

12 July 2010

Red Rock Resources

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/08	1.3	(0.2)	(0.12)	0.00	N/A	N/A
06/09	0.1	(0.8)	(0.24)	0.00	N/A	N/A
06/10e	4.3	2.7	0.32	0.05	6.1	2.5
06/11e	2.9	1.8	0.26	0.05	7.6	2.5

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

Investment summary: Pure Colombian

Since our last note on the company, Red Rock Resources has made a significant investment in a Colombian company, MFP, which owns and operates two Colombian gold mines. Although its investment is initially in the form of a US\$2m loan plus consultancy services, Red Rock has also been granted call options over 51% of MFP's equity. These have the potential to add up to 50% to Red Rock's current sum of the parts valuation.

Colombia a top 20 gold producing nation

Hitherto something of a frontier destination for gold mining and exploration investment, Colombia is nevertheless within the top 20 gold producing nations in the world. Moreover, output is increasing rapidly under the twin influences of economic liberalisation and a hard-line, US-backed initiative against the leftist FARC militia.

The El Limon mine

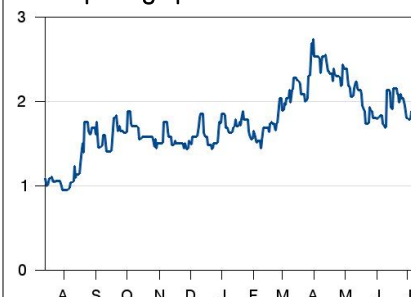
Situated in the prolific Antioquia province, MFP's El Limon mine has been operated for six decades and descends to a depth of 420m below surface. Although rich in terms of grade, the mine is suffering from the effect of past underinvestment. As a result, operations have focused on the high grade portions of the mine. In the first five months of the year, throughput at the mine was 108 tonnes per month to produce 495oz of gold at an average yield of 4.6oz per tonne (141.7g/t). For an investment of c US\$2m, Red Rock's management believes that it is possible to increase this throughput rate to 150tpd and then to 250tpd.

Valuation: Potentially over 20p per share

Prior to Red Rock's deal with MFP, we estimated its net asset value to be 2.62p per share based solely on the value of its listed shareholding plus cash less balance sheet liabilities. This increased to as much as 17.48p per share when unlisted assets were also taken into consideration and in the event of a re-rating of destination company investments to market averages. It would increase still further, to a potential 26.09p per share in the event that throughput at El Limon increases to 250 tonnes a day at 40g/t (see p6) and Red Rock exercises its call options over MFP's equity.

Price 1.98p
Market Cap £12m

Share price graph



Share details

Code RRR
Listing AIM
Sector Mining
Shares in issue 584m

Price

52 week High 2.73p Low 0.95p

Balance Sheet as at 31 December 2009

Debt/Equity (%) N/A
NAV per share (p) 1.7
Net cash (£'000s) 231.0

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 gold, iron ore, manganese and uranium primarily in Africa and Australia.

Valuation

	2009	2010e	2011e
P/E relative	N/A	64%	92%
P/CF	N/A	3.8	6.1
EV/Sales	110.8	2.3	3.2
ROE	N/A	20%	15%

Geography based on revenues (2008)

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

Analyst

Charles Gibson 020 3077 5724
Michael Starke 020 3077 5727
mining@edisoninvestmentresearch.co.uk

Investment summary: Colombian investments bring production closer

Since our last note on the company, Red Rock has made a significant investment in two Colombian gold mines, bringing forward the prospect for near-term gold production materially.

Funding and Co-operation agreement, Colombia

On 10 June, Red Rock announced that it had entered into a Funding and Co-operation Agreement with Mineras Four Points SA (MFP), a company incorporated in the Republic of Colombia, with Juan Camilo Florez Ramirez, a Colombian citizen and the general director of MFP.

