



CLEAR

CAPITAL MARKETS

RED ROCK RESOURCES PLC

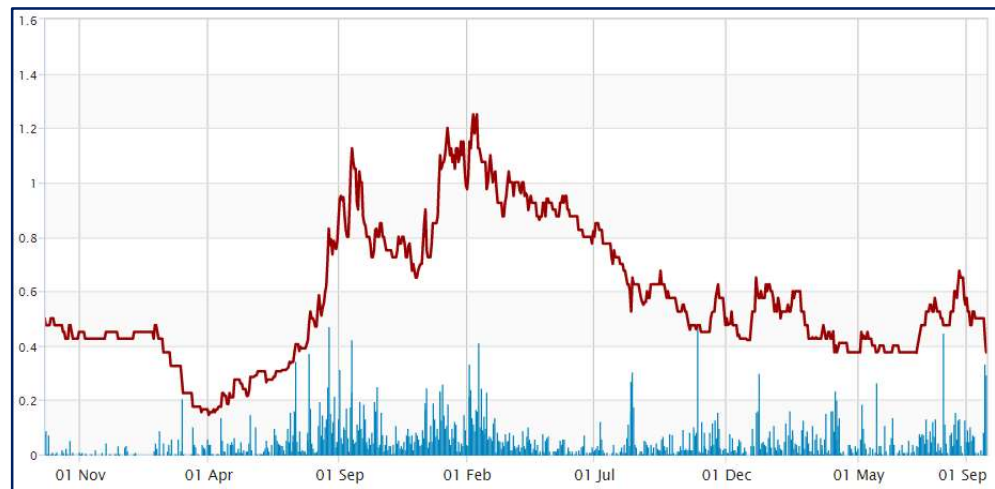
LON:RRR

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Clear Capital Research

26th September 2022

Stock Info	
Ticker:	LON: RRR
Current SP	0.38p
52W low:	0.35p
52W high:	0.70p
Current Mcap:	£4.71m
Shares in Issue:	1,296m
Average Volume (30-day)	6.65m

3-Year Share Price Chart



Source - London South East, <https://www.lse.co.uk/>

Summary

Red Rock Resources PLC (“Red Rock” or “the company”) is a natural resource development company listed on the AIM market in London. The Company manages a diverse and international portfolio of projects and investments and seeks to add value through development throughout all phases of the commodity cycle in the mining and minerals sector.

As a brief history, Red Rock was established in September 2004 to pursue mineral exploration and development opportunities. In changing conditions Red Rock began to sell its iron ore and manganese assets into a listed company, Jupiter Mines Ltd, and into a joint venture with Brian Gilbertson’s Pallinghurst Group that was subsequently sold into Jupiter. At the same time Red Rock began its diversification into gold.

Over time the Company diversified elsewhere and today has exploration projects focused on gold, copper, cobalt and lithium in the Democratic Republic of Congo (“DRC”), Burkina Faso, Kenya, and Australia. Additionally, the company has royalties and investments including a stake in Elephant Oil Corporation. This gives the company various avenues to discover a world class mineral deposit and various procedures to generate cashflow.

In this note we state the projects of Red Rock, their other investments, half-yearly results, risks, and thereby calculate what we believe to be an intrinsic value of the company. We show that our intrinsic value of the company is far lower than the current market capitalisation, and as a result see an opportunity in Red Rock Resources.

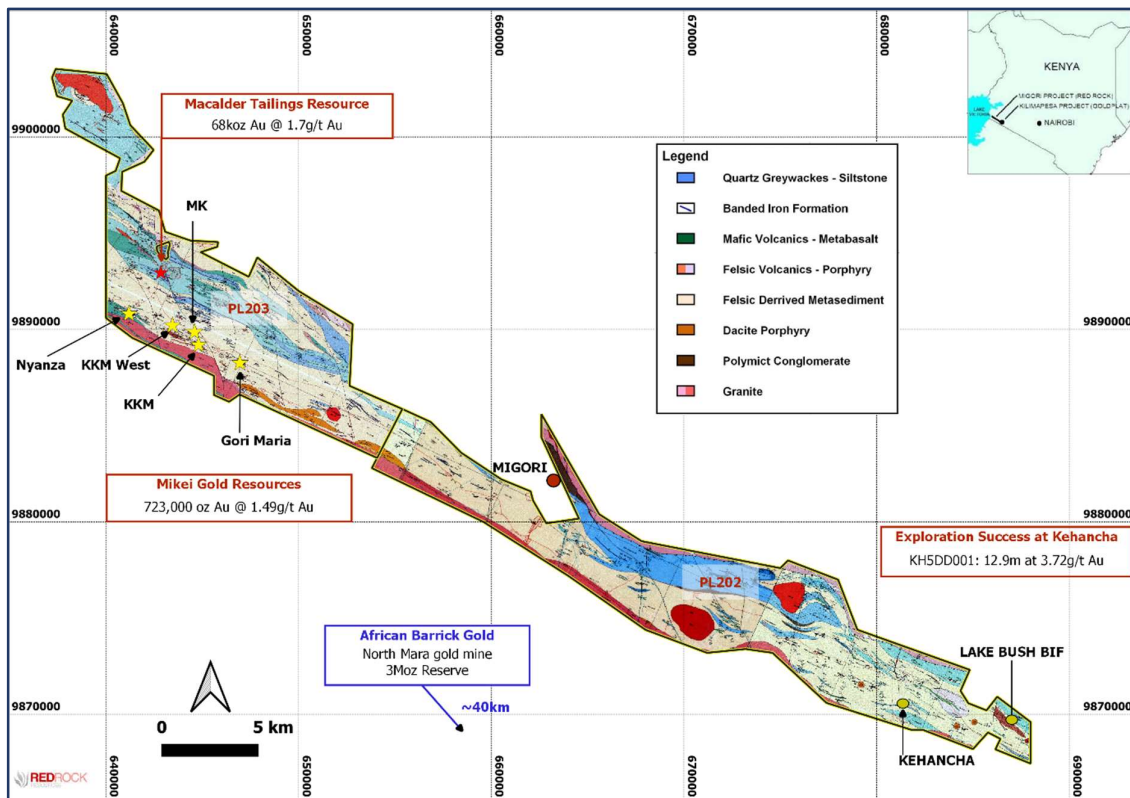
We have given Red Rock a share price target of 1.35p.

Projects

Red Rock’s project interests are mainly focused on gold and base metals (copper, cobalt and lithium) across Africa and Australia.

Migori Gold Project (Kenya)

Red Rock have a 100% economic interest in the Migori Gold Project in Kenya. This is through their investment in Mid Migori Mining Company Ltd (“MMM”) which controls a 723oz JORC gold resource held in two exploration licenses. The licences cover an area of 245km² and are located in Southwestern Kenya (approximately 290km west of the capital Nairobi).



