22 October 2009

Red Rock Resources

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/07	0.5	(0.3)	(0.2)	0.0	N/A	N/A
06/08	1.3	(0.2)	(0.1)	0.0	N/A	N/A
06/09e	1.2	(0.7)	(0.2)	0.0	N/A	N/A
06/10e	6.2	3.8	0.7	0.0	2.3	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: More than it appears

Having completed the Oakover and Mount Alfred deals earlier this year, Red Rock has now come to the end of the first phase of its strategic foray into the steel-feed industry as a mineral property company. Lacking critical size in a sector dominated by majors, it has now determined to play a passive role in the likely future consolidation of the industry, although it does not intend to sell down its position in Jupiter Mines, its strategic steel-feed associate company. In the meantime, it has invested US$725,000 for a stake of up to 60% in a company with in excess of 1Moz of measured and indicated resources in southern Kenya. It will now become the operator of those assets, on which it intends to produce a bankable feasibility study within the next six years. Adopting a sum-of-the-parts approach to valuing the company, we estimate that Red Rock is trading at discount to the value of its net assets in excess of 60%.

Mgori deal

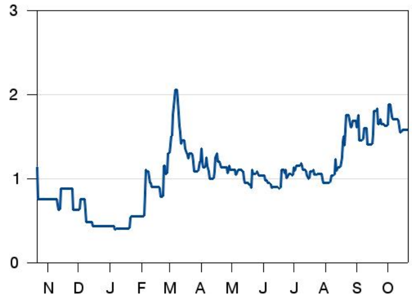
In our recent note, *Gold – Still aping the 1970s*, published in September 2009, we derived a valuation for gold resources of US$380.66 per measured ounce and US$30.74 per indicated ounce. On this basis, Red Rock's tenements in Kenya have a value of US$41.3m (£25.4), in which Red Rock has a 15% interest with an option to increase to a 60% interest, subject to it completing a bankable feasibility study at an estimated cost of US$8m.

Valuation: Potential 81% discount to NAV

Simply considering Red Rock's see-through holding in Jupiter reveals that the company is trading at a 51% discount to net asset value. This increases to 61% taking into account our estimate of the value of its exploration properties in Kenya (above). Adding a value for its holding in Resource Star increases the discount further, to 74%. In the event that future exploration success at Mount Alfred results in Jupiter delineating a resource in excess of 28Mt of measured and indicated iron ore within the next two years, then Red Rock would be allocated a further 90m shares in Jupiter, in which case the discount increases to 81%.

Price	1.6p
Market Cap	£7m

Share price graph



Share details

Code	RRR
Listing	AIM
Sector	Mining
Shares in issue	477m

Price

	High	Low
52 week	2.1p	0.4p

Balance Sheet as at 31 December 2008

Debt/Equity (%)	N/A
NAV per share (p)	0.6
Net cash (£)	20,078

Business

Listed on AIM in July 2005, Red Rock Resources is now a combination of a junior gold explorer and a mineral property investment company focused on the discovery and development of iron ore, manganese, uranium and gold, primarily in Australia and Africa.

Valuation

	2008	2009e	2010e
P/E relative	N/A	N/A	20%
P/CF	N/A	N/A	N/A
EV/Sales	3.1	4.9	1.2
ROE	N/A	N/A	38%

Revenues by geography

UK	Europe	US	Other
2%	0%	0%	98%

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Red Rock Resources is a research client of Edison Investment Research Limited

Investment summary: Discount to assets

Company description: Emerging gold explorer

Listed on AIM in July 2005, Red Rock Resources has hitherto been a mineral property investment company focused on the discovery and development of iron ore, manganese, uranium and gold, primarily in Australia and Africa. Having now completed the acquisition and rationalisation of its steel feed-related assets into Jupiter Mines, Red Rock has now embarked on the second phase of its existence, whereby it intends to become a junior gold miner, having invested US$725,000 for a stake of up to 60% in a company with more than 1Moz of measured and indicated resources in southern Kenya. It will now become the operator of those assets, on which it intends to produce a bankable feasibility study within the next six years. Red Rock also has a 27% shareholding in Resource Star Limited and an 11% shareholding in Resource Gold Pty Ltd.

