

Dear Shareholders and Colleagues,

We have issued some RNS announcements recently on Greenland, Kenya, Colombia – and Jupiter Mines. I thought it might be helpful, as I return from a short trip to Australia, to reflect on what they have meant.

Jupiter Mines

Four of our announcements since September have related to Jupiter, so let me start with that company. We have felt for some time that the price of Jupiter shares was surprisingly low, considering its stake in the Tshipi manganese mine in the South Kalahari Manganese Basin which was about to come into production. Jupiter announced in September an upgrade in Resource at the Mt Ida iron project and a successful fund raise (good news!), and in October first production of ore at Tshipi (good news!), rail transportation organised at Tshipi (good news!), while we announced a sale of 14m of our 74m Jupiter shares (bad or good news according to taste). Now we have reported that following receipt just days ago of some of the key estimated inputs of the bankable feasibility study, and taking into consideration the high Australian dollar, cost inflation, and low iron ore prices, Jupiter has decided to put the Mt Ida project on hold (very bad news for our royalty interest!) and that Jupiter will not support the Esperance port expansion (good news in my view!) and will keep its \$100m cash in its pocket (good news in my view!). [Click here to read Jupiter's AGM presentation.](#)



Try this hypothesis: Cliffs Natural Resources (Portman) is facing declining quality in its output and has a limited resource, so that in a few short years it will run out of product from the Yilgarn. The other prospective customers for the Esperance port on the south coast are paper tiger projects with no chance of realisation and short on some combination of funds, backing, scale, and access to infrastructure. Only Mt Ida could either (a) fill the gap or (b) justify new investment. The near \$20 per ton of extra cost, our projected infrastructure investment cost recovery based on back of the envelope figures, suggests that at current iron ore prices Jupiter would do better to wait and not support new infrastructure, which is not needed.

Further, the announcement later the same day that the Oakajee port development would be put on hold by its Japanese promoters, for apparently similar reasons, leaves the mid-west Yilgarn resources of other companies landlocked without a port development on the west coast. The hypothesis that (at least as far as Australia is concerned) iron ore is trading below its replacement cost and no company can bring forward a project that relies on new port and rail infrastructure or upgrades because the cost recovery will not be there seems quite possible.

The implications of that are that the future iron ore price may not be weak as projected. A Deloitte's study mentioned today in Mining News says also that Chinese iron ore demand in October was up 14.5%. Bad news today may thus be good news tomorrow. At the moment we have a series of hypotheses based on new information and costings that give us a different perspective from stockbrokers' analysts. Projected paper capacity will not be real capacity, and many

companies projecting iron ore production from advanced projects may have no real prospect of bringing them into production, despite analysts' reports. One could name quite a few of these.

We are sad that for now we have to forget the potential value of that part of the Mt Ida iron ore royalty we were unable to sell in the Spring, though we are grateful we sold that and got \$6m in for an asset with no book cost.

But Jupiter, though their shareholders may be slow to realise it, looks in my view stronger. Announcements of the first train of ore leaving Tshipi, and the first ship leaving Port Elizabeth, are scheduled, as are the announcements in relation to marketing arrangements. While Tshipi claws its way into the market and fights for contracts in the first months, competition from Samancor and UMK as they fight back may prevent manganese prices and profitability rising sharply, even as iron ore prices recover, but the long game favours Tshipi. And at the bottom of the market, Jupiter has \$100m cash which it will not spend on holes in the ground. While it had plans to spend this money, the market perhaps discounted it, now that it is a war chest in a company with mighty shareholders and the potential targets are as much as 90% cheaper, it might be logical to credit the \$100m cash against the \$300m market capitalisation and say: "We can buy 50% of Tshipi for \$200m or less through Jupiter".

Our shares in Jupiter have gone from nearly 90c to 12.5c over time, and we perhaps lost (on the whole holding had we retained it) some \$50m. That has damaged Red Rock. But we retain 60m Jupiter, and the argument for price recovery at Jupiter remains a compelling one.

Kenya

Let us turn to Kenya: we have made one recent announcement, which was of the regional drilling results from air core. We identified 8 new discoveries, of which three were judged significant. At Nyatworo, a 1.7 km shear and fault showed (among a large number of samples, and noting highlights) two 1m samples at over 1 g/t. At Kikongo, a 300m by 900m area had 1m at 1.8 g/t and 1m at 1 g/t. At Masaba, there was 1m at 1.6 g/t. The encouraging nature of the aircore results at these targets may be judged by the fact that we drew attention to other targets based on anomalous zones above 0.05 g/t.

Therefore, apart from the MK Resource due out shortly, and the full CSA report, and some further analysis due following a visit by our in-house gold greenstone expert, we have the future exploration targets which can add further ounces beginning to take shape.

Kenya has some politics, which we deal with, and elections coming up, but we are persevering and doing good work with real prospects for eventual mining.

Colombia

Now Colombia: we noted on 2 October that we were moving from due diligence on the sale to contractual drafting. It has been a month, and we have had nothing more to say. We are aware of and embarrassed by this, but in contractual

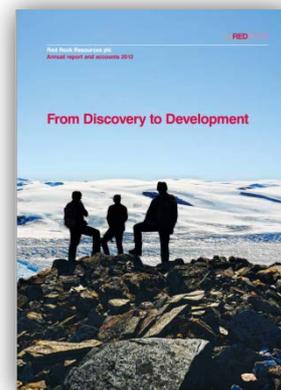
matters it should be known by our shareholders that we are generally quite fast. People elsewhere are not always so fast, but if the deal were off or we closed operations, as rumour has sometimes suggested, we would of course have to announce it immediately, and we are aware of that! So apologies to those shareholders who ask us for updates!

Greenland

Greenland has had three updates since September, one announcing the end of the field season, ahead of time and within budget, and one announcing some preliminary results from Haematite Nunatak, and one with preliminary results from Havik East and NorthEast. The last also mentioned that SRK are preparing a Mineral Resource Estimate expected this year. We await the sample results from the laboratory: last year these were some 7% above field XRF readings, and we have some expectation that there will be a difference this year, although this will only be known when we have the results, when we will announce. The achievement of a Resource, as we hope, will be a significant and important step as we will describe.

Annual Report

The financial results for the year ending June 2012 were announced on 19th October and can be accessed by [clicking here](#).



Finally, an apology to some of you who may be on the Regency Mines mailing list as well as this one. That list was illegally obtained and is being illegally used by a former shareholder (and would-be seller of a project to us) to pursue an obsessive vendetta against us in relation to Red Rock. There are justified and unjustified ways to seek information and to pursue a complaint, and established channels for doing so. We try to maintain a dialogue too with any shareholder willing to approach us, debate with us, or even criticise us, without discourtesy. Defamatory and constantly repeated statements broadcast to current or potential shareholders in an attempt to drown out positive voices and sow fear and mistrust constitute harassment and are an illegitimate way to proceed. You may be sure that, while we will not be distracted from our tasks, we take this seriously and will take appropriate action.

Yours ever,

Andrew Bell

Chairman