

More than the Sum of its Parts?

In this broker note, we analyse each of **Red Rock Resources** (RRR) investments and projects to calculate a sum-of-the-parts valuation and share price target. The Group’s holdings fall into three main categories, (a) those with a readily realisable value such as equity holdings in listed Power Metal Resources and Jupiter Mines, (b) asset stakes in companies expected to attain a market listing within the next 6-months such as Red Rock Australasia (RRAL) and Elephant Oil and (c) gold, copper and cobalt project assets being advanced in Kenya and the DRC.

- We estimate the probability of RRAL and Elephant Oil listing on a recognised stock market within the next 6-months is 70% and 80% respectively. These figures are utilised to calculate a risked valuation for both holdings using an anticipated market cap value at, or just after IPO.
- Red Rock’s asset and project base is underpinned by investments in listed stocks such as Power Metal Resources, Jupiter Mines and Juno Minerals. Along with cash held, this totals £3.06m, representing 42% of the current market cap.
- On the Mikei Gold Project in Kenya, an initial 2,000-metre drill programme is underway. The results from this could help improve the JORC resource of 723,000 ounces at 1.49 g/t, which forms the basis for our project-based valuation estimate.
- The greatest potential enhancement to project value in the next 12-months could come from the battery metals focused Luanshimba copper-cobalt DRC project, where a 2,000-metre drill programme is in progress.
- The entrepreneurial culture at Red Rock has resulted in the creation of RRAL and its progression to IPO since 2020. The company currently aims to create two significant listable JVs in other major gold provinces, thereby creating further potential upside.

Valuation & Recommendation.

As summarised below and detailed on the next pages, we have calculated a total sum of the parts value of £19.5m, which is significantly more than Red Rock’s current market cap (£7.3m), equating to 1.60p per share.

We believe the market has not priced in the very near-term potential of RRAL and Elephant Oil attaining a market listing within the next few months and realisable asset value which would then be added to the balance sheet, a figure that is very likely to surpass Red Rock’s current market cap.

Along with these IPO valuation catalysts, investors can benefit from further exploration news and developments on the Mikei gold and Luanshimba copper-cobalt projects, where active exploration campaigns are in motion. With all the above factors considered, most notably two investments on the IPO launch pad, we recommend Red Rock Resources as a ‘Buy’ with a price target of 1.60p, offering potential upside of 167% from the current share price.

Investment/Asset	Value	Valuation Method
Power Metal Resources plc	£0.86m	actual listed market
Jupiter Mines Limited	£1.70m	actual listed market
Red Rock Australasia Pty Ltd	£5.10m	est. risked IPO
Elephant Oil Limited	£0.96m	est. risked IPO
Mikei Gold Project	£9.69m	est. gold JORC value
DRC Projects	£0.75m	partial cost
El Limon Royalty	£0.58m	NPV10
Cash & Other Liquid Assets	£0.50m	actual listed market
Debt	(£0.65m)	
TOTAL	£19.5m	



TP 1.60p

MARKET DATA:

Name:	Red Rock Resources plc
Ticker:	RRR.L
Price:	0.60p
SI:	1216.7m
Market Cap:	£7.3m
Sector:	Resources
Listing:	AIM – London

FINANCIALS:

Cash & Listed Investments:	£3.06m
Debt:	£0.65m
Last Placing:	Feb 21’ - £1m @ 1.05p.
Last Results:	30 Mar 21’, H/Y to 31/12/20

ACTIVITIES:

Exploration, development and investment in battery metals, gold, oil and other strategic mining focused projects and assets.

KEY ASSETS/ PROJECTS

Power Metal Resources plc (3.7%) – Global
Jupiter Mines (0.4%) – S. Africa & Australia
RRAL (50.1%) - Australia
Elephant Oil (4.7%) – West Africa
Mikei Gold Project (100%) - Kenya
Luanshimba copper-cobalt Project (80%) - DRC
DRC Copper-Cobalt JV (50.1%) - DRC
El Limon Royalty - Colombia

DIRECTORS & MANAGEMENT:

Andrew Bell (Ch & CEO)
Scott Kaintz (Non-Ex)
Sam Quinn (Non-Ex)
Michael Alex Borrelli (Non-Ex)

SHAREHOLDINGS: (>3%) & Dirs

Charles Topham	16.8%
John Bolitho	3.2%
Andrew Jones	3.0%
Andrew Bell (Dir)	3.8%

**First Equity Limited acts as Broker to Red Rock Resources Plc.*

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VALUATION RATIONALE

A: Listed Investments

Power Metal Resources plc (actual value - £0.86m at 1.90p bid) – Following the recent exercise of warrants, 45m shares are held. Along with Red Rock Resources, Power Metal Resources is likely to receive a market re-rating once RRAL is listed, which we estimate could be an uplift of 15% to 30%.