Valuation

In the first instance, we have applied a discount to NAV-type valuation methodology to Red Rock. On this basis, Red Rock can be seen to be trading at a ‘base case’ discount of 51% to our estimate of net assets, based simply on its holding in Jupiter Mines (an Australian-listed company). This increases to 61% on inclusion of its 15% interest in its Kenyan gold tenements and to 73% assuming that it exercises its option to take a 60% interest in those assets (subject to its having completed a bankable feasibility study at an estimated cost of US$8m). Considering its holding in Resource Star adds a further percentage point to the discount, increasing it to 74%. Finally, the discount increases to 78% in the event that future exploration success results in Jupiter delineating a resource in excess of 28Mt of measured and indicated iron ore within the next two years at Mount Alfred. In this case Red Rock would be allocated a further 90m shares in Jupiter.

Sensitivities

Apart from liquidity risk – ie Red Rock’s ability to trade freely in Jupiter and/or Resource Star shares – the main risk faced by investors is execution risk in respect of the company’s Kenyan gold assets. However, this is mitigated by the fact that an NI-43101 resource in excess of 1Moz has already been delineated in the tenements. Since this alone forms the basis of our valuation (rather than a mining plan valued on a discounted cash-flow basis), we perceive that this risk in particular is limited.

Financials

We estimate that Red Rock had net cash on its balance sheet of £350,000 as at end-June 2009. This will have been improved by the sale of its 20% interest in the Africa China Mining Corp for US$1m (£0.6m) in August. Although we expect the company to record a profit in the current financial year on account of the greater portion of the Jupiter/Oakover deal having occurred in FY10, it will not help Red Rock’s cash position in that consideration was in the form of shares. However, on 1 May 2009, Red Rock announced that it had entered into a Standby Equity Distribution Agreement (SEDA) with YA Global Master to draw on tranches of equity funding up to £3m over the next two years which, in the absence of any other deals for cash, we would expect to adequately fund its working capital requirements until the end of FY12.

Company description: Mineral property investment co.

Listed on AIM in July 2005, Red Rock Resources was originally a mineral property investment company focused on the discovery and development of iron ore, manganese, uranium and gold, primarily in Australia and Africa. As such it acquired tenements with long-term strategic synergies with existing operations and then bundled them into commercially viable land packages before vending them into dedicated listed vehicles. However, it has now come to the end of this phase of its existence having just completed an important three-way deal with Pallinghurst and Jupiter Mines relating to various iron ore and manganese assets. Lacking critical size in a sector dominated by majors, it has determined instead to play a passive role in the likely future consolidation of the steel-feed industry (although it does not intend to sell down its position in Jupiter Mines). In the meantime, it has invested US$725,000 for a stake of up to 60% in a company with over 1Moz of measured and indicated resources in southern Kenya. It will now become the operator of those assets, on which it intends to produce a bankable feasibility study within the next six years. It also has a 27% shareholding in Resource Star Limited (see page 9) as well as an 11% interest in Resource Gold Pty Ltd.

The deal with Jupiter and Pallinghurst

In November 2008 a three-way deal was proposed between Red Rock Resources and Pallinghurst (the sellers) and Jupiter Mines, whereby Jupiter would acquire Red Rock's interests in Mount Alfred and Oakover (see below) as well as receiving cash and securities worth c A$6.2m in return for issuing Pallinghurst and Red Rock with 152.8m new shares in Jupiter out of a pre-transaction total of 183m (fully diluted). In addition Jupiter would grant to Red Rock and Pallinghurst a bonus option allowing them to participate in any upside in the mineral resource delineated at Mount Alfred over and above 10Mt of measured and indicated resources.

As part of the deal, Pallinghurst has committed to provide A$5m to Jupiter for working capital purposes as and when the need arises (subject to its investment criteria being met).

The parties to the deal

The parties to the deal were Red Rock Resources, Pallinghurst and Jupiter Mines. As such, Red Rock Resources and Pallinghurst formed a consortium for the purposes of the transaction. The counterparty, Jupiter, is a public company listed on the Australian Securities Exchange with iron ore interests at Central Yilgarn (see below). Before the execution of the deal, Red Rock had an 8.81% holding in Jupiter.

