration projects – what do you think of the prospectivity there and your potential for achieving some interesting results?**

AB: I think everybody knows the prospectivity of the Ivory Coast is very great; the hurdle rate for investment is low; some inputs like electricity seem to be relatively cheap; and you have a friendly government and good infrastructure. The country is pretty much unexplored, and it has much more of the West African greenstone belt than neighbouring countries and yet just a fraction of their production, and a fraction of their number of discoveries. We're in very early stage there, and it's highly prospective, so we can get in early which is what we like, and we can explore relatively efficiently, which is what we like.

MP: **And do you think that the programme is going to be particularly costly to the company in the early stages?**

AB: No, the early stages of course, particularly because a lot of work hasn't been done there, up to now, the early stages require some data assembly, we'll be looking at some satellite data, geophysical data, and mapping. Then we start looking at other neighbouring properties and things along strike, and then we will start doing geochemistry, and that will not be expensive and we will gradually home in on the areas that we think are most prospective and eventually drill them. But the early stages of gold exploration are not intensive and expensive – you start with a big area and you try and refine down. And that's an exciting thing to be doing!

MP: **And, moving onto your Kenyan projects – where do you stand on those at the moment?**

AB: We feel that we've made a great deal of progress just recently in terms of dealing with local political factors – council, government – and we've also been carrying out the early stages of a feasibility and expect to have something to announce on that before too long. So we're jogging along, we'd like to accelerate, and I think that conditions are becoming better so that we'll be able to do that.

MP: **Finally, you still obviously have your shareholding in Jupiter Mines, which are delisted. You've shown that there is some kind of a market there should you wish to sell any of your shares. What do you feel about the valuation there, and how easy would it be for you to realise value from those shares?**

AB: At the end of last year, Jupiter was trading around 5 cents, at the time of delisting in January, it was trading 8.1 cents, at the interim the NAV was 21.2 cents I think, at the full year results and new year end (that'll be out in the next few weeks) I expect it will be 25-30 cents. The truth is, that with a very profitable manganese mine in South Africa, this is a company that should be valued at more than its net asset because value since the day that that mine opened a little over a year ago, it has not only been extremely profitable - making $21-22 million in the first year of operation net, and three or more times that in the current year – but it has been profitable right from day one and is one of the lower cost producers already in the world for manganese, with a life that is measured in decades.

So what's the real value of Jupiter? Just looking at that one asset alone, which is 85% of the balance sheet at the interim stage, I would say the real asset value of Jupiter is in excess of 30 cents. Of course, we may not get that if we want to sell. But I would anticipate that over the coming months, we will have opportunities to lighten our holding and maybe dispose completely – because after all, that's the purpose of everything we did with Jupiter and the assets we put in there: to eventually have a realisation. And that can then be redeployed in building up our value elsewhere. But we made the right decision not selling out at 5 cents, holding into the period where it got delisted. That was an asset that's come down from 90 cents to 5 cents when it's had *suburb* performance. That hit our balance sheet to the extent of about £30 million. As we come to the fruition stage in Jupiter, *we* should be there to gain some of the fruits. But that will be our banker and will enable us to get the resources we need to take the next stage in our growth.

We're not an investment holding company, Jupiter is part of what's in the exit lounge: it represents previous exploration activities by us, and the fruition of them. But we do have that stake in Jupiter, it is an incredibly important asset for our future, and we also have a royalty on the iron ore asset – which nobody has spoken about – in Western Australia, but is also important and we believe will eventually be a mine, and Jupiter also has another small iron ore asset in Western Australia. So, yes, we don't forget Jupiter. Although what we spend our time on and do our exploration on is the gold exploration.

MP: And how many shares do you have in Jupiter right now?

AB: Twenty-seven million.

MP: So, 27 million shares, and if you were to achieve a price of even say 20 cents, that relates AUD$5.5million, if I'm not mistaken?

AB: Yes, so not very different to the market value at the moment.

MP: So for investors looking at Red Rock Resources with fresh eyes, what particular aspects should they be focussing on when determining the valuation at these prices?

AB: The first thing they should be doing is thinking, 'We're right at the bottom of the market. Which companies have shown a record of outperforming when the market recovers, which companies have sound foundations at this level, which companies have some really good assets, and which companies perhaps are in gold, because that's the easiest thing to get moving?' We qualify on all of those. We have a record of discovery; a record of producing resources; a record of bringing a mine into production; a record of putting together with Jupiter a constellation of parties that have brought one of the world's great mines into production; we still have a royalty on a major iron ore asset in Australia; we have that Jupiter interest which is increasing in value all the time; and now we're doing some exciting new exploration in one of the hottest areas there is, in Ivory Coast. And we have a good team that is good at exploration.

MP: Andrew, thanks very much for joining MiningMaven today.

AB: Thank you.