Jupiter Mines Limited (actual value - £1.70m at A\$0.245 bid) – Value of 13m shareholding (JMS:ASX).

Other investments & Cash (est. £0.50m) – The value of other listed investments including Juno Minerals Limited (JNO: ASX) – A\$200K and Group cash.

B: Pending IPO Investments

Red Rock Australasia Pty Ltd (RRAL) (£5.10m, est. risked value) - As outlined in Power Metal Resources' 9 August 2021 RNS, "Preparatory work in relation to the listing process is underway", for a London IPO, with the Competent Persons Report now completed.

The valuation reference point for RRAL is likely to be ECR Minerals plc, which holds similar licences. ECR's project portfolio in the Victoria Goldfields covers 1175 sq. km, compared to RRAL's 848 sq. km granted licences and circa 1,458 sq. km applications. Both ECR and RRAL it must be noted hold some projects interests outside of the Victoria Goldfields region.

We estimate there is a 70% probability, RRAL will IPO within the next 6-months.

If we assume RRAL attains a market cap (pre-money) upon listing similar to ECR's current market cap of £14.5m, then Red Rock's 50.1% stake could be worth £7.26m. By discounting this by 30% to reflect the risk of RRAL not attaining a listing within the next 6-months, due to possible market and commodity risks, a risked valuation of £5.1m is derived.

Elephant Oil Limited, Benin (est. risked value £0.96m) – We anticipate Elephant Oil will list on a major US stock exchange in Q4 2021, raising around US\$15m to drill oil prospects in Q1/Q2 2022 within its vast 4,590 sq. km Block B onshore licence in the West African state of Benin. We believe that either on listing or in the run up to drilling its high impact oil wells, that Red Rock's holding could be worth in the region of £1.2m. To factor in market and oil commodity risk over the next few months, which may delay or postpone a listing, we have discounted this by 20% to arrive at an estimated £0.96m risked valuation.

C: Project Assets

Mikei Gold Project, Kenya (est. value £9.69m) - Using the revised JORC mineral resource statement (18 Jan 2021) of 480,400 Indicated and 242,600 Inferred ounces of gold, as a reference point for our valuation, along with a 1.5% gold spot price sum of \$1,700 (rounded down to nearest \$100) for each Indicated ounce (\$25.5 per oz.) and 0.25% at the lower confidence level of 'Inferred' (\$4.25 per oz), a project value of US\$13.3m (£9.7m) is derived.

An improvement to the JORC resource following the current drilling programme or publication of any future feasibility study could significantly enhance this valuation. Ultimately, Red Rock believes this will prove a multi-million-ounce deposit similar to its Tier 1 neighbour, North Mara.

Luanshimba & DRC Copper/Cobalt JV, DRC (est. value £0.75m) - At this point, it is difficult to determine a value for these projects, as they are at the pre resource stage. To be prudent, and for the purposes of this valuation exercise, we have valued all the Group's DRC projects at 50% of their cost value in terms of funds spent on exploration and acquisition of licences. Given the strategic location of the Musonoi licence near to several mining majors, potential exists for this interest to be worth considerably more if a copper/cobalt resource can be delineated. In the nearer term, we may see valuation upside from Luanshimba, if the on-going 2,000 metre drilling programme paves the way towards a maiden resource being defined.

D: Other Assets

El Limon Royalty, Colombia (est. value £0.58m, NPV10) - Soma Gold Corp (SOMA:TSXV) anticipate re-commencing gold production at El Limon early next year, which is likely to be ramped back to around 23,000 oz per annum. Our valuation is based upon a NPV10 on royalty revenues over the next 10 years of production.

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First Equity Limited clients and employees hold shares and warrants in Red Rock Resources plc.

First Equity Limited is a member of the London Stock Exchange

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