The under-explored Migori gold belt is analogous to producing Tanzanian greenstone gold belts and has significant upside potential.

The project tenements lie within the Migori and Narok Counties, extending approximately 63km from Lake Victoria in the west and parallel to the Kenya/Tanzania border which lies 10km to the south. Barrick’s North Mara gold operations are located 30km southeast in Tanzania. In February 2017 Barrick announced it had found "one of the highest grade gold projects in Africa today" in reporting its 1.31Moz Resource at 12.1 grams per tonne (now 3.3Moz).

The Migori Project possesses approximately 245km² of prospective greenstone geology, extending 63km along strike. The belt has a rich history of colonial and artisanal mining.

Exploration in the project area began in the early 1930’s. In 2010, Red Rock began the extensive task of GIS file organisation, data digestion and compilation of available historic data, prior to commencing detailed field-based exploration including substantial drilling programmes. These were designed to establish a baseline for future exploration by drawing together and validating all historic information and at the same time to update the Resource calculation according to current international standards.

There then followed a hiatus of several years when the rights of Red Rock’s local partner had to be established by litigation and new licences issued under the new Mining Act. On regrant of licences, Red Rock recalculated the Resource according to the latest version of the Australian JORC Code (see table below).

Summary of CSA Reported Mineral Resource Estimate Statement (JORC-compliant @ 0.5 g/t Au cut-off)							
	Inferred		Indicated		Total		
	Mt	g/t Au	Mt	g/t Au	Mt	g/t Au	Metal Koz
KKM	2.63	1.11	7.88	1.10	10.51	1.10	371.3
KKM-West	0.32	1.42	0.61	1.10	0.93	1.21	36.3
Nyanza	0.32	3.17	1.04	3.96	1.35	3.78	164.1
Gori Maria	1.91	1.37	0	0	1.91	1.37	84.0
MK	0.15	3.83	0.28	5.48	0.43	4.91	67.1
Total	9.95	1.21	9.81	1.52	15.13	1.49	723.0

Recent Drilling Highlights

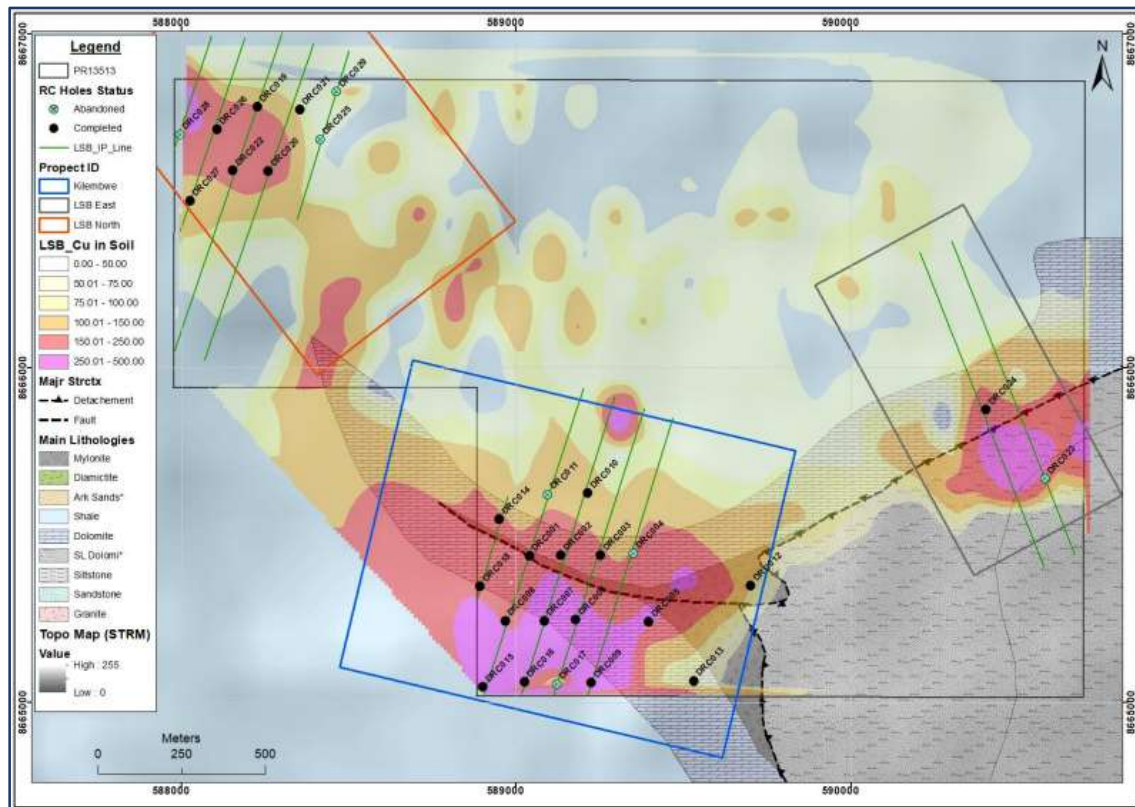
A reverse circulation drill programme was then designed to follow up the new Resource calculation and provide evidence of where gaps could be filled in later drilling. Results of the drilling of 20 Reverse Circulation (RC) holes totalling 2,093m over the Central KKM area were announced in March 2022. 16 of the 20 holes intercepted gold mineralisation, with 15 holes at or above cut-off grade, including:

- 37m @ 0.73 g/t Au from 120m to 157m in KKRC095 (including 5m @ 2.05 g/t Au from 135m, 1m @ 1.59g/t Au from 145m, 2m @ 2.18g/t Au from 150m)
- 19m @ 0.54 g/t Au from 81m to 100m in KKRC087 (including 3m @ 1.07 g/t Au from 90m, 1m @ 2.55g/t Au from 95m)
- 10m @ 1.5g/t Au from 61m to 71m in KKRC103 (including 3m @ 1.02 g/t Au from 61m, 5m @ 2.23 g/t Au from 67m)
- 8m @ 1.23g/t Au from 87m to 95 m in KKRC189 (including 4m @ 1.81 g/t Au from 87m, 2m @ 1.07 g/t Au from 92m)
- 17m @ 1.02 g/t Au from 116m to 133m in KKRC102 (including 1m @ 3.15 g/t Au)
- 6m @ 1.17 g/t Au from 8m to 13m in KKRC082 (including 1m @ 3.75 g/t Au)
- 4m @ 1.37 g/t Au from 83m to 87m in KKRC101 (including 1m @ 2.7 g/t Au)

An EIA (environmental impact assessment) has already been obtained for drilling on four of the remaining prospects. The next stage diamond drilling programme has begun the planning process, with consultant input, the ultimate intention being a JORC Resource revision. Furthermore, ground geophysics has been carried out on the east of the licence preparatory to drill testing of a number of targets.