The salient features of the agreement are as follows:

- 1) Red Rock will underwrite a loan of US\$2m to MFP, of which US\$1m is to be lent immediately and a further US\$1m is expected to be drawn down within three months. The loan is to enable MFP to invest capital in its two gold mines and will carry interest at a rate of 5% per annum on the average outstanding amount, repayable on 30 June 2013. In consideration for its obligations, Red Rock has been granted charges over the gold production of MFP and over the existing issued share capital of the company.
- 2) Red Rock will provide consulting and technical services to MFP for a minimum of 20 days per month, for which it will be paid fees totalling US\$2.96m for the period from 1 September 2010 to 30 June 2013, payable quarterly in arrears in increments rising from an initial US\$200,000 per quarter to US\$350,000 per quarter.
- 3) Red Rock will have options exercisable for two years to acquire 50% of the issued share capital of MFP for US\$6.5m and also for three years to acquire 1% of the issued share capital of MFP for US\$1.0m.
- 4) Where 15% of MFP's EBITDA exceeds the total payments made by MFP to Red Rock in any accounting period up to 30 June 2013 (loan interest plus fees), Red Rock will be entitled, at its election, to be paid the difference or to reduce by an equivalent amount the exercise price of the US\$6.5m option.

Mineras Four Points (MFP)

MFP has exploration and mining rights over the El Limon gold mine in the province of Antioquia and also the La Aurora gold mine, 30km to the south.

El Limon is an underground gold mine that has been in production for over 60 years. It is currently operating at 420m below surface and produced ore at a rate of 108 tonnes per month in the January to May 2010 period, to yield gold at a rate of 492oz per month (implying an average yield of 141.7g/t, or 4.6oz per tonne).

The La Aurora mine is not yet in production, but has a shaft that has been sunk to a depth of 180m. Pumping is anticipated to begin shortly, after which development of the mine will commence.

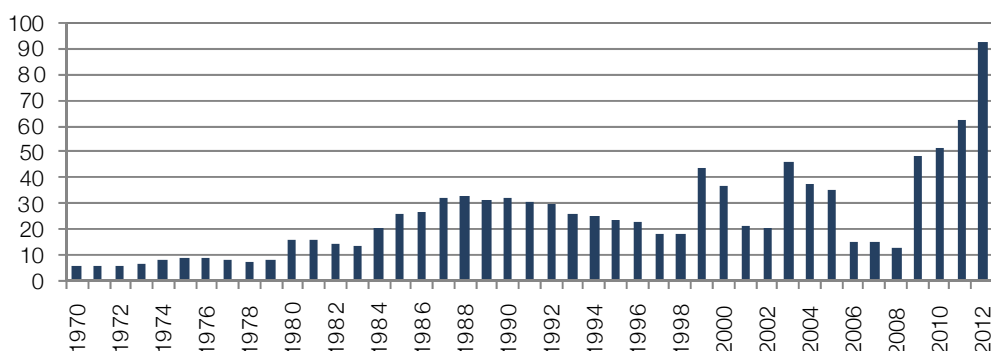
Colombia as a destination for gold mining investment

Discounting the legend of Eldorado, which is said to have been located in Colombia, the country's gold endowment is probably best demonstrated in terms of Rio Nechi (reputedly the world's richest alluvial river for gold) and Greystar's 15Moz Angostura project. At the same time, its continuing prospectivity is demonstrated by AngloGold Ashanti's discovery of the La Colosa deposit after six years of work in the central province of Tolima in 2006. La Colosa is a porphyry-style deposit and represented AngloGold's second major greenfield discovery after Gramalote. With an initial inferred resource of 468.8Mt at a grade of 0.9g/t (at a cut-off grade of 0.3g/t), the deposit is estimated to contain 13Moz of gold, making it, in AngloGold Ashanti's opinion, one of the top ten gold deposits in the world.

