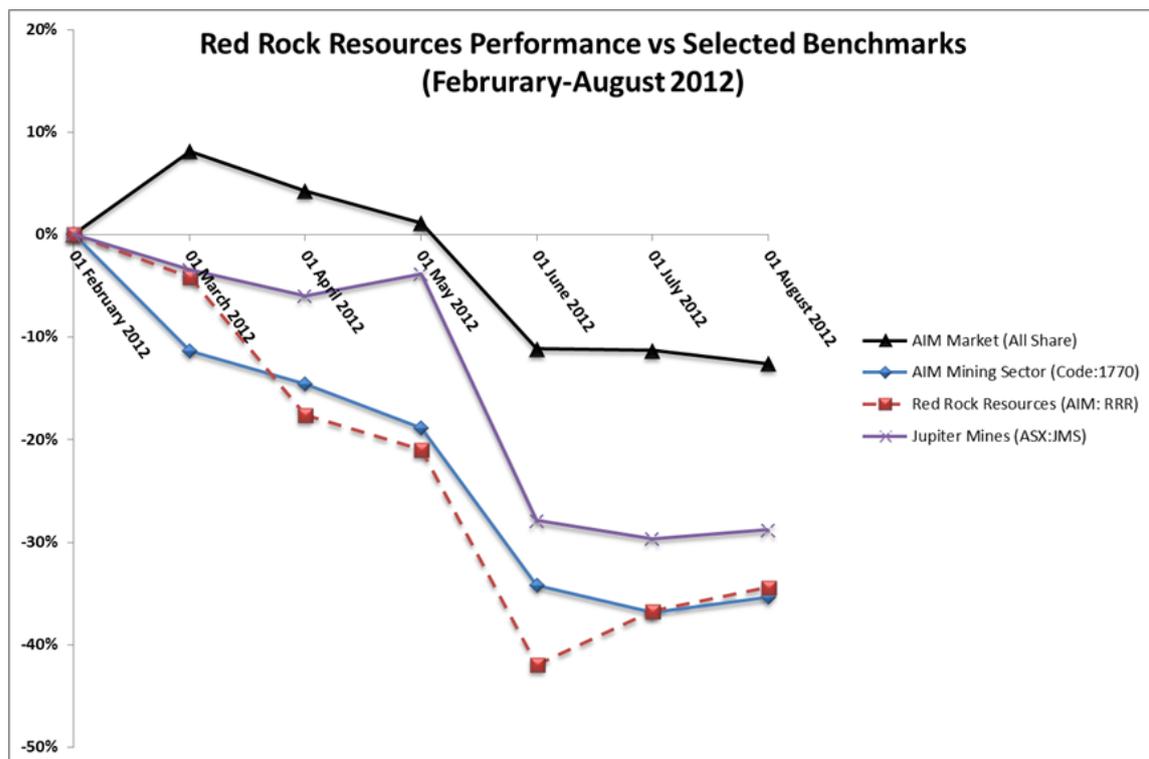


Dear Shareholders and Colleagues,

To describe August as a quiet month in the markets would be a favourable gloss on a month in which trading volumes were extremely low and our share price drifted. Events occurred which we announced, and in other circumstances might have been taken as significant, but the lassitude and depression were such that we noticed no reaction. I assume that you like other sensible people were following the Olympics and not share prices.

We, and our geologists, are governed by other timetables than those of the market, and we were working, with hardly any abatement of activity, throughout the month.



Jupiter Mines, where we have an investment, has completed a fund-raising that has raised \$76m. The price has jumped, so that our investment is worth 29 % more today than yesterday. We expect further good news.

In Greenland we have announced further exploration results, and as you can see from [that announcement](#), we are very encouraged by them.

We expect to get a Mineral Resource Estimate under one of the established codes based on this year's work, and possibly two. The appearance of the magnetite rock is good, with nice coarse grains, and we have intersections of high grade haematite. The structural complexity and reworking that we see is encouraging: complexity in this situation would represent opportunity. The photo to the right shows a magnetite sample which our team has brought back.



So we will not only, we hope, have Resources, but we will have shown exploration upside and validated the area as an important exploration target with opportunities for economic mineralisation being established.

From so few holes drilled, these would be tremendous results. We would have achieved almost all we set out to achieve in this first drilling season, and that is due to the professionalism of our staff and the quality of the planning that went into this year's work. We congratulate all concerned.



The consultant who visited us and who will write the Resource statement was extremely impressed by the quality of our personnel and of the data input forms and database. His reported comment was that for the first time in his experience he could find no errors in the database. He and the drillers were also impressed with the camp, its facilities, and its organisation. We made a conscious decision at the beginning of the season that we were going to provide proper facilities and catering for our staff and contractors out there, as the weather can at any time close in and confine people to camp, and we would have up to 40 people working there, so that morale needed to be good if we were to get effective work. This cost more, but it worked, and the set-up we have there will be a good base for future work, enabling us to store equipment over the winter, and make an earlier start in another year. Certainly there was enough coffee to go around!



We have only had one polar bear sighting, which was spotted a way off to the North of Melville Bugt. The bear fortunately couldn't see the merit in visiting our camp and moved along in search of that much tastier morsel, seal.

The overall comment we had from one experienced visitor was that what we were doing this year and how we were doing it compared well not only with what another junior company might do, but with what a major would do. We are extremely proud of our Greenland team for their extraordinary achievements and the professional way in which the project has been executed.

In Kenya, we applied for a Mining Lease over the tailings, an important milestone, and won a court case on a tiresome but minor matter. Work on getting our final Mineral Resource at MK, the last of the old drilled areas, continues, and we are analysing the data from our 2011-12 work with a view to identifying structures and areas of higher grade. We are also still working on a restructuring of our interests.

In Colombia, we are in the due diligence period with a party that wishes to buy our mine, and approaching its end.

This all adds up to our being busy, especially with some funding activity during the month. The atmosphere in the office has been adrenaline-charged, which is very fitting for the Olympic month!

September will see demobilisation in Greenland, a large task, as well as possible work on detailed documentation of the sale of Colombia, and the last stages of the MK work in Kenya.

The following weeks will also see some key marketing and PR initiatives, including a European marketing trip and the East Africa Mining Conference in Nairobi, of which we are a platinum sponsor. The decision to sponsor the event for a second year followed last the inaugural event's success in 2011. With a bigger audience this year, we have an excellent opportunity to get our message across to key ministries and agencies that will be in attendance. We will also be making an appearance at *Mines and Money Sydney* via Regency Mines' stand in late October.

Work on the new website continues but is taking longer than expected due to this being a busy period. We expect to focus our attention on the Red Rock website in, and have it live by the end of, November. Work on the annual report is going well and auditors are expected in next week.

Another busy month beckons!

Kind regards,

Natasha Walton

Head of Marketing and Community Affairs