

Goldletter INTERNATIONAL

the international independent information and advice bulletin for gold and related investments

Special Situation – October 2010

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Red Rock Resources (6.70 pence)

| | |
|------------------------|------------------------|
| AIM | : RRR |
| H+L prices (12 months) | : 7.48 – 1.20 pence |
| Net shares issued | : 675.5 million shares |
| Fully diluted | : 690.9 million shares |
| Market Capitalization | : £ 45.3 million |

First price target: 10.00 pence

Company profile

Red Rock Resources (“Red Rock”) is a mineral exploration and development company focused on iron ore and manganese, uranium and rare earths and gold. The Company is operating in **Australia** and East Africa (Kenya).

The principal focus of Red Rock in 2010 is its gold assets in **Kenya** and gold investments in **Columbia**.

Red Rock ‘s currently largest asset is a 22.6% equity asset in Australia-listed **Jupiter Mines** (JMS – ASX), representing a current market valuation of A\$ 22.5 million.

Jupiter is fast tracking the development of its Mount Ida Magnetite Project in Western Australia with a near-surface resource potential of the Deposit currently estimated to be in the order of 1.1 to 1.3 billion tonnes at a grade of 30-40% iron (Fe). The Mount Ida budget is A\$ 3 million.

Jupiter Mines has also acquired a 49.9% interest in the Tshipi Manganese Project in **South Africa** for a consideration of A\$ 255 million (including assumption of A\$ 10.2 million in debt). The Project has a SA-MREC/JORC resource of 163 million tonnes at a grade of 37% manganese. The resource has been the subject of a feasibility study in respect of 62 million tonnes, which envisaged mining 2 million tonnes of ore per annum for a period of 28 years at a development cost of up to A\$ 200 million. The development time from a decision to mine is estimated at approximately 2 years.

As a result of the acquisition, the number of Jupiter’s shares outstanding will increase by 1,232 million to 1,602 million, in which case Red Rock’s interest in the company will decline to 5.2%, representing a current market valuation of £ 22.9 million.

Red Rock’s second largest asset is its interest in the Mid-Migori Mining Company (MMM) in **Kenya**. Currently, this comprises a 15% direct holding in this company, plus an effective 35.2% interest in Canada’s **Kansai Mining Corporation** (KAN – NEX), which holds the remaining 85% of MMM.

MMM owns five assets with JORC-compliant resources, namely KKM, Gori Maria, MK, Nyanza and Macalder tailings.

Historically, the sum total of MMM's resources was estimated to be 1.24 million ounces of gold of which 1.23 million ounces were in the Indicated category and 9,164 ounces were in the Measured category. In August 2010, the estimated resource at Macalder in the Indicated category according to JORC standards was increased from 67,042 ounces to 75,000 ounces of gold.

On October 1, 2010, Red Rock announced that Kansai has reached agreement with IPCM, an international private equity group, to sell Kansai's interests in two of its subsidiary companies for a total cash consideration of Cdn\$ 40 million.

If the transaction is approved and completed Red Rock is expected to receive a total of Cdn\$ 10.9 million (approximately £ 6.7 million) subject to any relevant Canadian withholding taxes in return for a total investment of Cdn\$ 460,000.

Red Rock's interest in its **Columbian** gold assets is via a US\$ 2 million loan extended to Mineras Four Points (MFP), plus options to acquire up to 51% of the company's equity.

The Company is working closely with MFP with a view to implementing an investment program to increase throughput of the latter's El Limon Mine and to bring its La Aurora (Machuca) Mine into production.

Red Rock also holds a 26.9% equity interest in Australia-listed **Resource Star** (RSL – ASX). This company recently confirmed the presence of significant levels of uranium in outcrop at the Tennysons Prospect at its Edith River Uranium Project in **Australia's Northern Territory**.

Red Rock optioned up to an 80% interest in the Machinga Rare Earth Project in southern **Malawi** to **Globe Metals & Mining** (GBE – ASX).

A maiden RC drilling program has been completed with 1,688 metres drilled in 16 holes that tested four different zones of REE mineralization.