The assets sold by Red Rock

The principal geological assets included in the deal are listed in Exhibit 1.

Exhibit 1: Geological assets vended by Red Rock to Jupiter

Tenement	Name	Status	Grant date	Expiry date	Area (km^2)	Interest (%)
E45/2639	Oakover	Granted			90	100
E45/2638	Oakover	Granted	12/11/08	11/11/13	244	100
E45/2640	Oakover	Granted			157	100
E45/2641	Oakover	Granted			224	100
E29/581	Mt Alfred	Granted	08/03/06	07/03/11	210	100

Source: Jupiter Mines, Snowden

When the deal was proposed in November 2008, Red Rock had only secured title over one of the four licence areas constituting the Oakover manganese project. Title to the other three was subsequently granted in mid-2009 and was passed on to Jupiter in accordance with the terms of the deal.

Mount Alfred

Located approximately 130km north-west of the town of Menzies (itself 130km north of Kalgoorlie on the Goldfields Highway to Meekatharra), the Mount Alfred project is situated within the Yilgarn Craton, one of the world's largest Archaean greenstone belts. Although the overwhelming majority of Australia's iron ore output is derived from the Pilbara region of Western Australia, the economic and mineral potential of the Yilgarn Craton is also well known and hosts significant operations at Koolyanobbing (the largest iron mine in the Central Yilgarn region), Mount Gibson, Weld Range and Jack Hills. As such, the Mount Alfred project covers 210km^2 and lies adjacent to and north-west of Jupiter's Central Yilgarn Iron project (CYIP), approximately 60km from Mount Mason. The deposits target haematite or magnetite typically hosted within banded iron formations (BIF). Other companies with interests in the region include Mindax, Portman (which operates Koolyanobbing), Mount Gibson (which owns the Tallering Peak operation) and Polaris Metals (which holds a tenement immediately south of Mount Alfred). Mining in the region is generally confined to podiform styles of haematite mineralisation less than 60m deep. Access to export markets is via the 530km rail line from Menzies to the established port of Esperance on the south coast.

The BIF units at Mount Alfred are present in the eastern and far northern portion of the project, striking roughly north-south and forming a prominent ridge line. Between 15m and 100m wide, the units dip from 70° to near vertical and cover some 14km of strike length within the licence. To the east, they are covered by alluvial sediments along the eastern margin of Lake Barlee.

Early exploration work at Mount Alfred focused on gold and copper mineralisation. More recently, Red Rock has undertaken field reconnaissance work and rock chip sampling in five target areas, which resulted in numerous samples returning grades of over 50%, and up to 70%, iron, with the best results in the northern portion of the licence where the BIF is thickest.

Some of the salient features of the Mount Alfred project, according to geological consultants Snowden, are:

- It is considered to be prospective for direct shipping haematite and magnetite.
- Rock chip sampling has returned potentially high grade iron mineralisation.
- It is located adjacent to Portman's Mount Richardson project and close to Jupiter's existing Mount Ida and Mount Mason areas.
- Drilling of the BIF units is required to determine the depth of potential mineralisation and the diluting impact of inter-layered siliceous chert beds.
- The infrastructure of the area is poorly developed to support a direct shipping operation (DSO); joint venture partners would be required to achieve the economies of scale required for a successful operation.
- Lake Barlee, which underlies nearly 40% of the Mount Alfred project area, is subject to a proposed Ramsar wetland.

- The most northern portion of the project is covered by an approximately 1km² Heritage Site; as a result, ground breaking activities are prohibited without the consent of the Minister of Indigenous Affairs.
- Red Rock retains the uranium rights within the Mount Alfred tenement.

Based on the Kilburn method of licence area assessment, Snowden estimated a value for Mount Alfred between A$0.5m and A$1.3m (equivalent to A$2,160-5,990/km²), with a 'preferred' valuation number of A$0.7m.

