

## Q and A – RRR Chairman Andrew Bell

17 Nov 2022

*We have been asked a few questions. We were told there were more in the offing, but I have taken the opportunity to answer this first batch. The questions are unedited, and the answers I hope always frank. Our message to shareholders would be to feel free to respond with supplementaries. Where we can answer, we will.*

***Q. Where are you now in the arbitration payment process and do you see a near term successful conclusion to this?***

This is actually two questions. They are good questions, but if I may I will rephrase into two slightly different questions which I will then answer separately.

**A.** The preliminary question is whether we expect a successful conclusion to the arbitration on the \$15m. We answered this already in a precisely crafted formulation in our news release of 5<sup>th</sup> August. If anything had occurred to make this formulation misleading, we would have had to announce it. So I will repeat what we said then: we are confident in our case, and know what we are entitled to.

We also said that a range of likely outcomes had started to become apparent and we and the other party had been pushed by the arbitrators towards a compromise, which we went as far as signing, back in July: the former local partner however did not follow through on their oral commitment so everything went back to the arbitrator to decide. The level we were closing in on for a settlement of all claims, the past ones and those under arbitration – in other words, the \$20m - was not too far from what we considered our rights overall but involved some concession in the interest of agreement.

We do expect the arbitrator to act in a manner consistent with the contract and with the earlier court judgment, and we and the other party have seen drafts of the Procès-Verbal (that is, the Minutes) and the Acte Transactionnel (Contractual Agreement) that will then be signed by the parties.

However, until everything is signed there is no arbitral result and a draft may change up to the last minute.

**A.** The second question is the timeframe within which we expect any judgment and how long it will then take to get payment.

I will start by a recapitulation of the current position.

In relation to the \$5m already paid out, we have a court award for 50% of that against our former partner, which is not a financially strong company at present, so that we have not collected. The importance of this court judgment will become apparent to you over time: suffice to say for now that it establishes beyond question that we had rights in DRC law and we were deprived of them.

In relation to the \$15m yet to be paid, the destination of which was the matter under arbitration, those funds are and have been sitting in the account of the buyer, a parastatal body of considerable wealth. Since they sold the assets on we believe the same day and for we believe over twenty times the price to be paid our group, there has never been any question that this money is due, and their

lawyer appeared at the arbitration to make clear that they stand ready to pay to whoever the arbitration decides is owed. We believe Red Rock's direct entitlement is to \$7.5m of that.

Whatever is not paid to us will be paid to our former partner and others, and who it goes to will not be our concern except in so far as it may affect our ability to enforce our \$2.5m court award.

We had an award of \$2m damages and costs against our former partner, currently under appeal, and it is too early to assess whether that would be a claim with eventual value.

We believe that registering the arbitration judgment and delivering a copy to the buyer of the assets will be a process quickly accomplished once the judgment is signed and issued, and that the buyer will pay without any undue delay upon receipt of instructions.

The key to timing therefore is when the arbitration judgment is issued. If people begin to wonder whether it ever will be, that is understandable, for there have been delays. Since we expected the result out in early July, these delays have now become considerable. The reasons for delay are easy for me to understand but too complicated for me to explain, so I apologise for that. I do not think they reduce the certainty that a judgment will issue. We are nearer all the time, like a golf ball that slows agonisingly as it approaches the hole, which it sometimes half circles before coming to rest. I went out recently to sign, and came back nearly two weeks later leaving a power of attorney behind, and the documents still not signed, though that may change at any moment. With Governments and Courts things can take longer than they should, whether in London or Kinshasa. The delays we have seen have been a result of a swirl of personalities on the side of our former partner, now resolved; as a former student of 18<sup>th</sup> century English history, I received at second hand a Namierite understanding of the period, so this did not seem unfamiliar territory to me.

The result would I am sure have been out had it not been for Rwanda's proxy, the M23 guerrilla group, seizing a town in Kivu just as I was on my way to the key meeting that was going to lead to signature. The Cabinet went into session and expelled the Rwandan Ambassador that day, as I headed to the airport, and the crisis continues. The relatively small number of people that makes the wheels of administration turn have been disproportionately occupied with this issue since then: I will forward you a report that gives a glimpse of this (<https://www.theeastafrican.co.ke/tea/news/east-africa/uhuru-kenyatta-arrives-in-kinshasa-for-dr-congo-peace-talks-4019206>). At any moment there can be a break in the clouds, a gap in the schedule, and we have a result. The frustration for us is enormous, as we have to deal with doubts and questions, and sometimes even question ourselves. But the result, bar some cataclysm, is not far off. As our hard-working and faithful friends in Kinshasa and Lubumbashi say to us: "Patience".