More generally, Colombia is relatively under-explored, having been largely eschewed by major mining groups during the period of the country's 44-year civil war, in which leftist rebels, financed by narcotics smuggling, waged a campaign of violent insurrection against various of the country's elected governments. However the fortunes of the rebels have waned in recent years under the pressure of a hard-line, US-backed strategy devised by President Alvaro Uribe, which has resulted in the deaths of a number of the rebels' top leaders and their subsequent retreat deep into Colombia's rural hinterland. In conjunction with the lowering of barriers to investment, this has resulted in something of a mini gold-rush into Colombia in recent years, with as many as 54 overseas companies (of which half are Canadian) now undertaking active exploration programmes in the country. While investment in coal assets still represents the largest single destination for foreign investment, US\$300m in inward investment by gold mining companies in 2009 is anticipated by the government to rise to US\$400m in 2010 and to US\$4.5bn over the course of the next 10 years.

In addition to increased exploration activity, gold production has also increased materially in recent years and is now forecast to reach 3Moz (93.31t) within the next five years.

Exhibit 1: Colombian gold production, historic (1970-2009) and forecast (2010-12), tonnes



Source: Edison Investment Research, Thomson Datastream

Gold output from Colombia has been volatile since the mid-1990s, with periods of low production characterised by increased activity by FARC rebels interspersed with periods of higher production correlating to either periods of relative peace or military success on the part of the government. From Exhibit 1 it can be seen that the 'natural' level of Colombian production historically has been of the order of 40t ($\pm 5t$). Production in the first three months of this year was 12.9t, however (during

which time gold exports exceeded coffee exports for the first time), implying 52t for the full year on a pro-rata basis, and suggesting that output has now broken out of this range. Approximately three-quarters of output was accounted for by the country's two largest gold producing provinces, Choco and Antioquia (in which El Limon and Aurora are located), with Antioquia in particular recording consistent production increases for five years in succession to 2008, when it produced 72% of Colombia's gold.

El Limon

Geological environment

The El Limon mine is located on the El Frontino gold belt (named after the El Frontino mine, which has been operative for the past 150 years and descends to a depth of 2km below surface and was recently bought by Medoro for US\$200m). In general terms, the mineralisation at El Limon is that of a deep-vein, mesothermal system, consisting of a quartz vein, with thicknesses ranging between 10cm and 40cm and always accompanied by a grey-green, fine-grained diorite dyke. The sulphides present in the dyke are banded and, at the dyke, exist in thinly scattered disseminations. The most common sulphides are pyrite and galena. The mineralisation has subsequently been modified by two tectonic events:

- 1) A north-south fault that cuts the mineralisation locally, but has little movement in the vertical direction.
- 2) East-west faults that cut the mineralisation and move it in the form of blocks up to 30m to the south-east. These faults produce an intense fracturing zone and folding of the gneisses, causing the redistribution of the mineralisation into thin quartz veins and veinlets accompanied by zirconoidal quartz.

Significance of geology to the mine's operations

The cross-cutting, east-west fault intersects El Limon's mineralisation at the six level underground. The specific operational significance of the two faults with respect to the El Limon mine is the presumption of MFP's current geologist that the gold resource of the mine is effectively limited to the boundary of the fault. Red Rock's local geologist, by contrast, asserts that the interrelation of the two faults can be used to determine the offset of the strike-slip fault and that trenching can be used to identify the quartz vein on surface and thereby to determine the extent of the east-west dislocation as well. By combining these two analyses, it should then be possible to estimate the location of the underground southward extension of the vein. This in turn would allow the higher levels of the mine to be reopened – potentially at the greater widths encountered in the lower levels. To date, the continuity of the vein has been confirmed in two blocks to the south (blocks six and seven).

Current operations, limitations and initiatives

Current operations at El Limon reflect past tribulations within Colombia's gold mining industry and a lack of historic investment. For example:

The absence of a health & safety representative.

- a) A single shaft being used for both personnel access and ore haulage.
- b) An absence of protective personnel supplies.

- c) The absence of compressed air pipelines.
- d) 'Missing' crushers.
- e) Ad-hoc blasting, as opposed to blasting to a pre-arranged timetable.
- f) Insufficient ventilation at seven level.
- g) An infestation of cockroaches.

As a result of these limitations, the mine has been concluding contracts with individual miners for the production of ore, with the inevitable effect that operations have concentrated on high grade sections of the mine.