Oakover

The Oakover project comprises four exploration licences covering 217 blocks, or 694km², near the eastern margin of the Archaean Pilbara Craton to the north of the existing Woodie Woodie mining operation and 200km from Port Hedland. It is approached by two sealed roads and one mine road, although access within the project area is difficult with rugged terrain traversed by a few, poorly formed tracks. Nevertheless, it is strategically situated, surrounding Palmary Enterprises' Ripon Hills manganese deposits, with known manganiferous sedimentary rocks occurring either as high-grade fillings within Carawine Dolomite and Pinjian Chert Breccia or as more extensive, but lower grade capping on shales of the Manganese Group. Several known manganese outcrops have been identified and sampling has recorded grades up to 50% manganese. In addition, there are historic mine workings located within tenement E45/2639. Some additional features of the project are:

- It is early stage.
- Three exploration licences are potentially affected by the conversion of the Meentheena pastoral lease into a Crown Reserve; this would affect 66% of E45/2638, 19% of E45/2640 and approximately 2% of E45/2641. Red Rock has applied for exclusion of the licence areas from the park. If effected, however, it would impose stringent conditions on future exploration work and mining would be subject to ministerial approval.
- The E45/2639, E45/2640 and E45/2641 areas are subject to the Njamal Native title claim.
- The 245 hectare Rippon Hills Road artefact site is located on E45/2641, which prohibits ground disturbing activity without the consent of the Minister of Indigenous Affairs.

Based on the Kilburn method of licence area assessment, Snowden estimated a value for Oakover of between A$1.4m and A$4.2m (equivalent to A$2,010-6,060/km²), with a 'preferred' number of A$2.1m.

The mechanics of the deal

The deal was designed to be executed in two phases, as shown in Exhibit 2.

Exhibit 2: Summary of deal between Red Rock, Jupiter and Pallinghurst, by phase

Phase	Asset	Jupiter receives	Red Rock receives	Pallinghurst receives
One	Mount Alfred	Title over licence E29/581	23,839,183 new shares in Jupiter	47,339,148 new shares in Jupiter
		1,512,404 shares in Mindax from Red Rock	The Mount Alfred Bonus option (see below)	The Mount Alfred Bonus option
		11,670,675 shares in Mindax from Pallinghurst		
		A$1m from Pallinghurst		
Two	Oakover	Title over the four Oakover licences	54,155,579 new shares in Jupiter	27,445,017 new shares in Jupiter

Source: Jupiter Mines, Snowden, Red Rock

The Mount Alfred bonus option is exercisable by the sellers by giving notice within 14 days of an independent expert certifying the existence of more than 10Mt of JORC compliant measured or indicated resources of direct shipping haematite ore. The option expires on the second anniversary of the date on which the 10Mt is certified as existing, provided that such certification occurs within two years from the date of issue of each option.

It is structured such that within 14 days' notice of more than 10Mt of measured and indicated resources being certified at Mount Alfred, Jupiter (the buyer) will issue to Red Rock and Pallinghurst in equal proportions new shares equal in number to "$2 multiplied by the independently certified resource in excess of 10 million tonnes… divided by the volume weighted average price of the Buyer's shares traded on the Australian Stock Exchange Limited over the 5 trading days prior to the giving of the notice… up to a maximum of 180 million ordinary shares in the capital of the Buyer."

Deal summary and observations

Now the second phase of the deal has been completed, Red Rock has been granted 77,994,762 new shares in Jupiter, plus an option that may deliver it a further 90m shares in return for its iron ore interests at Mount Alfred, its four Oakover manganese properties and its holding of 1.5m shares in Mindax (current share price A$0.45).

At Jupiter's current market price of A$0.22 per share, the value of Red Rock's 78m new shares is A$17.2m, or £9.6m. Including the 14,904,403 shares that it owned before the transaction, this leaves Red Rock with a total holding in Jupiter of 92,899,165 shares, worth A$20.4m (£11.4m), compared to Red Rock's current market capitalisation of £7.5m. The additional 90m shares that it could receive as a result of the Mount Alfred bonus option would be worth an additional A$19.8m (or £11.0m).

A brief summary of the salient features of Jupiter's accounts for the half-year to end-December 2009 is given in Exhibit 3.