Overview of Projects

➤ **Jupiter Mines – Mount Ida Magnetic Project, Central Yilgarn – Western Australia**

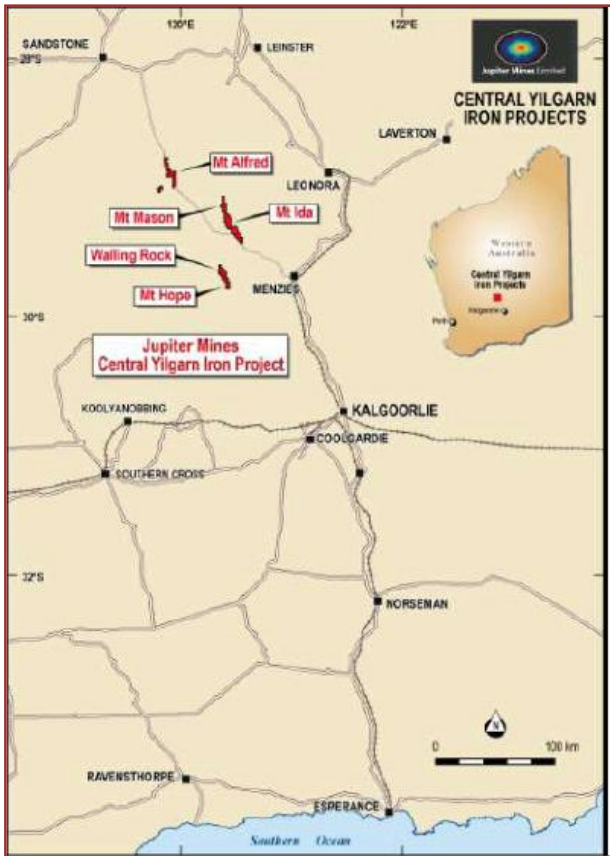
Red Rock has 83,794,165 shares (22.6%) in Jupiter Mines (JMS – ASX), the Company also has a 1.5% gross production royalty over the Project.

Jupiter is fast tracking the development of its Mount Ida Magnetic Project with a near surface resource potential of the deposit currently estimated to be in the order of 1.1 to 1.3 billion tonnes at a grade of 30-40% iron (Fe).

The immediate objective is to generate a maiden JORC compliant Inferred magnetic resource by the end of the year, and to achieve this the Company's Board approved an increase in the Mount Ida budget to A\$ 3 million to add a second drill rig to expedite the program and to sufficiently resource requirements in order to complete the associated programs.

The current drill program at Mount Ida commenced late July and upon completion and generating an initial Inferred resource that would support progression of the Project further drilling and a Feasibility Study would then be conducted in 2011.

Jupiter Mines has also acquired a 49.9% interest in the Tshipi Manganese Project in **South Africa** for a consideration of A\$ 255 million (including assumption of A\$ 10.2 million in debt). The Project has a SAMREC/JORC resource of 163 million tonnes at a grade of 37% manganese.



The resource has been the subject of a feasibility study in respect of 62 million tonnes, which envisaged mining 2 million tonnes of ore per annum for a period of 28 years at a development cost of up to A\$ 200 million. The development time from a decision to mine is estimated at approximately 2 years.

The Tshipi Project is expected to become the next major South African high-grade manganese ore producer.

