

DAILY COMMENT

RED ROCK RESOURCES PLC

22 NOV 2018

- **Price:** 0.63p
- **MCp:** £3.4m
- **Tk:** RRR.L
- **Sector:** Resources
- **Recommendation:** BUY

COPPER/COBALT DEAL SET TO BE FINALISED.

Red Rock Resources (RRR.L) has today announced the details and terms of its JV over three copper-cobalt prospective permits in the mineral rich Democratic Republic of Congo (DRC). A 50.1% interest is being acquired for a cash and shares consideration of around £875K, along with milestone payments of up to US\$1.2m. The announcement also provides top-level findings from the Company's consultant geologists on the projects.

COMMENT & RECOMMENDATION

This project now encompasses important and highly prospective hard rock interests, and not the tailings which were the original objective in the conditional agreement outlined back in September 2017. The hard rock assets are expected to be higher grade (circa 3.5%+ copper and 0.5%+ cobalt) and to provide for much greater development and exploration upside potential than tailings projects.

Of the three projects, which are all located within the Katanga segment of the Central African Copperbelt, Musonoi currently looks the most advanced and

exciting. With the project, the Group has acquired a large database and recent and historical drill cores (around 80 in total). This together with data from holes drilled as part of any new drilling campaign could provide the basis for an initial resource to be swiftly delineated. The announcement provided guidance that within 3 to 4 weeks further details and analysis of the historic data could be announced to the market.

The Musonoi deposit was previously mined to a depth of around 105 metres. From our initial interpretation of the deposit, the mineralisation could extend to a much deeper depth, potentially 500 metres or more. Glencore's major KOV mine, which extends to the western boundary of the license, has its pit down to 600 metres. We are encouraged by the nearby presence of mining majors Glencore and Jinchuan, as well as the main Chinese-Congolese state joint venture, in the district, open pit potential of the projects, likelihood of low stripping costs and favourable economic levels of shipping and labour costs. Glencore's close proximity provides the option and opportunity to perhaps partner with the major on any future development across the license boundary.

This is a significant acquisition for Red Rock and provides it with a project that holds potential upon which a multi-billion US dollar in the ground resource could be defined, which would thus be a company maker and easily eclipse other assets held. To this end, we recommend Red Rock Resources as a 'Buy'.

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**First Equity Limited acts as Broker to Red Rock Resources plc*

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