Galaxy Project - Luanshimba Copper-Cobalt (DRC)

Red Rock owns 80% of the Luanshimba copper-cobalt project through their 80% owned Congolese subsidiary which operates the project, Red Rock Galaxy SA. The project is situated 65 km southeast of the provincial capital of Lubumbashi in Haut-Katanga, in a 420 hectare prospecting license (PR13513) in the Congolese Copperbelt.



Recent Drilling Highlights

Results of first RC drill programme on the prospect were announced in February 2022. The programme was completed with 2,469m of RC drilling, in 29 holes of 60m to 100m.

Three prospects named as Kilembwe (18 holes), Luanshimba North (9 holes) and Luanshimba East (2 holes) were drilled.

Copper intersections of significance included:

- 6 metres at 0.61% (including 1 metre at 1.45%) towards the bottom of hole DRC014 at Kilembwe.
- 3 metres at 0.7% and 3m at 1.14% encountered towards the bottom of holes DRC019 and DRC021 at Luanshimba North.

Extensive Cobalt was encountered including:

- 43m at 0.13% including 11m at 0.2% at Kilembwe in DRC015 in a brecciated argillaceous arenite.

- 3m at 0.37% related to a fault gouge, overlying 13m at 0.10% in a brecciated argillaceous arenite at Kilembwe in DRC008.
- 5m at 0.78% including 2m at 1.4% at DRC023 in Luanshimba East.

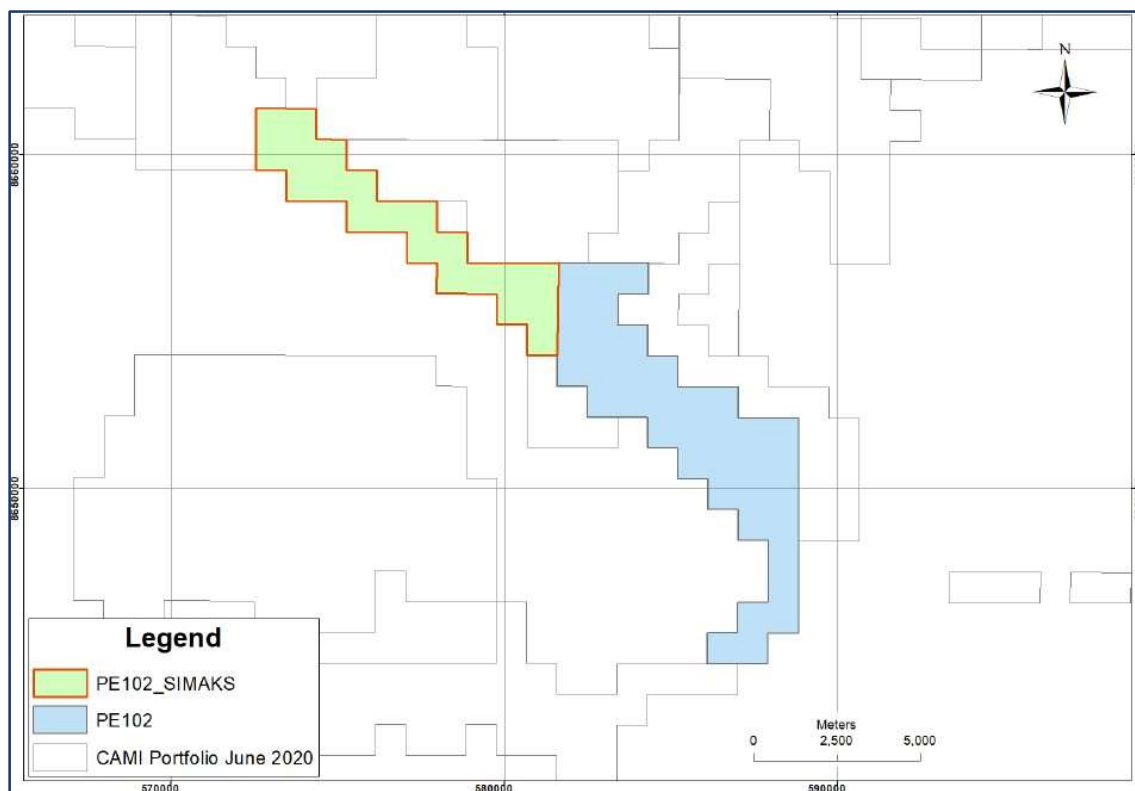
Several holes ended as they were entering pyrite¹ and chalcopyrite² mineralisation.

The promising results were reviewed during the Red Rock team’s recent visit to the DRC, and it was agreed that the next step should be diamond drilling to test for Copper and Cobalt ores deeper in the sequence.

Kimono Project (DRC)

In June 2022, the company announced that Red Rock Resources Congo SAU ("RRRC") had entered into a joint venture agreement with the Société d'Investissement Minier Akon et Sodimico S.A. ("Simaks"), whereby the Company will acquire a 58% holding in the Kimono copper-cobalt project in the Haut Katanga Province of the DRC.

The Kimono Project has a history of limited scale, high grade, cobalt production. Red Rock paid \$50,000 for 58% of the Kimono Project, with further conditional payments of \$25,000 per quarter until a total of \$400,000 paid – after which they will have no further payment obligations.



The Project area is part of PE102, being a 20 block (17km² licence area) prospective for copper and cobalt, approximately 55-60km southeast of the Katangan city of Lubumbashi. Small scale mining in several small, scattered pits within a <2km² area at the north-western end of the permit has revealed high grade (up to 1.8% Co and 0.63% Cu) secondary cobalt mineralization.

¹ the most abundant sulphide mineral, an iron sulphide with chemical composition FeS₂
² the most abundant sulphide copper mineral with chemical formula CuFeS

"Our thorough technical and legal due diligence on this project included the search for and collation of historic information, as well as sampling and mapping on site. We are delighted to have been able to arrive at acceptable terms for entry into this exciting and historically very high grade cobalt project."

"We look forward to working in close co-operation with Simaks to advance the project, beginning with geochemistry including termite mound sampling over a wide area, and leading up to scout drilling of specific targets."