Under Red Rock's direction, local management has already replaced the mine's winch and is in the process of replacing its compressors as well.

This month (July), Red Rock's intends to increase throughput at the mine to 150 tonnes per day (tpd), or 54,000tpa, via the installation of an additional ball mill, before looking to expand operations to 250tpd, or 90,000tpa. Management estimates capital expenditure for the expansion to 150tpd to be c US\$2m, with only marginal, incremental expenditure being required to increase this to 250tpd. In the longer term, its ambition is to increase throughput to 400tpd and potentially to as high as 1,000tpd.

Processing

Like many mining operations with a history of past under-investment, the El Limon mine has had to adapt its processing operations to its circumstances. As such, gold recovery is currently achieved by both conventional cyanidation and the more archaic, but nevertheless effective (albeit potentially environmentally deleterious), route of using mercury.

Significantly, management believe that it will not be necessary to roast the sulphide ore prior to processing – ie it is not refractory. In due course the intention is therefore to reconfigure the process route such that gold is recovered via both gravimetric (10%) and flotation followed by cyanidation (90%) techniques.

La Aurora

Operating on the same vein as El Limon, but 30km to the south, is the La Aurora mine. At an earlier stage of its development, La Aurora's shaft has been equipped with headgear, but is not yet in production. An electrical transformer is reported to be on site, but pumping equipment is currently still in the capital, Bogota. Management estimates that La Aurora will take approximately two months to bring into production. In due course, it is anticipated that synergies will become apparent with the neighbouring, but undeveloped, lease area held by Continental Gold.

Scoping economics

Pace the fact that the El Limon operated at an average yield of 141.7g/t in the first quarter of calendar year 2010, local geologists estimate that the run-of-mine grade will reduce to c 30-40g/t once the additional ball mill has been installed and the mine is running at higher throughput rates. At the same time, the break-even yield is estimated to be 2g/t.

Under these circumstances, indicative scoping economics for El Limon are as shown in Exhibit 2.

Exhibit 2: El Limon estimated scoping economics at varying throughput rates

Throughput (tpd)	4	150	250	400	1,000
Throughput (tpa)	1,296	54,000	90,000	144,000	360,000
RoM grade (g/t)	239.18	25	25	25	25
Recovery (%)	59.244	59.244	59.244	59.244	59.244
Gold produced (kg)	183.6	799.8	1333.0	2132.8	5332.0
Gold produced (oz)	5,904	25,714	42,857	68,571	171,428
Gold price (US\$/oz)	1,177	1,177	1,177	1,177	1,177
Revenue (US\$000's)	6,949	30,266	50,443	80,708	201,771
Break-even grade (g/t)	2.00	2.00	2.00	2.00	2.00
Implied break-even cost (US\$/t)	127.8	127.8	127.8	127.8	127.8
Implied cash costs (US\$000's)	166	6,899	11,499	18,398	45,994
Implied cash costs (US\$/oz)	28.0	268.3	268.3	268.3	268.3
Implied gross profit (US\$000's)	6,784	23,366	38,944	62,311	155,776
Government royalty rate (%)	4	4	4	4	4
Government royalty (US\$000's)	278.0	1,210.6	2,017.7	3,228.3	8,070.8
Government royalty (US\$/oz)	47.08	47.08	47.08	47.08	47.08
EBITDA	6,506	22,156	36,926	59,082	147,705
15% of EBITDA	976	3,323	5,539	8,862	22,156
NPV at 10% over 10 years	39,975	136,138	226,896	363,034	907,586
NPV at 30% over 10 years	20,113	68,496	114,159	182,655	456,637

Source: Edison Investment Research

In addition to normal corporation taxes, Colombia also levies withholding taxes on foreign investment as follows:

- Zero-rate on interest income.
- 5% on earnings.
- 33% on dividends.