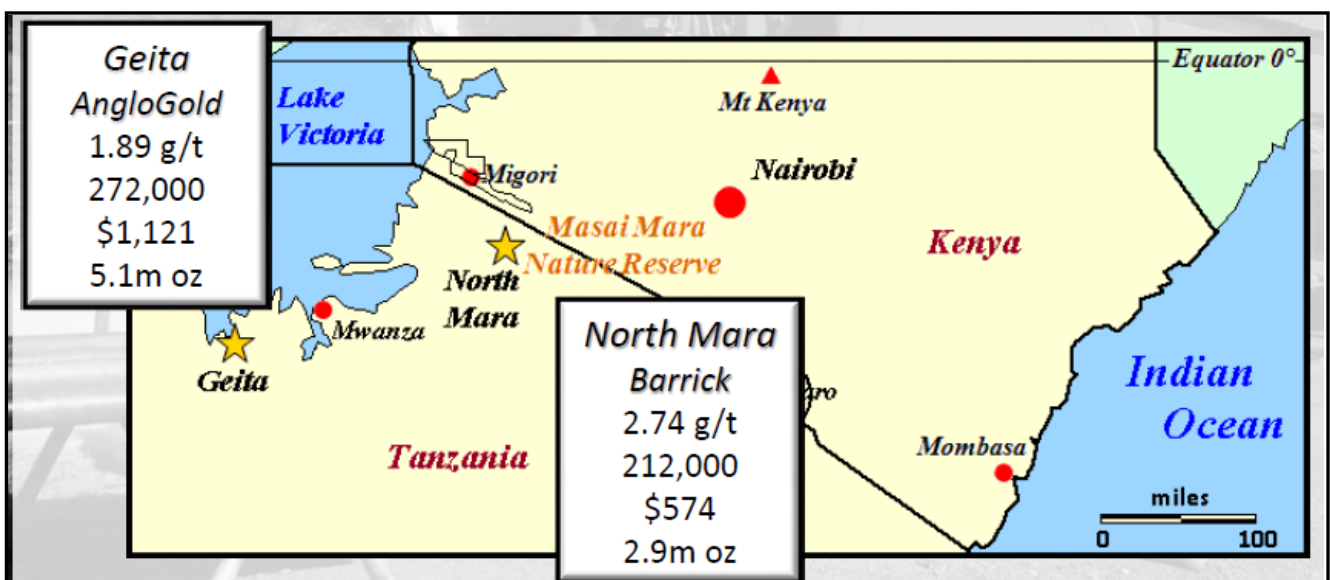
As a result of the Tshipi acquisition, the number of Jupiter's shares outstanding will increase by 1,232 million to 1,602 million, in which case Red Rock's interest in Jupiter will decline to 5.2% representing a current market valuation of £ 22.9 million.

➤ **Mid-Migori Mining Company - Kenya**

Red Rock holds a 15% direct holding in Mid-Migori Mining Company (MMM) in Kenya, plus an effective 35.2% interest in **Kansai Mining Corp.** (KAN – NEX), which holds the remaining 85% of MMMC.

MMM owns 5 assets with JORC compliant resources, namely KKM, Gori Maria, MK Nyanza and Ma-calder tailings.

Historically, the total of MMMC's resources was estimated to be 1.24 million ounces of gold of which 1.234 million ounces were in the indicated category and 9,164 ounces were in the measured category.



In August 2010, the estimated resource at Macalder in the Indicated category according to JORC standards was increase from 67,042 ounces to 75,000 ounces of gold.

On October 1, 2010, Red Rock announced that Kansai had reached agreement with IPCM, an international private equity group, to sell Kansai's interests in two of its subsidiary companies for a total cash consideration of Cdn\$ 40 million.

It is expected that on completion Kansai shareholders will receive a total of Cdn\$ 0.275 per Kansai share with Cdn\$ 0.24 expected to be paid approximately December 20, 2010 and the balance of Cdn\$ 0.035 on final settlement.

Red Rock acquired a holding of 10 million new Kansai shares, as announced on November 30, 2009, for a total consideration of Cdn\$ 100,000 and had an option to acquire a further 20.63 million existing shares on Kansai for a total of 39.63 million shares or 35.2% of Kansai's total issued capital.