***Q. With assets covering a full suite of commodities, do you feel investing in RRR gives investors a hedge across most sectors of the space, Gold (Precious), Copper (Green Energy) and Cobalt and Lithium (Battery Tech/EV)?***

**A.** I would add to that the balance I think we have between high return, high risk, low regulation jurisdictions and those with a more conservative risk profile and more regulation.

There is not a conscious desire to cover all bases, or cover these bases, but simply a desire to identify and work on projects at different stages that can make a mine. There is a desire always to have a Plan B, and if possible always to have liquid investments as a back up (though we are probably 7 months from being where we like to be in that respect). No Plan A, however good, is sure, and as a small company we do not want to become a one project company unless with a high grade project on the final runway to production.

We never hold projects in order to please the market, or for share performance; only for long -term viability - or potential viability - as a mine.

We would agree however that our current project mix quite nicely mirrors some of the market's conceptions of what sectors are attractive.

***Q. Elephant Oil – with 397,873 shares held in Elephant Oil Corporation, the recent Clear Capital Markets report on RRR gave this an indicative value of a seven figure liquid asset in 2023. Have you been informed of the listing date and at the proposed valuation could this become a cornerstone investment for the business?***

**A.** The current Elephant OIL Form S1-A filed with the SEC gives a public offering price of \$4.65 per unit, consisting of one share and one warrant.

<https://www.benzinga.com/secfilings/22/11/29558382/elephant-oil-corp-initial-offering-forms-amended> I have little knowledge beyond what is publicly posted with the SEC, but as an investor we look at recent developments as a sign that listing may be very close. I recommend interested shareholders to keep an eye on the SEC filings.

We invested in Elephant Oil years ago and we did so, though criticized at the time, in part because we had information from someone we rated highly who had looked at the assets for another oil company and thought them good. We still think them good, and though my days as an oil analyst, my first real job, are well past, it seems to us that if the management plays its cards well, and perhaps some new cards too, post-listing, this could be a company that develops well.

For this to become a cornerstone of RRR, it would have to perform very well indeed, and it is more likely that it will be held as a promising investment and reserve liquidity.

***Q. New Ballarat Gold Corp – do you feel that the market attributes any value within the RRR market cap to the soon to be listed vehicle? Or is there a disconnect, particularly when considered against the recent strengthening of share price in AIM-listed ECR Minerals?***

**A.** I am not sure that the market is as rational as you suppose. RRR has performed in line with a large number of shares that might be comparators, and on 7 November we actually carried out an analysis for interest, the results of which are here:

<b>Company</b>	<b>1 month %</b>	<b>3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>24 months</b>
RRR	+1	-27	-14	-19	-51
ALBA	+1	-22	-30	-14	-70
ARKLE	-14	-36	-37	-41	-49
CGNR	-20	-36	-53	-25	-54
ECR	+60	-3	-15	-30	-53
GRL	-5	+2	-38	-61	-27
GGP	-11	-38	-41	-54	-64
JNO (Au)	-4	-29	-9	-23	-43
JMS (Au)	-6	-9	-14	-14	-27
KAV	+4	-1	-41	-64	-36
POW	-7	+52	-8	-20	-24
CRCL	+13	+12	-70	+14	-62
<b>Average</b>	<b>+3</b>	<b>-11</b>	<b>-31</b>	<b>-29</b>	<b>-47</b>
RRR - Avge	-2	-16	+17	+10	-4

There is no cause for pride or joy here. We badly need to break away from the herd, and something needs to initiate that.

In the days when I looked at the Japanese stock market, I came across something called *negorokan*, or 'feeling about stock prices'. That is to say, for example, that the price of Nippon Steel was always about 150 Yen, or whatever it might be, or the price of Fujitsu Fanuc always traded between x Yen and y Yen. There seems to be a *negorokan* about the correct RRR price range at the moment, and we need to break out of that trading range if we want people to start valuing us on a sum of the parts or some other rational basis, in other words as an individual stock and not part of the herd.

Reason suggests that an award by the arbitrator might do it, and so might some other things. Maybe an arbitral award, and subsequent payment, is the *sine qua non* for a whole lot of other things to start to have influence.