Valuation and sensitivities

In theory, Red Rock's loan investment in MFP should be looked at in terms of the differential between the weighted average cost of capital of the two companies. Considering all of the different aspects of the investment however – and in particular the fee-based and options-based portions of the investment – it is apparent that, while there is risk associated with it (albeit this is mitigated by the fact that the loan to MFP is secured against the company's share capital), Red Rock has secured for itself a degree of participation in the upside potential of the company that could be of material value.

Exhibit 3 analyses the cash-flows accruing to Red Rock as a result of its loan and fee arrangement with MFP.

Exhibit 3: Quarterly analysis of interest and fee income payable to Red Rock by MFP (US\$000's)

Note: * Edison estimate; ** At a 1.227% quarterly discount rate, equivalent to an annual rate of 5% per annum

Period	Q310	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Total
Year in which accounted	FY11	FY11	FY11	FY12	FY12	FY12	FY12	FY13	FY13	FY13	FY13	FY14	
Capital cash-flow	(2,000)											2,000	0
Interest		25	25	25	25	25	25	25	25	25	25	25	275
Fee income		200	200	200	200	200	200	350	350	350	350	350	2,950
Estimated cost associated with fee income*	0	(128)	(128)	(128)	(128)	(128)	(128)	(224)	(224)	(224)	(224)	(224)	(1,891)
Overall cash-flow (excl capital)	(2,000)	97	97	97	97	97	97	151	151	151	151	2,151	1,334
NPV of cash-flows**													980
Quarterly internal rate of return (%)													5.858

Source: Edison Investment Research

As such, it can be seen that Red Rock's fee- and interest-based income as a result of its agreement with MFP will be between US\$900,000 and US\$1,500,000 per annum. This compares with a forecast value for 15% of MFP's EBITDA from the El Limon mine (see Exhibit 2) of US\$975,900 at a throughput rate of just 4 tonnes per day (ie the average rate recorded during the first quarter). Hence, almost any improvement from the performance of the mine in the first quarter should trigger a reduction in the exercise price of its US\$6.5m option (see point 4 on page 2).

In the meantime, assuming notional volatility of 10% (roughly equating to the volatility of equity price in general) and a risk-free rate of return of 5%, valuations for Red Rock's options to acquire MFP equity are as follows:

Exhibit 4: Black-Scholes valuation of Red Rock US\$6.5m option to acquire MFP equity (US\$000's)

Note: European-style option model used.

Throughput (tpd)	4	150	250	400	1,000
NPV (as per Exhibit 2)	39,975	136,138	226,896	363,034	907,586
Estimated post-tax NPV	27,983	95,297	158,828	254,124	635,310
50% of estimated post-tax NPV	13,991	47,648	79,414	127,062	317,655
Option valuation	8,110	41,767	73,532	121,181	311,774

Source: Edison Investment Research

Exhibit 5: Black-Scholes valuation of Red Rock US\$1.0m option to acquire MFP equity (US\$000's)

Note: European-style option model used.

Throughput (tpd)	4	150	250	400	1,000
NPV (as per Exhibit 2)	39,975	136,138	226,896	363,034	907,586
Estimated post-tax NPV	27,983	95,297	158,828	254,124	635,310
1% of estimated post-tax NPV	280	953	1,588	2,541	6,353
Option valuation	0	80	683	1,636	5,448

Source: Edison Investment Research

Prior to Red Rock's deal with MFP, our valuation of the company under four different scenarios was as follows:

Exhibit 6: Edison prior estimates of Red Rock Resources' company balance sheet

Note: Before MFP transaction.

£000's	Worst-case scenario	Low-end scenario	Median scenario	Top-end scenario
Current assets				
Investments in associates				
- Jupiter Mines	14,074	14,074	14,074	27,709
- Resource Star	436	436	436	436
- Cue Resources	417	417	1,562	2,708
- Kansai		2,566	60,499	28,470
Cash and cash equivalents	788	788	788	788
Trade and other receivables		350	350	350
Investments in subsidiaries		964	964	964
Available for sale financial assets		368	368	368
Exploration properties		453	10,972	40,680
Total current assets	15,714	20,415	90,013	102,472
Total assets	15,714	20,415	90,013	102,472
Liabilities				
Trade and other payables	-399	-399	-399	-399
Total liabilities	-399	-399	-399	-399
Net assets	15,315	20,016	89,614	102,073
Shares in issue (millions)	583.9	583.9	583.9	583.9
NAV per share (pence)	2.62	3.43	15.35	17.48
Share price discount to NAV (%)	(24.5)	(42.2)	(87.1)	(88.7)