The option, which was acquired for Cdn\$ 360,000, is exercisable for a total further consideration of Cdn\$ 10 million.

| Prospect | Category | Tonnes (kt) | Grade (g/t) | Contained Au (oz) | |
|-----------------------|------------------|------------------|---------------|-------------------|------------------|
| 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 | |
| 2006 NI 43:101 | Subtotal: | Indicated | 33,000 | 1.10 | 1,172,000 |
| Macalder Tailings | Indicated | 1,424 | 1.64 | 75,084 | |
| 2010 JORC | Subtotal: | Indicated | 1,424 | 1.64 | 75,084 |
| | Total: | Indicated | 34,424 | 1.13 | 1,247,084 |

Red Rock intends to exercise this option and on the assumption that the Kansai IPCM transaction will be completed, would expect to receive a total of Cdn\$ 10.9 million (approximately £ 6.7 million) subject to any relevant Canadian withholding taxes in return for its total investment of Cdn\$ 460,000.

Red Rock's interest in MMM will not be affected by the Kansai IPCM agreement. These interests were acquired pursuant to an agreement with Kansai in August 2009 under which it agreed to acquire a 15% shareholding in MMM for a total consideration of US\$ 725,000, of which US\$ 350,000 has been paid in cash and the balance has been paid in Red Rock shares.

A further 45% shareholding in MMM is issuable to Red Rock on completion of a total bankable feasibility study on the Migori Gold Project by September 2015.

Macalder Tailings Dam

- The tailings is divided into two main zones based on how the Macalder ore body was processed: **Calcines and Sulphides**
- Gossan tailings form the base of the dam
- In early 2010, 437.5 metres were drilled over 38 holes across the dam
- Shell and Augur drilling were used – 11.5 m per hole on average on 50x50 m grid
- Initial ICP analysis gave the following estimated grades:

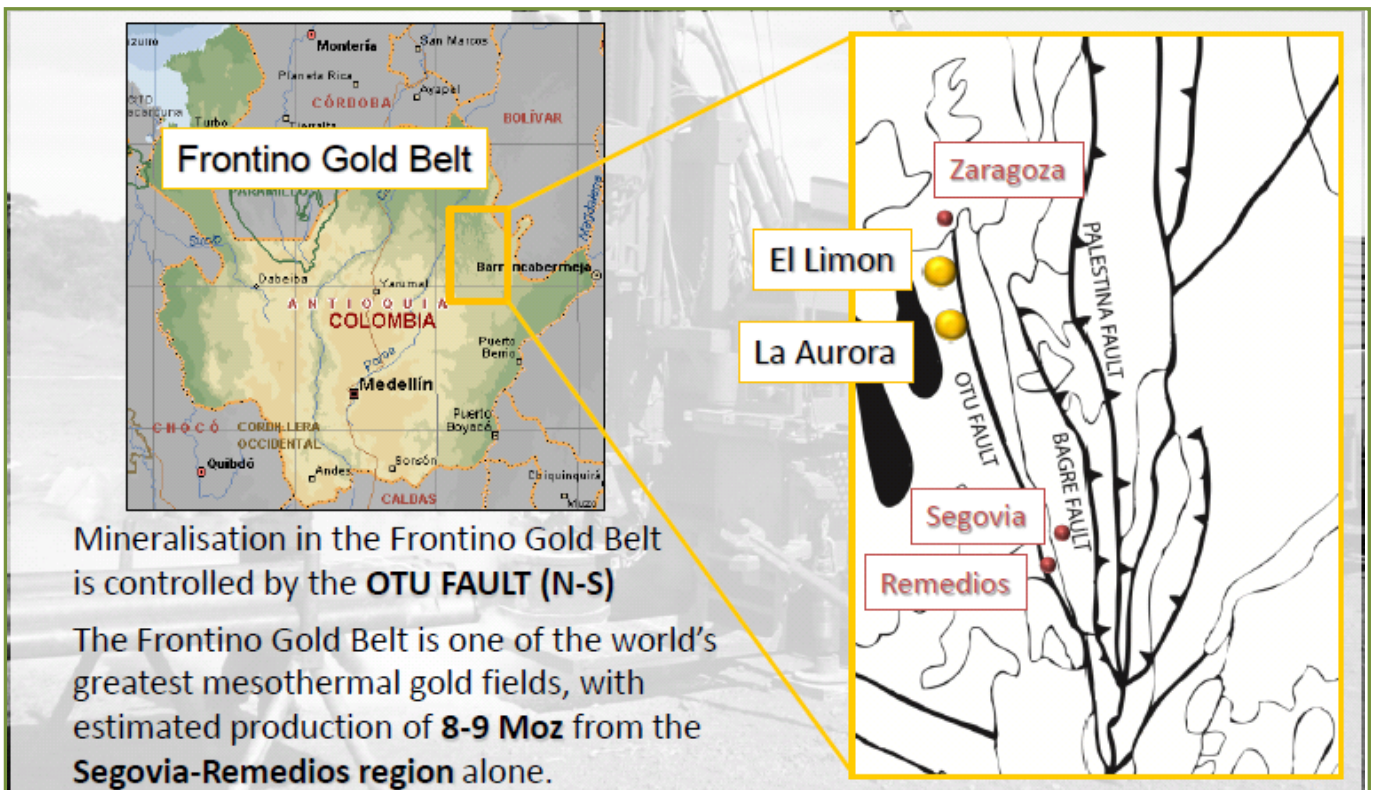
| | Cu (%) | Co (%) | Pb (%) | Zn (%) | Au (ppm) | Ag (ppm) |
|----------|--------|--------|--------|--------|----------|----------|
| Sulphide | 0.33 | 0.07 | 0.17 | 0.76 | 1.56 | >16.8 |
| Calcine | 0.61 | 0.05 | 0.53 | 0.67 | 1.85 | >20.0 |