We have been looking at a possible pre-listing placement for NBGC, and thinking how that might be priced in this market has shown us how difficult the stock will be to price. So I understand that the market finds it difficult to value. With news and perhaps a better gold price that may change. NBGC once listed would follow its own destiny but has every chance of being a very interesting investment, because it has some excellent ground including high grade old mines accessible from surface.

I do not normally comment on other stocks, but since you have asked about ECR, and it is so relevant to a couple of points I want to make, I shall.

ECR has come up from 0.57 at the end of September to 1.08 today, a rise of 89%. In March it was 1.65, for context, and in December 2020 it was 4. It has an asset to the north of some NBGC licences.

On 19 October it announced "Re-assay of Creswick Diamond Drill Core Reveals High Grade Results Including 0.7m @47.75 g/t Au" and the price started to shoot up. Market value is some £11.6m. A 16 hole, 3433m, HQ drill programme had been carried out in 2021.

HQ core diameter is 63.5mm.

The headline assay result was from a duplicate half core at 147m depth. The original half core assayed at 0.1 g/t Au. So what can one say? I only know what I would have wanted to say. I would have said "We assayed last year a whole group of half-core samples from our drilling and got results including 0.95m at 23.58 g/t at 90m depth. We have now re-tested these samples, using the other half-core, and although more than half the results were down and not up (for example the other half of the 23.58 g/t core was 1.45 g/t, so that the whole-core result was 12.51 g/t), we got a result of 0.7m at 47.75 g/t Au at 147m down where previously we got 0.1 g/t (whole core result therefore 23.92 g/t Au). This shows we are in extremely nuggety gold, from which two conclusions may be drawn: 1) whether we get a result in a particular place will be hit and miss, and anything over 0.1 g/t is to be regarded as mineralised and therefore prospective, and 2) an uncommonly large quantity of drilling will be

necessary to delineate an orebody, which cannot economically at over 100m depths be done from surface, but will require a decline and underground drilling. Therefore you should be patient with our results, and not get over-excited now, or depressed if the next drill programme has no 'hits', but remember we are in a long and systematic campaign to delineate a deposit with 6-8 g/t Au average mineralisation".

The problem in Australia is that there are some hundreds of shooting stars: companies that list, have some good drilling, go up, and then after some more holes that do not provide instant riches decline to below their listing values, and become if not black holes, at least red dwarfs. ECR is listed in London, but has not been totally immune, though has held onto a good capitalisation with many loyal shareholders. The loyal shareholders is half of the key to prosperity, and the other perhaps is managing expectations. We want our shareholders to understand what we are about, the time frame and the objective, and to educate them as we announce results. We will want to do that with NBGC, because we will want to build a solid company with a good capitalisation.

ECR did 3433m. We did 860m earlier this year. We got 0.4m at 12.3 g/t in one hole at 75.7m depth, and 0.5m at 1/44 g/t at 50.6m depth. In another location we got a hole where over 30% of samples were over 0.1 g/t, which as I say means mineralised, including 0.4m at 5.13 g/t at 59m and 2.5m at 2.5 g/t at 67m and 1.8m at 1.43 g/t at 69.6m. Is that as good as their results. Who knows what we would get if we re-sampled the other half cores?

Now are they over-promoting or we under-promoting? Perhaps both. But I hope I have said enough to show that our starting point is comparable, and not at great depth either. And of course we have very high hopes for the current drilling, which is at the site of an old mine.

***Q. New Ballarat Gold Corp holds a substantial footprint in Victoria; which of the licences would you pinpoint as the flagship asset?***

**A.** It is too early to say. The asset at Berringa that we are now beginning to drill may be. Ajax where we plan to drill next, and another old mine, may be. But quite possibly as we follow some of the mineralisation we have been looking at to greater depth, something will leap out at us. We have a lot of good prospects and a large footprint with production history everywhere.

***Q. New Ballarat Gold Corp – do you have in-country support to lead on the ground activities?***

**A.** We feel it to be one of our strengths that our managers and geologists live in the area and used to work at the Ballarat mine, so are intimately acquainted with the geology both from an exploration and from a production point of view. They are as good a team as we could hope for. NBGC is an Australian-managed and operated company, but more than that, it is managed and operated by residents of Victoria committed to the area and excited by the potential.

The HQ of the operating subsidiary that owns the licences is in Ballarat, and through Dave Holden and our geologists and the community relations team we have built up

relations with the communities in which we work or intend to work. Some people will always be hostile, but we can blunt some of this by being a friendly and professional presence in the community.