Source: Edison Investment Research

The assumptions inherent in each of these scenarios may be summarised as follows:

- The worst-case scenario considers only Red Rock's interests in currently listed assets (ie it excludes Red Rock's interest in Kansai) at market value plus our estimate of the company's cash position less our estimate of trade creditors (taken from the group's last balance sheet). Of note is the fact that whereas this scenario previously excluded Red Rock's interest in Resource Star (which was then suspended), it is now included in the wake of its relisting.
- In addition to listed assets and cash, the low-end scenario considers Red Rock's holdings in companies whose shares have been suspended – ie Kansai Mining Corp. In this case, it values Kansai at 10 Canadian cents (the last price at which the company was able to raise funds, in August 2007, before its suspension on 31 December 2008 for failure to file its accounts). Consistent with this, it then values Red Rock's direct

holding in the Mid Migori Mining Company (under exploration assets) in direct proportion to the market capitalisation of Kansai at a price of 10 Canadian cents. It also takes account of the other items on Red Rock's balance sheet, as at its last reporting date.

- The median scenario values Red Rock's 15% interest in the current Kenyan resource base (under exploration assets) plus its 35.2% interest in Kansai, which has an 85% interest in those same assets at the average values calculated for 'indicated' and 'measured' resources listed in London and Canada in our January 2010 report, as shown in Exhibit 7, below. The Cue Resources stake has been valued at the mid-point between its market value and our estimate of its value based on the size and categorisation of its uranium resource base (see 'top-end scenario', below).

Exhibit 7: Enterprise values per resource oz summary by category and market (US\$)

Note: * Excluding Witwatersrand ounces; ** Excluding JSE; Highest valuations in each category in bold.

	Measured	Indicated	Inferred	Average
London*	403.53	85.94	3.78	120.73
Canadian*	283.68	243.76	62.01	196.90
Australian*	738.55	143.43	91.47	191.75
Simple average	395.46	131.57	48.38	120.26
Weighted average* **	339.90	158.55	33.65	158.56
JSE (maximum)	156.08	53.14	36.27	36.27

Source: Edison Investment Research

- Finally, the top-end scenario assumes that Red Rock exercises its option to take a direct 60% interest in the Kenyan gold assets (against which US\$8m has been deducted as the estimated expense of the bankable feasibility study), as a result of which Kansai's interest in the same assets has reduced to 40%. It also takes into account the effect of the exercise of the Mount Alfred Bonus option and the allocation of the maximum number of shares in Jupiter to Red Rock. Its Cue Resources stake is valued at 15.78% of US\$25.7m (being the value of 9.5m lbs of U₃O₈ indicated and inferred resources at US\$2.70/lb).

Also worthy of note is the fact that, while we have considered the potential revaluations of Cue and Kansai based on their resource bases, we have not performed similar exercises for Resource Star and Jupiter.

Updating Exhibit 6 to take into account the agreement of the deal with MFP, results in a valuation of Red Rock as follows:

Exhibit 8: Edison estimates of Red Rock Resources' company balance sheet

Note: US\$ values converted at a rate of \$1.4955/£.