➤ El Limon and La Aurora Gold mines, Antigua region – Northwest Columbia

Red Rock's interest in its Colombian gold assets is via a 3-year US\$ 2 million loan extended to Mineras Four Points (MFP) plus a 2-year option to acquire 5% of the Company's equity for US\$ 6.5 million and a 3-year option to acquire 1% of MFP for US\$ 1 million.

El Limon is a 60-year old mine producing 108 tonnes of ore and 15.3 kg in the first five months of 2010 from non-mechanised operations. The vein-style gold deposit is producing ore from 7 levels down to 380 metres.

The surface plant with a 150 tonnes per day capacity is non-operational due to lack of equipment.



➤ **Equity interest of 26.9% in Resource Star**

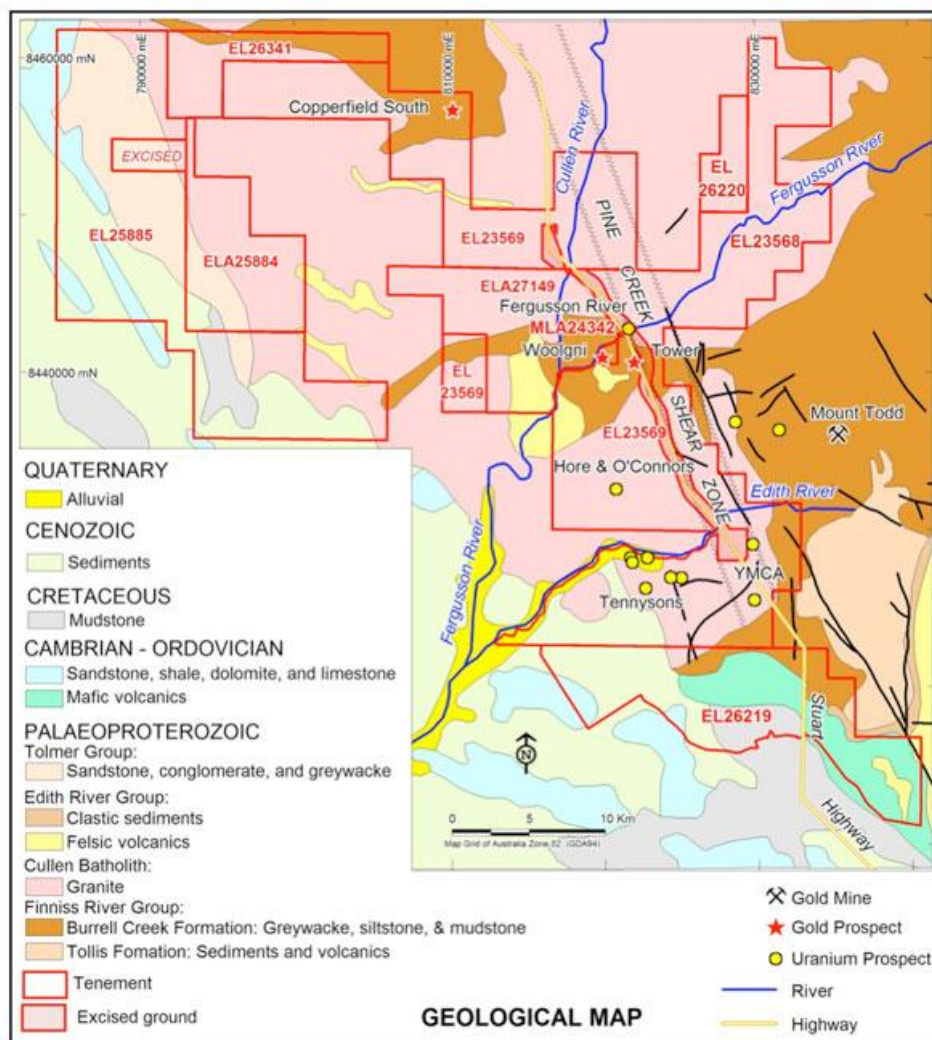
Resource Star (RSL – ASX) has interests in uranium and uranium associated exploration assets in the **Northern Territory, Western Australia, Tasmania** and **Malawi**, south-east Africa.

