

In this broker note, we focus our analysis on two **Red Rock Resources plc** (RRR) project assets most likely to provide a sizeable cash or asset realisation return within the near term. These are namely the cash flow returns achievable from the commencement of lithium mining at **African Lithium Resources** (ALR) later this year and resolution of the management's litigation to recompense for the sale of its DRC copper-cobalt JV.

- Production from ALR's 'Tin Hill' lithium property is anticipated to commence in late February '23 following environmental impact assessment completion. This initial operation we estimate will earn net (51% interest) to RRR pre-tax cash flow of \$5.2m p.a. based on production of 1,200 tonnes of lithium p.a. at a 2% target grade.
- The introduction of a flotation unit to beneficiate ore to a 4.5% to 5% lithium grade for the export market would significantly boost cash flow returns at 'Tin Hill' for ALR, along with the expansion of operations to 'Beatrice' and other satellite sites.
- The management appear to be making good progress with its DRC litigation pursuit, which could provide a settlement amount of between \$2.55m and \$12.2m.
- Within the next few weeks, the IPO of **Elephant Oil** is anticipated on the US NASDAQ, which will provide the Group with a tangible asset, anticipated to be worth around \$1.8m, that can be realised 6 months following listing.

Valuation & Recommendation. - Our analysis highlights the wealth and breadth of project assets, ranging from early to late-stage interests and investments, across a wide range of commodities, precious and battery metals. Of special note, is Red Rock's substantial exposure to gold via its exploration interests at New Ballarat Gold, in the Ivory Coast, Burkina Faso and Colombia gold production royalty.

The newer projects assets (DRC legal case & ALR) comprise around 50% of our estimated Group value. For ALR, a risked NPV10 is calculated for production on the initial 5 years from just 'Tin Hill', but not any subsequent mining sites and an initial 2% lithium grade. A high 35% resource risk is applied as no mineral resource estimate is present on the deposit. Once production and grade control are established, we should be able to remove this risk factor. For the DRC legal case, a risked probability assessment is applied to each anticipated settlement tranche.

Other large valuation contributors are the **Mikei Gold** project estimated on a JORC discovery gold ounce basis and **New Ballarat Gold** valued as a risked IPO event. Earlier stage projects such as **Faso Minerals**, **Luanshimba** and both the lithium and gold interests within **LacGold Minerals**, are valued on a project opportunity sum for the moment, until we understand more about these from future exploration and development.

We have upgraded our share price target by 75% from 1.6p (1/9/21) to **2.8p**, based upon a Group asset valuation of **£37.6m** (prev. £19.5m) This easily leads us to a 'Buy' recommendation, given the upside potential from the current share price of around 0.26p.

Investment/Asset	Value	Valuation Estimate Method	Cash/Asset Realisation Timing
Mikei Gold Project	\$13.3m	gold JORC value	TBD
Faso Minerals Ltd	\$0.4m	project opportunity value	TBD
LacGold Minerals Ltd	\$0.4m	project opportunity value	TBD
Luanshimba	\$0.4m	project opportunity value	TBD
ALR	\$12.7m	risked NPV10.	2mths to 5 years
New Ballarat Gold Corp	\$6.8m	risked IPO	6 to 18mths
Elephant Oil Limited	\$1.8m	risked IPO	soon
DRC Litigation Settlement	\$9.5m	risked settlement amount	soon
El Limon Royalty	\$0.8m	NPV10	1 to 10 years
Triple R Royalties Ltd	TBD	n/a	TBD
Mt Ida Net Smelter Royalty	TBD	n/a	TBD
Total	\$46.0m		
	£37.6m	(£/US\$ 1.23)	
Price per share	2.8p	SII 1,341m (1/9/21 1.6p on £19.5m - SII 1,217m)	

Fig 1: Red Rock Resources estimated asset / cash flow values (Source FEQ).



TP 2.8p

MARKET DATA:

Name:	Red Rock Resources plc
Ticker:	RRR.L
Price:	0.26p
SII:	1341.1m
Market Cap:	£3.5m
Sector:	Resources
Listing:	AIM – London

FINANCIALS:

Last Placing:	Sept 21' - £160k @ 0.40p.
Financing Facility:	Up to \$1.6m via DMC LLC
Last Results:	29 Dec 22', H/Y to 30/06/22
AGM:	10 Feb 23'.

ACTIVITIES:

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

KEY ASSETS/ PROJECTS

Mikei Gold Project (100%) – Kenya
Faso Minerals (86%) – Burkina Faso
LacGold Minerals (100%) – Ivory Coast
Luanshimba copper-cobalt Project (80%) – DRC
African Lithium Resources (50%) – Zimbabwe.
New Ballarat Gold (50.1%) - Australia
Elephant Oil – West Africa
El Limon Royalty – Colombia

DIRECTORS & MANAGEMENT:

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

SHAREHOLDINGS: (>5%)

HSBC Global Custody	21.3%
Interactive Investor Srv Nom'	13.4%
Andrew Bell (Dir)	5.5%

Total director ownership = 6.8%.