Exhibit 3: Jupiter Mines' summary financials (six months ending 31 December 2008)

Profit & Loss account	
Net loss	A$1.5m
Net loss per share	0.89 cents
Balance sheet	
Cash	A$6.8m
Exploration asset	A$14.3m
Total assets	A$21.6m
Net assets	A$21.1m
Cash flow statement	
Cash outflow from operations	A$1.0m
Cash outflow from investing activities	A$2.3m
Net cash outflow	A$3.3m

Source: Jupiter Mines

Other considerations relating to Jupiter/Pallinghurst

Of no less importance to investors is Red Rock's ongoing relationship with Pallinghurst. Directed by the mercurial Brian Gilbertson, famous for unbundling Gencor in South Africa then bringing the restructured group to London as Billiton, Pallinghurst and Red Rock have first rights of refusal over each other's shares in Jupiter. In addition, Pallinghurst has allocated A$50m to further advance the consolidation, exploration and mining of the Yilgarn region. As such, Pallinghurst represents a formidable strategic partner for Red Rock in the event of the likely consolidation of the steel-feed industry.

Kenyan gold assets

Over the course of the past few months, Red Rock has been accumulating an effective land package in the south of Kenya.

On 14 August, Red Rock paid US$725,000 for a 15% interest in the Mid-Migori Mining Company from the Kansai Mining Corporation. This is payable in cash and shares in three tranches, as shown below, of which the first tranche has already been made.

Exhibit 4: Mid-Migori Mining company consideration

US$ 000's	Cash	Shares	Total
Tranche 1	75	80	155
Tranche 2	125	135	260
Tranche 3	150	160	310
Total	350	375	725

Source: Red Rock Resources

Mid-Migori's holdings comprise two tenements covering 310.5km^2 of exploration ground in western Kenya, 280km from Nairobi, abutting Lake Victoria, approximately 20km from the Tanzanian border. On completion, Red Rock will become the manager of the exploration programme. Conditional on it completing a bankable feasibility study on the project within six years and exercising its option, Kansai will then transfer an additional 45% of Mid-Migori to Red Rock.

Following the deal with Kansai, Red Rock announced on 27 August that it had paid US$20,000 to Golden Rim Exploration for an option to acquire a 70% interest in the Ngira-Migori project, adjacent to (and to the north and west) of the Macalder mine. Under the terms of the agreement, Red Rock will again become the operator of the project, earning its interest via the payment of US$60,000 in year one, US$120,000 in year two and the completion of 2,400m of exploration drilling in year three.

The ground acquired

The tenements acquired in the Kansai deal cover 68km of an Archaean greenstone belt and includes the abandoned Macalder mine. Over 500 holes totalling 50,000m of drilling are estimated to have been completed in the region over the 10 years between 1988 and 1998 at an estimated cost of more than US$7m. The entire 68km belt has been extensively mined (albeit not on a commercial scale) by artisanal workers. Typically, the artisans worked reefs of waxy to glassy quartz hosted within a conspicuous shear zone. Of the ground acquired, the most prospective lies in four zones to the extreme west of the tenements, adjacent to Lake Victoria, while that to the east has been susceptible to flooding. Exploration on the ground acquired to date has yielded the following reserves and resources:

Exhibit 5: Mid-Migori Resources

Zone	Category	Tonnes (kt)	Grade (g/t)	Contained gold (Moz)
KKM	Indicated	22,110	0.96	680,000
Gori Maria	Indicated	8,600	0.87	240,000
MK	Indicated	1,450	2.32	108,000
Nyanza	Indicated	840	5.32	144,000
Total	Indicated	33,000	1.10	1,172,000

Source: Red Rock, Kansai Mining Corp, Ddraig Mineral Development Ltd

In addition, the following resources have been delineated in the Macalder tailings:

Exhibit 6: Macalder Mine resources

Zone	Category	Tonnes (kt)	Grade (g/t)	Contained gold (oz)
Macalder tailings	Measured	114	2.5	9,164
	Indicated	1,000	1.8	57,878
Total		1,114	1.9	67,042

Source: Red Rock, Kansai Mining Corp, Ddraig Mineral Development Ltd

Combined, the two represent a total resource base of 1,239,042oz contained within 34.114Mt at an average grade of 1.13g/t.

A note on the Macalder mine

The Macalder mine was in continuous operation for 40 years from 1935 before being shut down at the same time as the Kilembe smelter in 1975. Although it originally targeted the enriched surface oxide zone, this was depleted by 1948 and the mine evolved thereafter to exploit volcanic massive sulphide (VMS)-type gold-copper mineralisation, which was developed adjacent to a banded ironstone formation horizon (see below). The relatively high grade of the tailings associated with these operations suggests that the ore may well have been at least partially refractory.