- Andrew Bell, CEO of Red Rock Resources

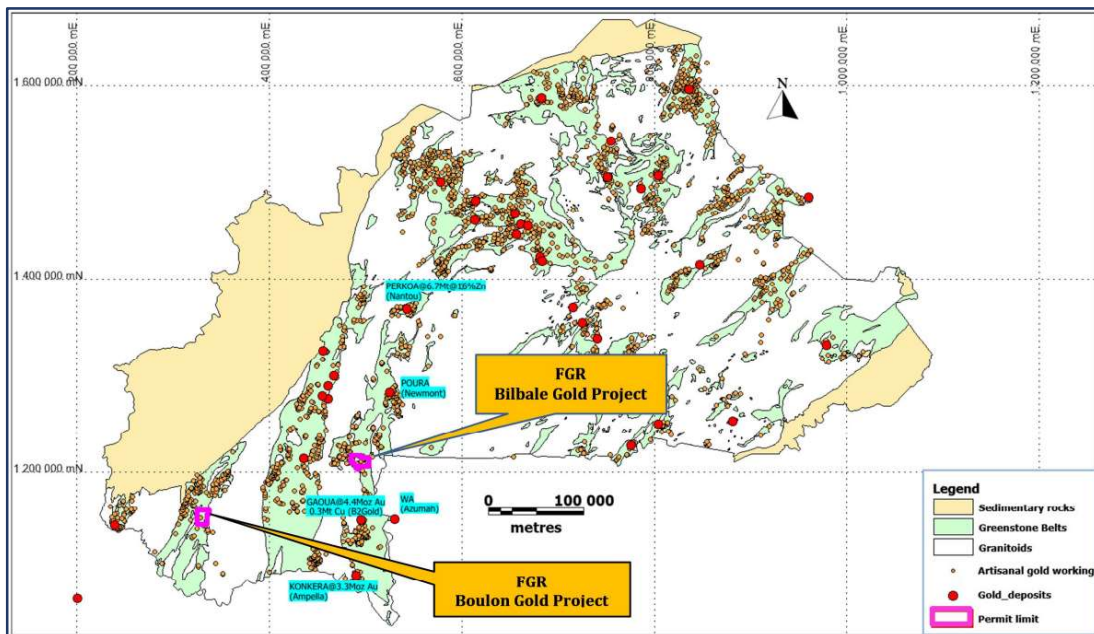
"We believe we have a collective responsibility to contribute to the energy transition. Working together with Red Rock, we are doing our part to make metals the cornerstone of a sustainable future."

- M. Mukanza Ilunga Rigo, Director of Simaks

Faso Minerals Ltd (Burkina Faso)

Red Rock announced the acquisition of two prospective exploration projects in the prolific Boromo and Banfora Greenstone Belts of Burkina Faso back in January 2022 for an effective aggregate payment of 42.5m CFA (West African Franc) to the vendors, which amounts to circa £54,000.

Red Rock acquired the prospective licenses through Faso Greenstone Resources SARLU ("FGR"), a wholly owned subsidiary of Faso Minerals Limited ("FML"), which itself is currently wholly owned by Red Rock. FGR is targeting the next significant gold discovery in Burkina Faso.



As a result of the acquisitions, FML through its 100% subsidiary FGR holds 348km² of highly prospective ground acquired from local holders in the SW of Burkina Faso at **Bilbale** and **Boulon**.

The area is a major gold producing region with existing mines and deposits, with evidence of artisanal activity showcasing the presence of high grade gold.

The Bilbale region is a major gold producing district. The Gaoua gold deposit (4.4Moz) is located 50 km to the south, and the Poura gold mine (3Moz) is located 70 km to the north. The Wa gold deposit (>1Moz) in Ghana is located 50 km to the south and the Konkera gold deposit (3.3Moz) of Ampella Mining is located 110 Km to the south. Furthermore, Rock chip sampling in 2020 included samples reported at 8.1g/t Au, 6.25g/t Au, 2.57g/t Au, 2.56g/t Au, 1.74g/t Au, and 1.19g/t Au.

Boulon is surrounded by a number of artisanal gold mining sites, and also crossed by several contrasting geological structures. The results of historical Reverse Circulation and diamond drilling on the neighbouring projects of Labola (intersections of 7m@12g/t Au, 10m@3.3g/t Au, 9m@7.7g/t Au) and Danfora (intersections of 14m@2.93g/t Au, 2m@9.45g/t Au, 5m@3.98g/t Au) are very impressive.

A remote sensing screening of the areas was taken using visible near infrared (VNIR), shortwave infrared (SWIR), longwave infrared (LWIR) and ALOS-1 synthetic aperture radar (SAR) imagery. Moreover, applications for other areas have been prepared.

Two targets were selected for immediate drilling in a reverse circulation (RC) programme for an initial 500m:

- An artisanal target for orogenic gold in the main Bilbale trend.
- An underexplored structural target at Djikologo where previous work had intersected 11m at over 1g/t.

At the time of writing, the 5th of August 2022, Red Rock have announced progress and partial results from the above RC drill programme:

- 7 hole RC drill programme totalling 778 metres have been completed at Bilbale.
- Samples have been collected at 1m interval depths and sent with duplicates, standards and blanks for testing at Ouagadougou laboratory of SGS Burkina SA.
- Results of 447 samples from 4 hole programmes at the Djikologo target have been received from the laboratory.
- At the BilR22-03 drillhole, the best results included:
 - **20m at 3.19g/t gold from 22 metres depth, including 3m at 8.17g/t and 5m at 4.66g/t**
 - **8m at 2.28g/t gold from 62 metres depth, including 3m at 4.72g/t**
 - **2m at 1.25 g/t gold from 118m to end of hole (hole ended in mineralisation)**
 - It is important to note that these gold grades are high. Typically in an open-pit mine, 1.5g/t of gold and above is classed as high grade. Therefore the grades at this drillhole (3.19g/t, 2.28g/t and 1.25g/t) are very impressive.
- At the BilR22-01 drillhole, results included:
 - **9m at 0.37 g/t gold from 6 metres depth, including 3m at 0.78 g/t from 12 metres depth**
- Results from a further 378 samples from 3 hole programme at Bilbale Artisanal Area target are awaited.
- Ground geophysics will now be carried out and will be followed by further drill testing in a later programme.



New Ballarat Gold Corporation (Australia)

Red Rock currently hold 50.1% in their joint venture New Ballarat Gold Corporation ("NBGC") along with Power Metal Resources PLC (LON:POW) who hold 49.9%. NBGC is a gold exploration project in the heart of the Victoria Goldfields, Australia. A package of license areas highly prospective for gold has been assembled with the aim to IPO on a recognised stock exchange (either the LSE or ASX) in the following months. Red Rock Australasia Pty Ltd ("RRAL") is the 100% owned Australian operating subsidiary of NBGC and will be carrying out the exploration work on the project.

The Footprint of the soon-to-be-listed JV is extensive with 15 exploration licenses having been granted, amounting to a footprint of 1841km² out of 2306km² of original applications. The licenses are held around the historic mining centre of Ballarat. A further 5 licences totalling 493km² are in the process of being granted.