The Company's main assets are the 100%-owned Edith River Uranium Project and the Hayes Creek South tenement in the Northern Territory, and joint ventures with **Globe Metals & Mining** on the Machinga Niobium-Rare Earths Project and the Livingstonia Uranium Project in **Malawi**.

On July 15, 2010, Resource Star defined a maiden JORC Inferred mineral resource of 4.6 million pounds U3O8 grading 270 ppm (at a cut-off grade of 150 ppm) for the Livingstonia Project.

Recent key results at the Edith River Uranium Project included significant uranium anomalous haematite breccias samples from the Tennysons prospect (with a peak result of 0.44% U3O8 and an average of all mines samples of 0.18% U3O8).

Exploration programs are being developed to test the potential. Drilling during 2010 is planned at Hayes Ck South and Edith River-Tennysons.



Late in 2009, Resource Star signed a joint venture with **Globe Metals & Mining** (GBE – ASX) over the Machinga Niobium-Rare Earths Project, with Globe managing future work and currently earning 20% equity through the exploration expenditure.

In a staged process Globe can earn up to 80% in the project by funding all activity up to and including a feasibility study.

Global completed an 8 trench program. Three zones of 5-7 metres width were intersected with best results 7 metres at 1.3% total rare earth oxides (TREO) in the first trench, including a section of a 33 metre-wide zone of 0.71% TREO, including 11 metres of 1%, 3 metres of 1.44%, in the second trench with a very high ratio of heavy rare earths to total (HREO: TREO) of 38% in the second trench.

Finance

On September 30, 2009, Red Rock announced that it had issued 10 million new ordinary shares at a price of 6 pence per share to raise gross proceeds of £ 600,000.

On October 1, 2010, the Company issued 998,460 new ordinary shares at a price of 6 pence in settlement of an agreed invoice from Kansai Mining.

Red Rock has a current cash position of £ 1.6 million.

Management

Andrew Bell, MA, LLB, FGS, Chairman, began his career as a natural resources analyst at Morgan Grenfell & Co. in the 1970s. His business experience encompasses periods in fund management and advisory work at leading financial institutions, international corporate finance work, and private equity. Mr. Bell's listed company directorships are Regency Mines (Chairman), Greatland Gold (Chairman), Jupiter Mines (Director) and Resource Star (Chairman).