Grounds for reinterpreting the geology of the area acquired

To date, exploration in the area has concentrated on shear-zone hosted lodes and VMS-type mineralisation – which is consistent with the style of the deposits exploited by the artisanal miners. However, there is reason to believe that exploration based on this geological model may be flawed and to instead conduct an exploration programme based on a reworked BIF target model.

Recent work in the tenements has established that there are two types of banded ironstone formation present:

1) undisturbed; and
2) tectonically and hydrothermally reworked.

This represents an advance on the geological model previously invoked, which did not make any distinction between the two, and is significant in that the latter type bears a similarity to other gold belts in the world, particularly Geita in Tanzania (which consequently now boasts a gold endowment of 33Moz – in excess of that of Ghana). In particular, the essential rock associations to invoke such a reworked BIF model are present in the form of quartz veinlets cross-cutting the banded ironstone formations and the observation that some rich artisanal workings coincide with sheared, gossanous BIFs.

According to this new model of the regional geology, large scale fault and shear systems cause gold bearing hydrothermal fluids to come into contact with the reducing conditions provided by the banded ironstone formations resulting in the precipitation of gold. As such, the BIF chemical trap coincides with the shear structural trap in order to create distinct and discrete exploration targets.

BIFs cover less than 5% of the area of the greenstone belt within the tenements and are easily identifiable by airborne and induced polarisation techniques. So, whereas historical drilling has been conducted perpendicular to the direction of shear to identify shear-hosted lodes and VMS-style mineralisation (and entirely ignored BIF targets), future exploration will concentrate on deformed and complicated portions of the BIFs within the greenstone belts, especially where they are cut through by regional fault shear systems. To this end, eight targets have been identified for initial exploration work.

Other assets of Red Rock – Resource Star

Apart from those assets described above, Red Rock's principal asset is a 27% interest in ASX-listed Resource Star Ltd (RSL). Originally called Retail Star, Resource Star is a uranium and rare earth exploration company which expanded into the sector via the acquisition in May 2007 of Orion Exploration Pty Ltd. On 14 July its shares were suspended at the request of the company pending a requirement to raise a minimum of A$1.5m in order to re-list. This initiative was discontinued owing to conditions in the financial markets at the height of the financial crisis. However, on 20 October, the company announced that it is once again seeking to re-list via the placing of 3.7m new shares to institutions at A$0.16 per share followed by a sale of 25m shares to the public at A$0.20 per share. The raising of A$5m will leave Resource Star with net assets of A$7.6m, of which A$5.1m will be in the form of cash and A$2.7m in the form of deferred exploration expenditure. In pursuit of this goal, the company has called an AGM for 23 November, after which the public offer will open. It will then close on 14 December, with the shares anticipated to relist on 21 December.

While suspended, Resource Star continued as a going concern. After an initial review of costs, all exploration expenditure was suspended. Nevertheless, it continued to sustain basic company activities and was active in negotiations with the various authorities regarding its exploration licences. At the same time, Red Rock continued to support the company by advancing funds to cover its working capital requirements. Initially this is in the form of equity, which was from time to time converted into debt. Most recently this occurred on 29 June 2009, when debt was converted into 1,400,000 shares at a price of A$0.17 per share. This brought Red Rock's holding in Resource Star to 9,635,295 shares, or 27% of Resource Star's outstanding share capital.

Once relisted, Red Rock proposes to use RSL as its uranium vehicle and to vend certain assets into the company for additional shares leaving it with 10 projects, located in the Northern Territories (five), Malawi (three), Western Australia (one) and Tasmania (one).

Sensitivities

Apart from liquidity risk – ie Red Rock's ability to trade freely in Jupiter and/or Resource Star shares – the main risk faced by investors is execution risk in respect of the company's Kenyan gold assets. However, this is mitigated by the fact that a NI-43101 resource in excess of 1Moz has already been delineated in the tenements. Since this alone forms the basis of our valuation (rather than a mining plan valued on a discounted cash-flow basis), we perceive that this risk in particular is limited.