Context

To truly understand the attractiveness of this project, one needs to know the history of the Victoria as well as recent activity within the region. In 1851 the discovery of gold at Ballarat set off a gold rush in Victoria. In the 1850s, a third of the world's gold production came from Victoria. By the 1920s the great Goldfields centres of Bendigo and Ballarat had ceased production. Then followed a lull period which lasted about 60 years, with gold production in 1972 dropping to 10kg for the entire state.

In 2005 commercial mining was established at Fosterville east of Bendigo, and in 2016 a million ounces had been mined. Since Kirkland Lake Gold took over in 2016, the rate of production has accelerated along with depth grades increasing. As a result, Q1 of 2020 production was at 17,000oz at 41g/t, making the site the world's highest gold grade mine. Since then, new discoveries have been made at depth north along strike from Bendigo. The Geological Survey of Victoria has state that "the Brownfields can contain world class deposits" and estimates that more than 75 million ounces of high-grade gold remains to be mined in the region. As a result, intense interest in the area is developing.

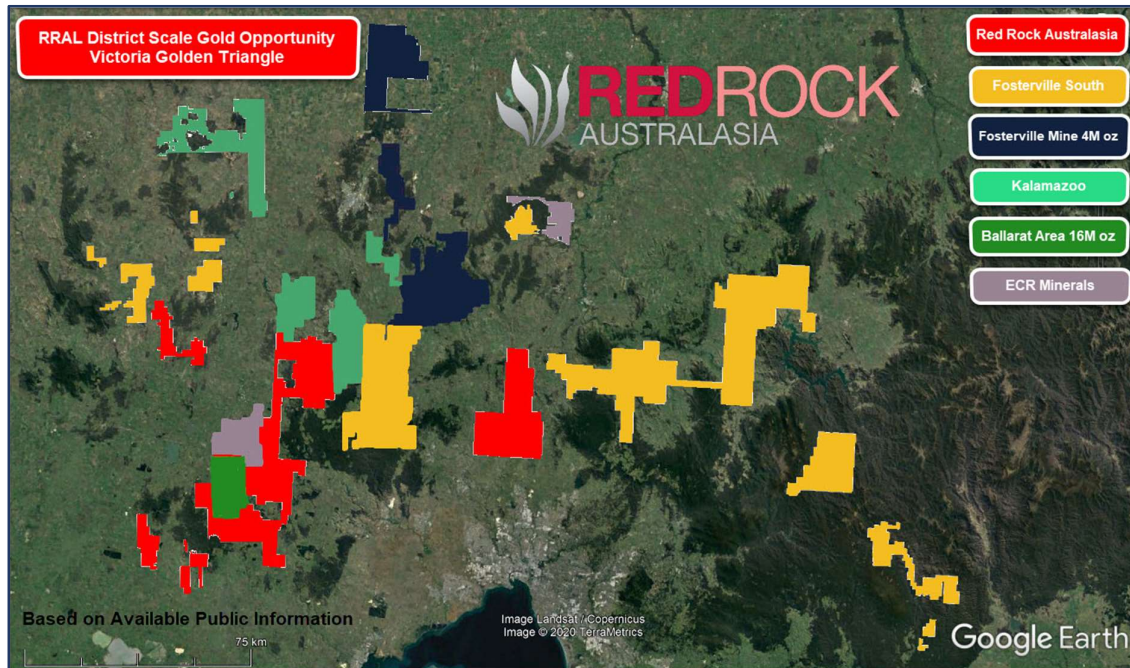
The halt in production up until recent times is due to all the near-surface visible gold having been mined out, and the only reason why the upside was not fully explored is simply because technology wouldn't suffice for it in the early 20th century. Re-entering the area in modern times whilst leveraging modern technology gives junior exploration companies a much stronger chance of accessing this mineralisation. Geoscientific knowledge has increased alongside underground mining methods, and exploration technology has advanced at an unprecedented rate. It therefore makes a lot of sense as to why many explorers are consolidating and exploring land in the Victoria goldfields in an attempt to replicate the success like that of Kirkland Lake Gold with their Fosterville mine.

"Given cut off grades today are lower than ever, it's much easier to mine at greater depths, and state-of-the-art equipment allows known mineralisation to be followed into unexplored areas. Why wouldn't you revisit projects that produced economically may years ago? It's an obvious opportunity."

- Andrew Bell, CEO of Red Rock Resources

More detail on the success of Kirkland Lake Gold: the success of Fosterville saw the company's share price rise from less than \$2 Canadian Dollars to more than \$70 Canadian Dollars before it was purchased by Agnico Eagle in a \$11bn stock deal earlier this year.

NBGC's strategic licenses



NBGC's licenses cover a wide range of historically producing mines that remain virtually untested at depth. In May and July of 2022, RRAL obtained grant of the historic Ajax Mine with recorded production of 312,789 oz at 14.8 g/t, and purchased the historic Berringa Mines with recorded production of just under 300,000 oz at 8.3 g/t. The acquisition of these two significant assets which are among the largest producing hard rock mines in the history of the Victoria goldfields, and with significant associated exploration targets, is an important milestone for NBGC. Moreover, encouraging results from a modest initial diamond drill programme over two target areas were received in the course of the Spring and Summer. 520m of drilling at the O'Loughlins prospect SE of Ballarat, and 340m at Pitfield/Mt Bute SW of Ballarat, had been carried out in early 2022.