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

ANALYST

Jason Robertson
+44 (0)20 7374 2212
jasonrobertson@firstequitylimited.com

VALUATION COMMENTS

African Lithium Resource, Zimbabwe - Our NPV10 valuation for African Lithium Resources (ALR) focuses on the development of the Tin Hill property based on a 5-year operation, processing 60,000 tonnes of ore p.a. at an initial 2% lithium grade from a simple open pit operation to a depth of up to 10 metres to produce 1,200 tonnes of lithium p.a.

Given there is no mineral resource deposit defined for Tin Hill, a high resource risk of 35% is applied to our computed NPV10 total.

Our valuation should be considered a baseline valuation as it does not consider the potential upside of mining at a higher grade of 4.5% to 5%, which could be achieved through introducing a flotation unit to beneficiate the ore for the export market. We have also not included a valuation for the mining of other ALR deposits such as Beatrice.

ALR Deposits	\$	Valuation Methods
Tin Hill NPV10 (100% Project level)	\$39.2m	5-year operation, capex \$500K, 6% royalty, mining at 2% lithium grade at, 60,000 tonnes of ore mined, 1,200 tonnes of lithium, pre-tax net cash flow of \$10.7m p.a.
Risked NPV10	\$25.5m	Less 35% resource risk.
Net 51% interest to RRR	\$12.8m	Group's ownership of ALR anticipated "to be about 50%".
Beatrice NPV10	TBD	
Other ALR deposits in Zimbabwe	TBD	
TOTAL	\$12.8m	

Fig 2: African Lithium Resource valuation (Source: FEQ).

DRC Litigation Settlement - Red Rock appears to be making good progress in obtaining recompense for the sale of its interest in the copper-cobalt project in DRC. As this case is ongoing and details of the litigation are beyond the scope of this research note we will keep our comments brief. We nevertheless derive an estimated risked value for what we understand could be obtained for settlement in monetary terms based upon the comments provided by the CEO and Chairman Andrew Bell in the final year results statement last month.

Settlement Amount	% Owed	% est. Risk	Risked Amount	Litigation Amount
\$5.0m	51%	n/a	\$2.55m	Judgement received for consideration paid, which cannot be appealed.
\$2.0m	100%	80%	\$1.60m	Costs and damages, being appealed.
\$15.0m	51%	70%	\$5.35m	Consideration not yet paid. Subject to Arbitration.
TOTAL			\$9.51m	

Fig 3: DRC Litigation estimates (Source: FEQ).

Mikei Gold Project, Kenya - 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, along with a 1.5% gold spot price 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 is derived.

An upgrade to the current JORC statement using recent drilling data or/and securing of a joint venture partner for this 100% owned project to fast-track exploration could significantly add value.

New Ballarat Corporation Plc, Australia – RRR along with its JV Partner Power Metal Resources plc are seeking a listing on a London stock-market for New Ballarat, “when market conditions permit”.

We believe given the breadth of gold assets within the historic mining district of Victoria, Australia, such a listing could command a pre-money market capitalisation of around £15m, giving the recent listings of similar resource exploration companies. Assuming a 75% probability of an IPO within the next 18-months, a risked estimate of £5.6m is derived for RRR’s stake ($£15m * 0.51 * 0.75$).

Elephant Oil Limited, Benin - The listing of Elephant Oil on the US NASDAQ exchange appears to be imminent. As outlined in RRR’s December 22, results statement, a listing price of between \$4.15 and \$5.15 is anticipated, which at the mid-point price, would value the Group’s stake at \$1.85m. A small risk factor of 5% is estimated for the shares not listing within the next 6-months, giving a risked valuation of about \$1.76m. After a 6-month hold period post IPO, RRR will be able to realise some or all its investment.

El Limon Royalty, Colombia - Valuation based upon a NPV10 on royalty revenues over the next 10 years of production.

Other royalties held within holding company **Triple R Royalties Ltd** for the gold interests in Burkina Faso and Ivory Coast and also lithium in Zimbabwe are left unvalued (TBD) for the moment until we know more about their resource and production profile potential. We understand that other royalty assets will be added to Triple R Royalties Ltd in the future.

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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

Salisbury House,
London Wall,
London, EC2M 5QQ
UK

Tel: 020 7374 2212
tw: FirstEquityLtd

[www: firstequitylimited.com](http://www.firstequitylimited.com)

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