Valuation

In our recent note, *Gold – Still aping the 1970s*, published in September 2009, we derived a valuation for gold resources of US$380.66 per measured ounce and US$30.74 per indicated ounce. On this basis, Red Rock's tenements in Kenya have a value of US$41.3m (£25.4), in which Red Rock has a probable 60% interest, subject to it completing a bankable feasibility study at an estimated cost of US$8m.

Exhibit 7 shows our company balance sheet estimates for Red Rock Resources in FY09. Since Red Rock's company balance sheet closely resembles that of the group, we have approximated it by considering our estimate for the book value of the group's balance sheet as at 30 June 2009, adjusting it for the Africa China Mining Corp sale and then revaluing it to take account of the current (and potential) value of its investments.

Exhibit 7: Red Rock Resources' forecast company balance sheet FY09, updated

Note: * Relates to sale of Africa China Mining Corporation and subsequent share issues to Yorkville & Regency.

£000's	Low-end scenario	Median scenario	Top-end scenario
Current assets			
Investments in associates			
– Jupiter Mines	11,387	11,387	22,418
– Resource Star		913	913
Cash and cash equivalents*	1,070	1,070	1,070
Trade and other receivables	96	96	96
Investments in subsidiaries	964	964	964
Available for sale financial assets	1,952	1,952	1,952
Exploration properties	3,812	12,293	12,293
Total current assets	19,280	28,675	39,706
Total assets	17,195	26,495	35,495
Liabilities			
Trade and other payables	(61)	(61)	(61)
Total liabilities	(61)	(61)	(61)
Net assets	19,219	28,614	39,645
Shares in issue (millions)	477.4	477.4	477.4
NAV per share (pence)	4.03	5.99	8.30
Discount of current share price to NAV (%)	(60.9)	(73.7)	(81.0)

Source: Edison Investment Research estimates

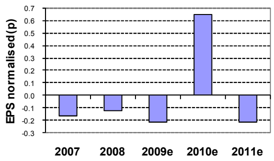
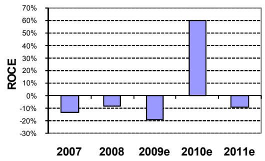
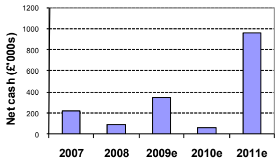
The three scenarios considered above may be summarised as follows:

- The low-end scenario only considers Red Rock's holding in Jupiter and its 15% interest in the current Kenyan resource base; it ascribes no value to its holding in Resource Star.
- The median scenario values Red Rock's holding in Resource Star at 17 Australian cents per share (being the last price at which Red Rock accepted an equity for debt swap relating to its ongoing funding of Resource Star's working capital requirements). It also assumes a 60% interest in the Kenyan gold assets (against which US$8m has been deducted as the estimated expense of the bankable feasibility study).
- The top-end scenario considers the effect on the Red Rock holding in Jupiter in the event that the Mount Alfred Bonus option is exercised and the maximum number of shares are allocated to Red Rock.