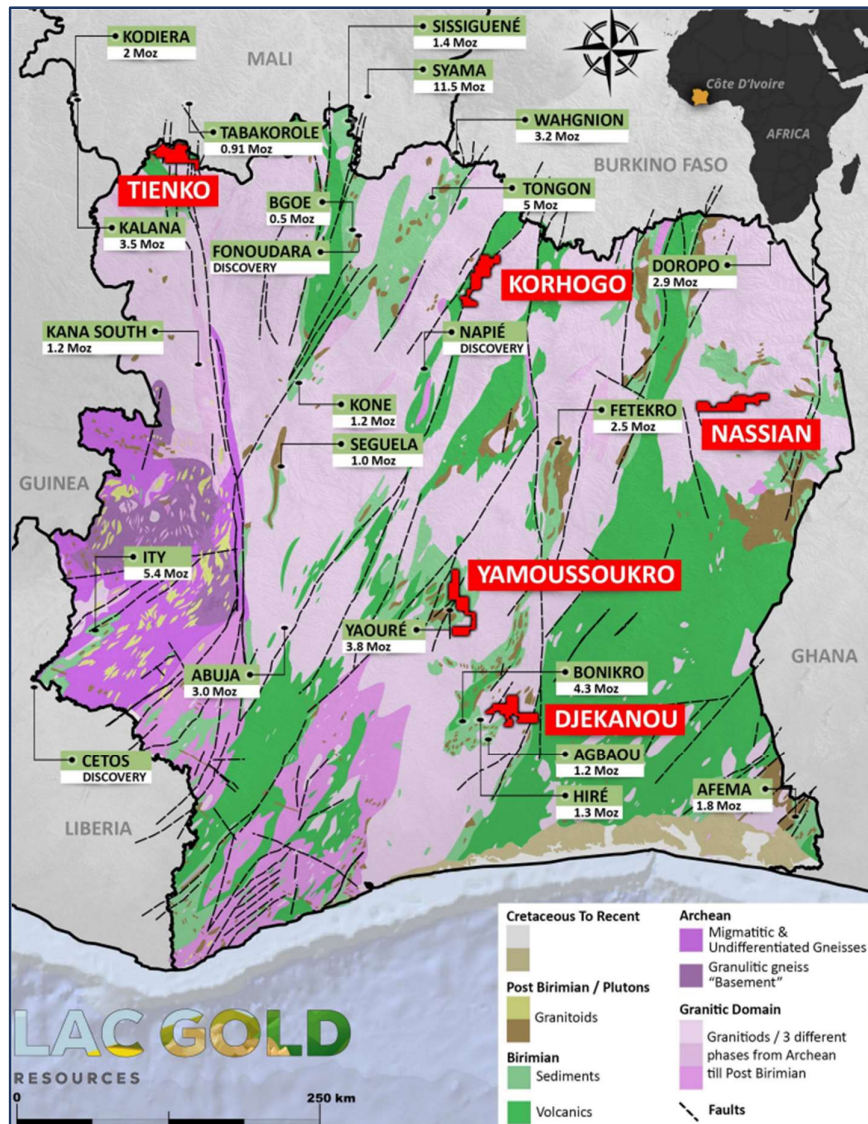
Red Rock and its JV partner are seeking a listing for NBGC, as and when market conditions permit. In a recent StockBox Premiere discussion, Andrew Bell stated that the percentage of NBGC that Red Rock would hold after IPO is dependent on two things: the valuation upon listing and how much money is raised. Furthermore, he suggested that if NBGC were to raise money "cheaply" (at a low valuation) upon listing, that perhaps there would be a higher possibility that the share price will rise post listing.

LacGold Minerals Ltd (Ivory Coast)

Red Rock announced back in October 2021 that they applied for five exploration permits through a wholly owned Côte d'Ivoire subsidiary LacGold Resources SARLU ("LacGold"). The five exploration permit areas, totalling 1,907.07km², were selected based on a detailed and comprehensive screening and ranking of possible target areas, including all available historical and geological information for the country. Each application area is located on a known regional shear zone where gold mines are currently operating. Furthermore, each application area has significant artisanal mining within and around it.

The five key areas in which explorations permits were applied for are:

- The **Djekanou-Taabo** project, located 148km North from Abidjan.
- The **Yamoussoukro** project, located 245km North of Abidjan.
- The **Korhogo** project, located 600km from Abidjan, in the North of the country.
- The **Nassian** Project in the northeast of Côte d'Ivoire, located in the Southern border of the Comoè National Park and approximately 475km north of Abidjan
- The **Tienko** Project, located in the northwest of Côte d'Ivoire, at the Southern border of the Republic of Mali and approximately 851km North of Abidjan.



The first two licenses (which have a total area of 745.67km² after adjustments) at Yamoussoukro and Djekanou have been approved by the Interministerial Committee (CIM), and the signed Décrets (Decrees) are awaited. Official visits have been conducted on these two areas as well as some initial sampling, with results to be followed up upon grant. An extension area to one of the licences has been identified with an initial MMI (mobile metal ion) programme will be undertaken immediately upon grant.

"Following a detailed study, application has now been made for five areas with, we believe, the pedigree and potential for significant discoveries. The team's aim is to create and rapidly list a quality West African stand-alone independently financed gold play focussed on the Côte d'Ivoire."

- Andrew Bell, CEO of Red Rock Resources

African Lithium Resources Ltd (Zimbabwe)

Red Rock has been in the process with a local partner of assembling a lithium portfolio by purchase of old mining areas and by pegging of prospective areas with evidence of good grade lithium mineralisation, with sampling having been carried out over the areas of interest.

Back in March 2022 Red Rock announced that African Lithium Resources Pvt Ltd ("ALR") had been established as a 75% owned subsidiary in Zimbabwe with a local partner.

ALR acquired 51 hectares of lithium claims 29km northwest of Bikita in South-eastern Zimbabwe at Tin Hill and is in the process of transferring title. A consideration of \$25,000 has been paid, with a further \$10,000 retained by ALR until completion of transfer. It is important to note that the nearby Bikita Mine is the largest lithium mine in Zimbabwe and has been in production for over 60 years and is one of the world's largest petalite³ deposits.

Spodumene⁴ and petalite lithium mineralisation was identified in 10m thick exposures averaging 1.43% Li₂O according to the Geological Survey of Rhodesia, 1975. ALR has taken 7 samples in one area of the licence, with best grades received from an accredited laboratory at 2.07% Li₂O, 1.082% Li₂O, 0.87% Li₂O and 0.62% Li₂O.

"Zimbabwe has long been the biggest lithium producer in Africa, and one of the largest in the world. Its pegmatites have a mineral endowment that has considerable expansion potential, and international investors have shown themselves willing to invest in lithium exploration and development in this traditional mining country that has been in disfavour for decades.

Two key centres are Bikita, the site of the best known Zimbabwe producer, the Bikita mine, which is now 74% controlled by Sinomine group, and Arcturus, where Australian miner Prospect Resources Ltd (PSC:AX) announced the sale of its 87% interest in the Arcadia project for \$389m to Zhejiang Huayou Cobalt on 22nd December 2021...

... Sample results for a number of properties and their environs have been received from the laboratory and will be announced as the acquisition of the relevant properties progresses...

... The Company set up African Lithium Resources after discussion with its local partner and others with a view to seeking further investment and developing a significant presence in lithium, leading potentially to listing."

- Andrew Bell, CEO of Red Rock Resources

³ an important and high value ore of lithium

⁴ the most important lithium ore found in pegmatite deposits

Red Rock announced more recently in May 2022 that \$100,000 was raised privately from a group of high net worth investors for a 10% project interest, and ALR will continue to seek external finance to fund its initial activities. The funds raised will be used to develop ALR's business, with the company continuing to seek external finance to fund its initial activities.

In the same regulatory news statement, Red Rock also announced that recent additions to the ground position have been made. This includes an application for 46 hectares near Arcturus, a mining site 32km east of Harare in Zimbabwe, and the agreed acquisition of a net 25 hectares of claims east of Bikita.

Work continues on additional applications within and outside the registered area of interest.

Former VUP JV Project (DRC)

Potentially one of their most lucrative prospects, Red Rock are seeking an arbitration payment from local Congolese partner Vumilia Pendeza S.A. ("VUP").