£000's	Worst-case scenario	Low-end scenario	Median scenario	Top-end scenario
Current assets				
Investments in associates				
- Jupiter Mines	14,074	14,074	14,074	27,709
- Resource Star	436	436	436	436
- Cue Resources	417	417	1,562	2,708
- Kansai		2,566	60,499	28,470
- MFP interest and fees		656	656	656
- MFP US\$6.5m option			27,928	49,169
- MFP US\$1.0m option				457
Cash and cash equivalents	788	788	788	788
Trade and other receivables		350	350	350
Investments in subsidiaries		964	964	964
Available for sale financial assets		368	368	368
Exploration properties		453	10,972	40,680
Total current assets	15,714	21,071	118,597	152,753
Total assets	15,714	21,071	118,597	152,753
Liabilities				
Trade and other payables	-399	-399	-399	-399
Loan re MFP	-1,337			
Total liabilities	-1,736	-399	-399	-399
Net assets	13,978	20,672	118,198	152,354
Shares in issue (millions)	583.9	583.9	583.9	583.9
NAV per share (pence)	2.39	3.54	20.24	26.09
Share price discount to NAV (%)	(17.3)	(44.1)	(90.2)	(92.4)

Source: Edison Investment Research

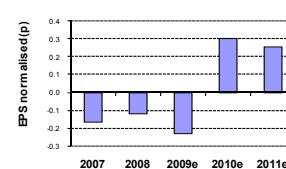
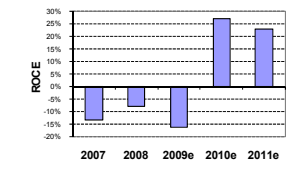
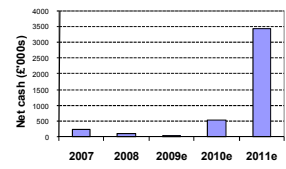
In this case, the four scenarios have been updated as follows:

- In the worst-case scenario, we have assumed that Red Rock's loan investment in MFP is a total loss. We do not regard this scenario as likely, but include it for indicative purposes. In this respect, it is notable that, even under these circumstances, Red Rock's shares are trading at a discount to the value of its listed assets and cash less balance sheet liabilities.
- In the low-end scenario, we assume that MFP repays its loan and fees under the terms specified, but exclude any value for the associated call options that Red Rock holds over MFP's equity.
- In the median scenario, we add the value of Red Rock's US\$6.5m call option on the assumption that management is successful at increasing throughput at El Limon to 150tpd, resulting in MFP achieving the NPV valuation indicated in Exhibit 2.
- In the top-end scenario, we add the value of Red Rock's US\$1.0m call option on the assumption that management is successful at increasing throughput at El Limon to 250tpd, resulting in MFP achieving the NPV valuation indicated in Exhibit 2.

Exhibit 9: Financials

Year end 30 June	£'000s	2007	2008	2009	2010e	2011e
	UK GAAP	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		535	1,347	68	4,265	2,926
Cost of Sales		(185)	(1,026)	(108)	(693)	(360)
Gross Profit		350	321	(39)	3,572	2,565
EBITDA		(310)	(249)	(750)	2,671	1,811
Operating Profit (before GW and except.)		(310)	(249)	(750)	2,671	1,811
Intangible Amortisation		0	0	0	0	0
Exceptionals		85	422	(3)	4	0
Other		0	0	0	0	0
Operating Profit		(225)	173	(753)	2,674	1,811
Net Interest		2	13	(5)	1	16
Profit Before Tax (norm)		(309)	(235)	(755)	2,672	1,828
Profit Before Tax (FRS 3)		(223)	186	(758)	2,676	1,828
Tax		0	0	0	(907)	(5)
Profit After Tax (norm)		(309)	(235)	(755)	1,765	1,823
Profit After Tax (FRS 3)		(223)	186	(758)	1,768	1,823
Average Number of Shares Outstanding (m)		188.2	266.2	389.7	523.2	653.9
EPS - normalised (p)		(0.16)	(0.12)	(0.24)	0.32	0.26
EPS - FRS 3 (p)		(0.12)	0.07	(0.19)	0.34	0.28
Dividend per share (p)		0.00	0.00	0.00	0.05	0.05
Gross Margin (%)		65.5	23.8	N/A	83.7	N/A
EBITDA Margin (%)		N/A	N/A	N/A	62.6	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	62.6	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	5,552	8,633	11,828
Stocks		0	0	0	0	0
Debtors		1,080	394	275	350	240
Cash		220	88	49	545	3,446
Other		1,547	3,883	5,228	7,738	8,141
Current Liabilities		(294)	(413)	(180)	(399)	(207)
Creditors		(294)	(413)	(180)	(399)	(207)
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	5,372	8,234	11,620
CASH FLOW						
Operating Cash Flow		(349)	(1,316)	(559)	2,704	2,090
Net Interest		2	13	(5)	1	16
Tax		0	0	0	(907)	(5)
Capex		(260)	(112)	(184)	(837)	(874)
Acquisitions/disposals		0	(11)	(402)	(1,375)	0
Financing		727	1,293	1,112	1,202	2,035
Dividends		0	0	0	(292)	(362)
Net Cash Flow		119	(133)	(38)	495	2,901
Opening net debt/(cash)		(101)	(220)	(88)	(49)	(545)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(220)	(88)	(49)	(545)	(3,446)

