

NEWS

June 02, 2009

With Pallinghurst Now In The Driving Seat On Its Iron Ore Properties, Red Rock Is Now On The Lookout For New Opportunities

By Alastair Ford

"Red Rock has raised a bit of money because Red Rock has plenty to do". So says company chairman Andrew Bell, who sounds in a sprightly and chatty mood when he rings up Minesite for a chat shortly after delivering £150,000 of new money into Red Rock's coffers. The iron ore price may be on the wane, but that's not dampening Andrew Bell's spirits. He's played a long game putting in place his company's joint control of Jupiter Mines - in conjunction with mining supremo Brian Gilbertson's Pallinghurst - down on the central Yilgarn district of Western Australia. And he doesn't intend to let any of the views that Chinese and Japanese price negotiators have aired in conversation with Rio Tinto and BHP Billiton dampen his mood.

The iron ore weakness isn't the best news for Jupiter, admittedly, but there's been more at stake lately than just the pricing of the end product. The resolution of the issue of control of Jupiter has been warmly welcomed by investors, and the Australian markets have rewarded Jupiter shares with a 70 per cent mark up in recent weeks. That, says Andrew Bell, makes Red Rock's 28 per cent stake in Jupiter worth a nice fat £7.5 million. A nice round number, made all the more remarkable by the consideration that Red Rock's own market capitalization is slightly less than £5 million. There's only so much time that markets will tolerate such a value discrepancy, which is one reason for Andrew Bell's cheeriness.

Another is that Jupiter itself won't be standing still, and it's quite possible that there could be a further value uplift over the coming months, even if the majors are forced to bite the bullet and endure the first across-the-board drop in iron ore prices for many years. The Korean steel giant Posco is one of Pallinghurst's major backers, and it's long been part of the game plan to bring Posco's requirement for iron ore into direct contact with Jupiter's ability to supply. That means an investment by Posco in Jupiter itself, and what's so cheering to Andrew is that according to agreements that Red Rock has reached with Pallinghurst such a direct intervention would have to take place at A20cents, some 33 per cent above the current A15cent Jupiter share price. So more pricing support in the offing for Jupiter. And, indirectly, for Red Rock.

That's enough to keep you smiling when your sector's out of favour, especially given the nice equation spelled out in a recent Red Rock presentation: "our assets, their money". The short history of that statement is that Red Rock's and Jupiter's iron ore assets, which are now all combined inside Jupiter will be advanced primarily by Pallinghurst money, now that the consolidation is complete. For its part, says Andrew

Bell, Red Rock regards its Jupiter stake as "a long term proposition", but he concedes that "we'll gradually have to let our baby go". What the company does next is still an open discussion, but there seems little doubt of one thing: last year's £100,000 profit should be comfortably exceeded this year, as Red Rock proves the worth of its business model – what Andrew Bell calls being "able to generate cash from the ability to do deals". In that sense, Red Rock is very much living the Australian dream, in spite of its Aim listing, having thus far paid little lip service to cash flow, something that the London market is well known to favour.

That could all be about to change, though, as one of Andrew Bell's ambitions now, he says, is "to leverage off the Jupiter deal to get into a cash flow project". What manner of cash flow project he won't say, but it's worth remembering that before all this wheeling and dealing on the Yilgarn got underway in earnest Red Rock had managed to accumulate quite a suite of assets elsewhere. These remain, and the next one that looks likely to come the fore is a stake in a uranium vehicle called Resource Star. At the moment this is, according to Andrew, "quietly gestating". But in the same breath he reminds us that it took three years to put the Jupiter deal together. He's not in a galloping rush to finalise the next one. After all, the markets have recently shown a willingness to support Red Rock, and the uranium price may just be on the cusp of renewed upward movement. The long game seems to be just what's called for at the moment.

[<- Back to: Minesite](#)

[Print this news](#)

[Click here to tip a friend about this page!](#)