Back in March 2019, Red Rock and VUP signed an agreement formalising a joint venture over certain copper-cobalt assets in Katanga. This required the setting up of a JV company, and Red Rock had signed the statute of the JV company whereby Red Rock owned 50.1%.

Unlawful Sale of JV Assets by VUP

It recently came to the attention of the company that VUP in October 2021 served a "Procès-Verbal de Saisie-Attribution de Créances" (similar to a garnishee order⁵ in U.K. legislation) on parties including a subsidiary of Glencore PLC, claiming a principal sum of \$15m in respect of a purported sale by VUP of the JV assets to La Générale des Carrières et Mines ("Gécamines"), a state-owned company in the DRC.

Essentially, the assets of the JV of which Red Rock owned 50.1% had been sold by their JV partner, VUP, to a state-owned company Gécamines for \$20m. As a result Gécamines have already paid out \$5m to VUP without Red Rock's knowledge or permission and were planning to pay a further \$15m.

Moreover, at the same time that the assets were sold to Gécamines, Red Rock understands that they were sold on to an international mining group for \$430m. It is reasonable to assume that if Red Rock still had the valuable asset that was wrongly sold, this would underwrite a higher valuation for the company – and that as a result, shareholders have lost out.

Red Rock announced via RNS⁶ on the 6th of January 2022 that they obtained Orders against VUP and others in the DRC, which protectively seize 50.1% of \$5m that has been understood to have been paid so far. The Orders therefore instructed VUP to pay Red Rock \$2.505m.

More recently, on the 5th of August 2022, Red Rock announced a further updated on the proceedings:

"As many will know, we recently returned from a trip to the DRC of over 6 weeks, the primary purpose of which was to participate in arbitration proceedings in Kinshasa where we are pursuing

⁵ a third party who is instructed by way of legal notice to surrender money to settle a debt or claim

⁶ Regulatory news statement

claims to our share of the sale proceeds of the key assets of a joint venture, which were disposed of without our knowledge.

\$15m of these proceeds are held by the buyer of those assets pending the result of the arbitration. In the light of shareholder speculation, we wish to set out to the best of our understanding the current situation...

...We now continue to assert our claim to over 50% of the total \$20m principal paid or to be paid, plus damages.

The arbitral award, when and if made, and we hope it may be soon, will not now reflect a consensus arising from the negotiation of the parties, but the decision of the arbitrators. As we await it, we must consider a range of possible outcomes, and uncertainties of timing, but continue to press for a just solution which includes a resolution of the earlier court proceedings.

We emphasise that although we are confident in our case, it cannot be assumed that an award will be made, or that it will be at or above any previously discussed level."

- Andrew Bell, CEO of Red Rock Resources

This announcement shows a shift in the assertion of claims, from 50.1% of \$5m, to 50% of \$20m. Andrew Bell stated that *"it cannot be assumed that an award will be made, or that it will be at or above any previously discussed level"*. An arbitral award of \$10m (50% of \$20m) would be phenomenal for Red Rock, who currently have a market capitalisation of just £6m.

On the 25th of August 2022, Andrew Bell, the CEO of Red Rock, participated in a StockBox Premiere interview where he was asked the following question: *"Red Rock is pursuing a \$12m in the Congo via arbitration. If it was awarded in Red Rock's favour, will we receive the cash, is it final?"* Andrew Bell responded in saying that the company were initially going for 50.1% share of the \$15m paid by Gécamines to take the asset back, \$5m has been paid already of which Red Rock has received a judgement for 50.1% of that sum. \$15m is yet to be paid. Andrew Bell states that Red Rock could collect from the \$15m due, and if Red Rock received 50% of that payment, it would amount to \$7.5m. He then goes on to remind us that there is the court judgement that Red Rock could collect from, amounting to \$2.5m. All in all, he has described a potential possibility of a pay-out to Red Rock of: \$2.505m + \$7.5m = \$10.505m.

What we should take away from this is that management considers it likely that Red Rock will be paid \$7.5m before expenses, and the company have not given up hope of a further \$2.5m (or, in GBP, around £6.6m before expenses, and a further £2.2m). We must reiterate that, for a company with a market capitalisation of £6m, a pay-out of this magnitude would be substantial.

Other Investments

Elephant Oil Ltd (IPO)

In May 2021, Red Rock released an announcement stating that their 4.68% holding in investee company Elephant Oil Limited ("EOL"), the holder of hydrocarbon exploration licenses in onshore Benin, is currently carried in the Company's books at a value of £137,500. They received and accepted an offer in respect of its shareholding in EOL to exchange its shares in EOL for shares in Elephant Oil Corp. ("EOC"). Red Rock will receive one third of a share of common stock in the capital of EOC for each ordinary share held by the Company in EOL. As a result, Red Rock were issued with 362,318 shares in EOC.

Red Rock currently have 397,873 shares in Elephant Oil Corporation, where an application for listing on a North American market has been made. Following some changes to the shareholder register, and an updating of the accounts, Red Rock hopes for possibly by the end of the year. Should the listing occur on the terms indicated to Red Rock, the Company is likely to find itself at the conclusion of a six month escrow with a valuable seven-figure liquid asset.

El Limon (royalty)

The Company has a royalty on the El Limon gold mine in Colombia. There has been extensive refurbishment and the start of production from the Cordero mine earlier this year, and a re-opening of the mill and a resumption of royalty payments are expected later in the year.

Other Royalties

Red Rock has a royalty over Juno's Mount Ida magnetite project. The 0.75% (fully diluted) NSR⁷ royalty is over the Mount Ida iron ore asset in Australia, which is now part of Juno Minerals Ltd, and those over the Australian joint venture gold assets. A 0.75% NSR royalty assumes that \$8m will have been paid to Red Rock as stage payments by the buyer of a partial royalty interest. Current royalty interest is 1.2% following sale of 0.3% for \$6m in 2012.

The Mount Ida Project is on a granted Mining Lease, has significant tenure for infrastructure, and expansive water exploration licences over areas prospective for good quality water. The Project remains the largest magnetite resource and most technically advanced magnetite project in the Yilgarn Craton, Western Australia. Juno intends to progress the completion of the Feasibility Study on the Mount Ida Project, with the objective of developing a long-life magnetite mine". Juno described the Mt Ida project as having the "*potential to become a long-life tier one magnetite mine*". On 3 May 2022, the JV farm-in by Hancock Prospecting to the Legacy/Hawthorn Mt Bevan Project, adjacent along strike, was announced.

Furthermore, through royalty-owning subsidiaries, Red Rock holds numerous non-producing royalties over assets in the other countries in which it operates.