Source: Edison Investment Research, Red Rock Resources accounts

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	Company details		
EPS CAGR 07-11e	N/A	ROCE 10e	27.1%	Gearing 10e	N/A	Address:	
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	11.2%	Interest cover 10e	N/A	115 Eastbourne Mews London W2 6LQ	
EBITDA CAGR 07-11e	N/A	ROE 10e	20.1%	CA/CL 10e	21.6		
EBITDA CAGR 09-11e	N/A	Gross margin 10e	83.7%	Stock turn 10e	0.0	Phone	020 7099 5840
Sales CAGR 07-11e	53%	Operating margin 10e	62.6%	Debtor days 10e	30.0	Fax	020 7099 5841
Sales CAGR 09-11e	N/A	Gr mgn / Op mgn 10e	1.3	Creditor days 10e	34.1	www.rrplc.com	

Principal shareholders	%	Management team
Regency Mines	24.3	Chairman: Andrew Bell
Yorkville Advisors LLC	4.2	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).
Sunvest Corp Ltd	3.1	
Charles Stanley Group PLC	2.0	
Starvest PLC	1.5	
Kansai Mining Corp	1.4	
Peter Ratcliffe	0.8	
City Equities Ltd	0.5	Director: Manoli Yannaghas, BA
Forthcoming announcements/catalysts	Date *	Manoli Yannaghas is a former financial analyst with over a decade's operational and corporate finance experience in small and medium sized companies, including team building and fund raising. He currently sits as non-executive director on a number of small fast growth companies. He is a former director of ASX-Listed Resource Star Ltd.
Final results	Nov/Dec	
AGM	Nov/Dec	
		Director: Michael Nott, BSc, MSc, FIMMM, FIQ, FMES
		Michael Nott brings 34 years of geological, engineering and management experience to the company, including ten at Roan Consolidated Mines in Zambia and, thereafter in 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.
<i>Note: * = estimated</i>		

EDISON INVESTMENT RESEARCH LIMITED

Edison is Europe's leading investment research company. It has won industry recognition, with awards in both the UK and internationally. The team of more than 50 includes over 30 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 250 companies across every sector and works directly with corporates, investment banks, brokers and fund managers. Edison's research is read by major institutional investors in the UK and abroad, as well as by the private client broker and international investor communities. Edison was founded in 2003 and is authorised and regulated by the Financial Services Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584).

DISCLAIMER

Copyright 2010 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Red Rock Resources and prepared and issued by Edison Investment Research Limited for publication in the United Kingdom. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison Investment Research Limited at the time of publication. The research in this document is intended for professional advisers in the United Kingdom for use in their roles as advisers. It is not intended for retail investors. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. A marketing communication under FSA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison Investment Research Limited has a restrictive policy relating to personal dealing. Edison Investment Research Limited is authorised and regulated by the Financial Services Authority for the conduct of investment business. The company does not hold any positions in the securities mentioned in this report. However, its directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison Investment Research Limited or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. This communication is intended for professional clients as defined in the FSA's Conduct of Business rules (COBs 3.5).

Edison Investment Research

Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
Registered in England, number 4794244. Edison Investment Research is authorised and regulated by the Financial Services Authority.