

## RED ROCK RESOURCES PLC

www.rrrplc.com

**Recommendation: Buy**

<b>Price:</b>	0.93p	<b>Market Value:</b>	£4.3m
<b>Ticker:</b>	RRR	<b>Sector:</b>	Mining
<b>12 month trading range:</b>	3.13p – 0.38p		
<b>PE:</b>	n/a	<b>Yield:</b>	0%
<b>Shares in issue:</b>	462.47 million 0.1p ordinary shares		
<b>Net cash:</b>	£150,000 (estimate as at 1 <sup>st</sup> May)		
<b>Net assets:</b>	£1,350,000 (estimate as at 1 <sup>st</sup> May)		
<b>Listing:</b>	AIM		
<b>Significant shareholders:</b>	Regency Mines plc 29.4% Sunvest Corporation Limited 3.9%		
<b>Financial calendar:</b>	Interims - March, Finals - December, AGM – January		
<b>Business:</b>	Mineral exploration and mineral investment company with interests in iron ore and manganese in Australia and Zambia; plus uranium investments in Africa and Australia.		
<b>Recent fundraising:</b>	£150,000 on 19 <sup>th</sup> May		

## Gold cashflow and £3m war chest to fund opportunistic acquisitions

The recent history of Red Rock Resources has been dominated by the company's joint venture with Pallinghurst, which has seen the two partners gain a substantial stake in Australian Stock Exchange-listed Jupiter Mines Ltd which is transforming itself into a steel feed business. Red Rock appears to have taken this project through to a successful conclusion.

On 17 April 2009, Red Rock announced a move into gold. This might at first glance look like small beer compared with Jupiter Mines and Pallinghurst's billion dollar investment plans. However a clever investment in gold looks as though it could provide the Company with a substantial cash flow within months.

Red Rock is now focussed on (a) cash flow and (b) unlocking the value of its assets. It may deserve a substantially higher valuation for a number of reasons that are listed below.

- The economic downturn presents a great opportunity to create a steel feed business. With experienced management and Pallinghurst's capital backing, investors could be seeing the creation of a 'BHP in exile' at Jupiter Mines. As this story unfurls the value of this Red Rock investment looks set to rise significantly.
- The move into gold by buying small and modular mobile mills is designed to provide near immediate cashflow. Under a special deal these mobile mills are being purchased at cost. They are sufficiently large at 50-100 tph to provide scale economies and could see a pay back on the first contract.
- On a typical project, the board believe that a single mobile mill working round the clock could generate AUD\$200,000 a month or more of revenue after costs to be split between Red Rock and the site/mine owner.

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- The new £3m Standby Equity Distribution Agreement (SEDA) with YA Global Master SPV Limited, puts Red Rock in a strong financial position.
- Armed with cash flow and the £3m war chest, Red Rock can take advantage of the current market conditions and make further opportunistic investments.
- After a £103,716 profit in the year to June 2008, Red Rock expects the impact of the Jupiter deal to cause a sharp rise in profit this year and next. As the Jupiter strategy rolls out, Red Rock can begin to realise profits and monetise part of its Jupiter investment.

## INTRODUCTION

Red Rock is exploring for iron ore, manganese and uranium where the management has made a series of carefully planned initial investments. These projects have been advanced in careful step by step process until they were ready to be spun out into quoted vehicles. At all stages in this process, value has been added. In a successful implementation of a strategy which must be the envy of many other AIM-quoted junior mining companies, (a) as these assets have been spun off they have ceased to be a drain on Red Rock's cash, and (b) they become as listed stock a potential source of new liquidity.

## IRON ORE & MANGANESE

Red Rock has been the catalyst behind the consolidation of iron ore interests in the Central Yilgarn region in Western Australia which lies 400km inland from Perth. The Company's interests in this important geological region consisted of three tenements called Mt Ida, Mt Hope and Mt Alfred covering 460km<sup>2</sup> and are known to include two large high-grade occurrences of Banded Iron Formations (BIF) - hosted iron called Mt Ida and Mt Mason which are hills measuring some 21km<sup>2</sup> and 8km<sup>2</sup> respectively rising 100m above the surrounding plains. In May 2006, Red Rock entered a joint venture deal with its neighbour Jupiter Mines Limited which has transformed the Company.

The quantum leap came when Red Rock joined forces with Pallinghurst Resources which is run by Brian Gilbertson, the former chief executive of Billiton who aggressively built that company into a mining giant that was finally merged with BHP. Mr Gilbertson was ousted from his position in 2003 as he had planned a merger with Rio Tinto, but was unable to win the backing of his own board. Pallinghurst Resources is Brian Gilbertson's own vehicle which has gained commitments totalling \$1bn from a consortium of investors including the South Korean steel maker POSCO, US coal group AMCI and South African investment bank Investec. These business partners also look to co-invest in projects as well; which means that Pallinghurst has substantial funds at its disposal to pursue its international ambitions.

Red Rock continues to develop its manganese interests in Africa, where it has stakes in Zambia, and in a company in Burkina Faso, and recently entered into a joint agreement with a substantial US-based end-user to source and develop new manganese deposits.

## JUPITER MINES LIMITED (16.2%)

Red Rock and Pallinghurst were deemed to be acting in concert as the pair built up stakes in ASX-listed Jupiter Mines Limited. The partners chose Jupiter Mines to be their consolidation vehicle of iron ore and manganese interests in Western Australia; and have used their shareholdings to force through substantial change in the corporate strategy. At the EGM of Jupiter Mines Ltd held on 9 March 2009, the pair's proposals were passed unanimously. Under phase 1 of these proposals, Red Rock was issued with 23.89 million new Jupiter shares taking their shareholding to 38.95 million (16.2%) with Pallinghurst holding 66.05 million shares (27.5%). Red Rock managed to attract Pallinghurst's interest towards its manganese-play the Oakover project in Western Australia which lies within the East Pilbara Region, a well-known manganese producing area just 40km from the famous Woodie Woodie mine. In the past, Pallinghurst were outbid for this mine as their \$1bn bid for owner ConsMin was trumped.

Phase 2 of the proposal consists of Red Rock transferring over its Oakover manganese tenements, at that stage; Jupiter will issue 81.00 million shares with Red Rock and Pallinghurst receiving 54.16 million shares and 26.85 million shares respectively. After this, the joint venture partners would hold 92.90 million shares and each have a holding of 27.75%. On top of that, further shares could be awarded to the partners by way of an option if more than 10 million tonnes of indicated or measured resources of saleable direct shipping ore is independently verified at Mt Alfred, then Jupiter would issue the pair extra shares at the then current share price at a rate A\$2 per tonne.

