

28th January 2010

## Red Rock Resources\* – Speculative Buy With 2.67p Target Price.

A busy eight weeks has seen Red Rock Resources raising £503,150 to fund its Migori gold exploration programme in Kenya. Jupiter Mines and Resource Star, companies in which Red Rock holds significant stakes, have also posted important news: early resource estimates and Australian Stock Exchange (ASX) re-listing plans respectively.

On the 14th of December 2009 and 22nd of January 2010, YA Global Master SPV subscribed for a total of 17,287,456 shares at a cost of £240,000 and weighted average issue price of 1.388p. The issue was made in line with Red Rock's Standby Equity Distribution Agreement (SEDA), while a separate issue on the 14th of December of 4,365,215 shares at 1.9p each was made to Kansai Mining Corporation as partial consideration for up to 60% of the Mid-Migori Mining Company Ltd. This goes along with the 26.9 million shares issued at a price of 1.35p on the 30th of November, which raised £363,150 to be used in the farm in to an up-to-60% interest in Kansai Mining Corporation's Mid-Migori gold project in Kenya. As at 22nd January 2010, 565,153,142 ordinary Red Rock shares were outstanding.

Red Rock's has also invested in Kansai Mining Corporation direct, with 39.63 million (35.2%) shares held or under option since 3 December 2009, after the purchase of an option over 29.63 million shares. At a cost of C\$360,000, the option is exercisable at nominal consideration at the earlier of the 11 March 2011 or Kansai's shares becoming freely tradable on the TSX-V.

The logging of five previously unsampled diamond drill holes by a previous operator was made on 14 January 2010 at the Migori gold deposit. Covering 801 metres, the samples join the 358 metres of percussion drill hole data which were taken from the Macalder tailings and the 109 metres of Reverse Circulation (RC) drilling taken near the gossan at Macalder. Drilling has resumed at Gori Maria in the East of the licence to test the gold targets, while trenching on new exploration targets will commence shortly. Red Rock plans to increase and upgrade its 1.17 million ounce Indicated NI43-101 resource estimate shortly, with the intention of identifying near-surface mineralization for near-term production.

### Key Data

EPIC	RRR
Share Price	1.625p
Spread	1.5p – 1.75p
Total no of shares	565,153,142
Market Cap	£9.2 million
12 Month Range	0.55p – 2.05p
Net Cash	£200,000 (est)
Market	AIM
Website	<a href="http://www.rrrplc.com">www.rrrplc.com</a>
Sector	Mining
Contact	Andrew Bell, Chairman & CEO Tel: 0207 402 4580

The re-listing of Resource Star Limited on the ASX will be confirmed shortly as the share offer is fully subscribed and closes on 5th February. Red Rock currently owns 24.4% of Resource Star which will fall to 20% (12.9 million shares) after the raising of A\$4.4 million. Resource Star is a Uranium explorer with seven granted tenements covering a total of 790.4 square Kilometres in the Northern Territory of Australia. The company's leading project has four drilling targets and further exploration work is planned at the remaining sites. Resource Star entered into a joint-venture with the ASX listed Globe Metals & Mining on 25 November 2009, with the partners set to co-operate in the exploration of Resource Star's Machinga Niobium, Uranium and Rare Earth Element projects in Malawi.

On 10 December 2009, Red Rock's 25.2% owned Jupiter Mines subsidiary announced that independent geological consultants BM Geological Services used 3D modelling at its Mt Ida project to estimate a Magnetite target of 1.1 to 1.3 billion tonnes at a grade of 30 to 40% Iron. Mt Ida is in the central Yilgarn region of Western Australia with the identified Banded Iron Formation extended to cover 11.25 square kilometres. Insufficient drilling has been conducted to produce a Mineral Resource but, with Red Rock entitled to a 1.5% gross production royalty on Mt Ida's ore production, the project could provide the company with a strong future income stream.

An update on Jupiter Mines' Oakover manganese project was announced on the 9 December 2009. Assay results from rock chip samples averaged 39.1% manganese with a high grade of 62.6%. Interpretation of Landsat ETM data and an airborne VTEM geophysical survey identified potential for a major manganese prospect, prompted the company to expand its licence area to 890 square kilometres. Jupiter has seen Pallinghurst and Red Rock recently joined by new investors POSCO and the Hancock family, and the expectation is building that Brian Gilbertson's team will put together major and possibly transformative deals to expand the core 'steel feed' business in the next few months.

The Jupiter and Resource Star shares held by Red Rock, currently have a value in excess of £12m, so that means that its 1.17m oz gold resource and other operations are valued by the market at less than nothing.

Red Rock has partially 'cashed in' its iron ore and uranium interests through developing strategic partnerships with strong operators and funding these independently, which has reduced it to minority stakes in listed vehicles in which it retains strong management input. At the same time it is advancing its recently acquired gold interests in Kenya by acting as operator with drill programmes currently under way and a reassessment of the 43-101 Resource planned. As indicated by the share price appreciation since May 2009, the market is responding to the company's progress. The dilution from recent share issues has reduced our target price to 2.67p. However, with solid progress being made on a number of fronts and because the share's continue to trade at a discount to their underlying value, we retain our **speculative buy** recommendation.



### Forecast Table

Year to 30th Jun	Sales (£ million)	Pre-tax Profit (£ million)	Earnings Per Share (p)	Price Earnings Ratio	Dividend Per Share (p)	Dividend Yield (%)
2008A	0	(0.15)	(0.06)	NA	0	0.0
2009A	0	(0.93)	(0.24)	NA	0	0.0

*\*RSH, the ultimate owner of GE&CR owns shares in Red Rock Resources.*

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