Manoli Yannaghas, BA, Director, is a former financial analyst working with international financial consultancy. Experienced with small companies including operations and corporate finance, for the past ten years he has worked in various operational capacities within small and medium sized businesses. Mr. Yannaghas has experience with team building and management, fund raising as well as other areas of corporate finance. 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.

Michael Nott, BSc, MSc, FIMMM, FIQ, FMES, Non-executive Director, brings 34 years of geological, engineering and management experience to the company, including ten for Roan Consolidated Mines and other companies in the Zambian mining industry. 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 and Hills Aggregates. Mr. Nott is currently CEO of private company Magyar Mining, and Managing Director of AIM-listed Alba Mineral Resources Plc.

John Watkins, FCA, Non-executive Director, is a chartered accountant and a former partner of Ernst & Young and Neville Russell. He is a director of Starvest, a substantial shareholder of Regency Mines Plc, the Company's controlling shareholder. In addition, Mr. Watkins is a director of Regency Mines and Greatland Gold. All of Starvest, Regency Mines and Greatland Gold are listed on AIM. He is Chairman of Equity Resources, a shareholder of Red Rock Resources, a company listed on PLUS Markets.

Robert Weicker, BSc, PGeo, Non-executive Director, has over 25 years in the mineral exploration and mining industry, from greenfield exploration to production. He worked early in his career with Noranda, and then with Lac Minerals, becoming Chief Geologist of the Williams Mine, the largest gold mine in Canada, in 1988. His experience since includes development of zinc and gold mines, serving as director of several junior Canadian companies, and authoring feasibility and valuation reports.

Investment recommendation:

Red Rock's currently largest asset is a 22.6% equity interest in **Jupiter Mines**, representing a current market capitalization of A\$ 22.5 million. Jupiter is fast tracking the development off its Mount Ida Magnetite Project in **Western Australia**, with a near-surface resource potential for the Deposit currently estimated to be in the order of 1.1 to 1.3 billion tonnes at a grade of 30-40% iron (Fe).

Jupiter Mines has also acquired a 49.9% interest in the Tshipi Manganese Project in **South Africa** for a consideration of A\$ 255 million. The Project has a SAMREC/JORC compliant resource of 163 million tonnes at a grade of 36% manganese. This resource has been the subject of a feasibility study in respect of 62 million tonnes, with envisaged mining 2 million tonnes of ore per annum for a period of 28 years at a development cost of up to A\$ 200 million.

As a result of the acquisition, Red Rock's interest in Jupiter will decline to 5.2% representing a current market valuation of 22.9 million.

Red Rock's second largest asset is its interest in the Mid-Migori Mining Company in **Kenya**. Currently, this comprises a 15% direct holding in MMM, plus an affective 35.2% interest in Canada's Kansai Mining, which holds the remaining 85% of MMM.

Total historic resources of MMM are estimated at 1.24 million ounces of gold. According to JORC standards the Indicated resource has been recently increased to 75,000 ounces of gold.

Kansai has reached an agreement to sell its MMM assets for a total cash cum of Cdn\$ 40 million with Red Rock to receive a total of Cdn\$ 11 million (£ 6.8 million).

Red Rock's interest in its **Columbian** gold assets is via a 3-year US\$ 2 million loan.

Resource Star in which Red Rock Resources holds a 26.9% equity interest, currently valued at A\$ 2.3 million, has interests in uranium and uranium associated exploration assets in **Australia** and **Malawi** and joint ventures with **Globe Metals & Mining** in the Machinga Niobium-Rare Earths Project and the Livingstonia Project in Malawi.

In July 2010, Resource Star defined a maiden JORC Inferred mineral resource of 4.6 million pounds U3O8 grading 270 ppm for the Livingstonia Project.

Based on the current market valuation of the Company's equity interests in Jupiter Mines (£ 22.9 million), in Resource Star (£ 2.3 million) and Kansai Mining, including completion of the MMM transaction to be valued on a pro-rata basis at Cdn\$ 14 million (£ 8.7 million), compared with its current market valuation of £ 45.3 million, we view the shares of Red Rock to be significantly undervalued.

Our first price objective is 10.00 pence.