⁷ Net smelter return

Summary of half-yearly results for the sixth months ended 31st of December 2021

Statement of Financial Position

- **Total Assets:** £18,314,000
- **Total Equity:** £15,778,000
- **Total Liabilities:** £2,536,000 (of which £989,000 is short term borrowings)

Statement of Comprehensive Income

- **Loss for the period:** £1,468,000
- **Total comprehensive loss for the period:** £365,000
- **Loss per share (pence):** 0.111

Statement of Cashflows

- **Net cashflow from operations:** £854,000
- **Net cash inflow from investing activities:** £1,500,000
- **Net cash outflow from financing activities:** £916,000
- **Cash at end of period:** £182,000

It is important to note that these are the financial figures from the half-yearly results ended 31st of December 2021, and that the Companies' finances are likely to be slightly different than what is shown above.

Risks

The main risks associated with investing in Red Rock Resources are:

- 1) Systematic risk (as is with any publicly listed company)
- 2) Price volatility of copper, cobalt, lithium and gold
- 3) Placing/raise (dilution), however we believe that this is unlikely due to imminent outcome of the DRC arbitration
- 4) Geopolitical risk Burkina Faso
- 5) The DRC arbitration may not be awarded, and if awarded it may not be at or above any previously discussed level
- 6) Uncertainty over the timing of the DRC arbitration outcome

Most Recent Placing

On the 21st of September 2022, Red Rock announced that they raised £160,000 by issuing 40,000,000 new ordinary shares at a price of 0.4p. The placing was subscribed to by a single high net worth investor that has decided to support Red Rock with their projects going forward.

It is important to note that the current share price (0.38p) is below the placing price.

Major Shareholders

Shareholder ⁸	Number of Shares	% of Issued Share Capital
HSBC Global Custody Nominee (UK) Limited	285,117,581	22.70%
Interactive Investor Services Nominees Limited	103,644,510	8.25%
Interactive Investor Services Nominees Limited	83,889,371	6.68%
Barclays Direct Investing Nominees Limited	621,410,444	4.89%
Hargreaves Lansdown (Nominees) Limited	59,326,261	4.72%
Red Rock Resources Plc Share Incentive Plan	56,383,578	4.49%
Hargreaves Lansdown (Nominees) Limited	53,510,327	4.26%
JIM Nominees Limited	53,144,969	4.23%
Andrew Bell	51,831,015	4.22%
Hargreaves Lansdown (Nominees) Limited	46,848,155	3.73%
Aurora Nominees Limited	40,116,758	3.19%
Mr John Geoffrey Bolitho	38,357,187	3.05%

About the Chairman and Chief Executive

Andrew Bell, MA, LLB:

A founder Director of Red Rock Resources Plc. He has experience of financial, mining project, and legal analysis, and an extensive knowledge of public markets. He has researched mineral opportunities in over 40 countries in 5 continents, visiting over 30 of them.

He began his career as a natural resource's analyst at Morgan Grenfell & Co. in the 1970s. His business experience encompasses periods in fund management and advisory work at leading financial institutions, international corporate finance work and private equity. Andrew Bell was Chairman at Power Metal Resources Plc (AIM) and Greatland Gold Plc (AIM), and has been a director of a number of listed companies involved in both exploration and production, including in the resource sector services as Chairman of the Australian and UK listed companies Resource Star Ltd (later Intiger Group Ltd) (ASX) and Regency Mines Plc (AIM), and director of Jupiter Mines Ltd (ASX).

⁸ * As of the 1st of August 2022

Technical Indicators



KEY:

50-day moving average/ MA(50): Red LINE

200-day moving average/ MA(200): Blue LINE

We can see that Red Rock currently has a share price of 0.38p (0.4p ask and 0.35 bid). The MA(50) is at 0.52p and the MA(200) is at 0.47p. This is above what the share price is at today, and therefore we can infer some upside using these moving averages.

We can also observe that the volume of shares traded over the months of July and August has been significantly higher than the preceding months, with roughly 10 million shares trading daily. This indicates that liquidity is higher, and that investors are engaging with the stock. This means that, should a news event occur, there should be sufficient demand to liquidate one's shares in order to realise any profit made.

Nevertheless, it is important to note that technical analysis only focuses on the historical price and volume of a company, and the valuation method should be used in conjunction with fundamental analysis. Moreover, fundamental analysis methods seem to be more accurate in terms of valuing companies with a small market capitalisation (<£100m).

Valuation & Recommendation

To calculate what we believe to be an intrinsic value for Red Rock, we will be using a sum-of-the-parts (“SOTP”) valuation method to combine the different categories, arriving to a final value for the Company. A significant part of our valuation is the DRC arbitration, which we believe that the market has not priced in.

Project Assets:

Migori Gold Project: £3m
Galaxy Project: £1.9m
Kimono Project: £1m
Faso Minerals: £1m
LacGold Minerals: £1.8m
African Lithium Resources: £1m

Pending IPOs:

New Ballarat Gold Corporation: £3.8m
Elephant and Oil: £0.6m

Other Investments:

El Limon: £0.48m
Other Royalties: £0.6m
Cash: £0.182m

This gives Red Rock a value of £15.362m.

If we factor in the DRC arbitration of \$2.505m (£2.19m) and potential \$7.5m (£6.41m), we come to a total value of £17.552m, potentially rising to £23.962m. If we assume that Red Rock will not be awarded the \$7.5m but only the \$2.5m, this still gives us an intrinsic value of £17.552m which is significantly higher than the current market capitalisation of £6m.

Using our calculations alongside expected news flow towards the end of the year, we consider Red Rock to be undervalued and therefore a buy.

**We give Red Rock a share price target of
1.35p.**

Analyst:

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Why Clear Capital Markets?

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Clear Capital Markets provides research, advisory and execution only services on multiple asset classes including: Equities, Options, Futures, ETFs and CFDs.

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Risk Warning

The value of shares can fall as well as rise; you may not get back the amount you invested. Past performance is no guarantee of future performance. Investments in pre-IPO's and IPO's involve a high degree of risk and are not suitable for all investors. A pre-IPO issue is the funding given to the company before listing, there is no guarantee that the company will list. However, even when a company is listed on, say, the AIM market, it is considered to be a high-risk investment, and will have wider spreads on price and be more illiquid and it may be difficult to sell the shares on a short-term basis and in some circumstances it may be difficult to sell at any price. All investments made into an IPO or new issue or in a secondary issue should always be made solely based on the information provided in the relevant prospectus and any other supplementary documentation. The specific risks will be detailed in the prospectus but the value of your investment can go down as well as up and you may not get back the money you invested. You should be sure that you fully understand the purpose of, and the reason for, the fundraising. Before you decide to invest you should obtain information regarding the business plan and note the risk factors. If you have any doubts about the suitability of an investment you should seek professional advice. Clear Capital Markets Limited is authorised and regulated by the Financial Conduct Authority FRN 706689.