Exhibit 8: Financials

£'000s Year end 31 July	2007 UK GAAP	2008 IFRS	2009e IFRS	2010e IFRS	2011e IFRS
PROFIT & LOSS					
Revenue	535	1,347	1,165	6,176	0
Cost of Sales	(185)	(1,026)	(1,098)	(1,590)	0
Gross Profit	350	321	67	4,586	0
EBITDA	(310)	(249)	(747)	3,832	(754)
Operating Profit (before GW and except.)	(310)	(249)	(747)	3,832	(754)
Intangible Amortisation	0	0	0	0	0
Exceptionals	85	422	0	0	0
Other	0	0	0	0	0
Operating Profit	(225)	173	(747)	3,832	(754)
Net Interest	2	13	3	10	2
Profit Before Tax (norm)	(309)	(235)	(744)	3,842	(752)
Profit Before Tax (FRS 3)	(223)	186	(744)	3,842	(752)
Tax	0	0	0	(3)	(0)
Profit After Tax (norm)	(309)	(235)	(744)	3,839	(753)
Profit After Tax (FRS 3)	(223)	186	(744)	3,839	(753)
Average Number of Shares Outstanding (m)	188.2	266.2	384.0	488.1	588.8
EPS - normalised (p)	(0.2)	(0.1)	(0.2)	0.7	(0.2)
EPS - FRS 3 (p)	(0.1)	0.1	(0.2)	0.8	(0.1)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	65.5	23.8	5.7	74.3	N/A
EBITDA Margin (%)	(57.9)	(18.5)	-64.1	62.0	N/A
Operating Margin (before GW and except.) (%)	(57.9)	(18.5)	-64.1	62.0	N/A
BALANCE SHEET					
Fixed Assets	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Tangible Assets	0	0	0	0	0
Investments	0	0	0	0	0
Current Assets	2,848	4,364	4,487	8,819	9,544
Stocks	0	0	0	0	0
Debtors	1,080	394	96	508	0
Cash	220	88	350	55	959
Other	1,547	3,883	4,042	8,256	8,585
Current Liabilities	(294)	(413)	(61)	(131)	0
Creditors	(294)	(413)	(61)	(131)	0
Short term borrowings	0	0	0	0	0
Long Term Liabilities	0	0	0	0	0
Long term borrowings	0	0	0	0	0
Other long term liabilities	0	0	0	0	0
Net Assets	2,554	3,951	4,426	8,688	9,544
CASH FLOW					
Operating Cash Flow	(349)	(1,316)	(426)	(203)	(377)
Net Interest	2	13	3	10	2
Tax	0	0	0	(3)	(0)
Capex	(260)	(112)	(290)	(837)	(874)
Acquisitions/disposals	0	(11)	0	0	0
Financing	727	1,293	975	737	2,154
Dividends	0	0	0	0	0
Net Cash Flow	119	(133)	262	(295)	905
Opening net debt/(cash)	(101)	(220)	(88)	(350)	(55)
HP finance leases initiated	0	0	0	0	0
Other	0	0	0	0	0
Closing net debt/(cash)	(220)	(88)	(350)	(55)	(959)

Source: Company accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength
		

Sensitivities evaluation	
Litigation/regulatory	◖
Pensions	○
Currency	◖
Stock overhang	○
Interest rates	◖
Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 07-11e	N/A	ROCE 10e	N/A	Gearing 10e	N/A
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	N/A	Interest cover 10e	N/A
EBITDA CAGR 07-11e	N/A	ROE 10e	N/A	CA/CL 10e	N/A
EBITDA CAGR 09-11e	N/A	Gross margin 10e	15.2	Stock turn 10e	N/A
Sales CAGR 07-11e	N/A	Operating margin 10e	N/A	Debtor days 10e	30.0
Sales CAGR 09-11e	N/A	Gr mgn / Op mgn 10e	N/A	Creditor days 10e	25.5

Company details	
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Principal shareholders	%
Regency Mines Plc	29.4
Equity Resources Plc	2.2
Starvest Plc	1.9
Free float	66.5

Forthcoming announcements/catalysts	Date *
Preliminary results	December 2009
Interim results	March 2010
*Note: * = estimated*	

Management team
Chairman: Andrew Bell
Andrew Bell began his career as a natural resources analyst at Morgan Grenfell & Co in the 1970s. His business experience encompasses fund management and advisory work at leading financial institutions, international corporate finance work and private equity. Listed company directorships are Regency Mines plc (chairman), Greatland Gold plc (chairman) and Jupiter Mines Ltd (Australia).
Director: Michael Nott, BSc, MSc, FIMMM, FIQ, FMES
Michael Nott brings 34 years of geological, engineering and management experience to the company, including 10 at Roan Consolidated Mines and other companies in the Zambia. He moved into the management of aggregate quarrying operations and then to senior roles in the aggregate and industrial minerals sectors for companies including ARC Southern Ltd and Hills Aggregates Ltd. He is currently CEO of Magyar Mining plc, and managing director of AIM-listed Alba Mineral Resources plc.
Non-executive director: John Watkins, FCA
John Watkins is a chartered accountant and a former partner of Ernst & Young and Neville Russell. He is a director of Starvest plc and a substantial shareholder of Regency Mines plc, Red Rock's controlling shareholder. He is also chairman of Lisungwe plc, a PLUS-listed mineral exploration company.