

## Corporate

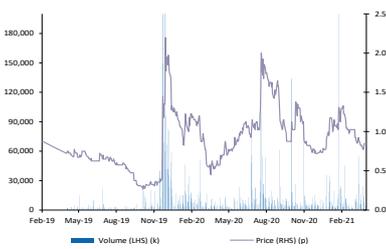
 Current price **0.875p**

 Sector **Mining**

 Code **ROCK.L**

 AIM **AIM**

### Share Performance



|               |        |        |       |
|---------------|--------|--------|-------|
|               | 1m     | 3m     | 12m   |
| <b>ROCK.L</b> | -17.1% | -10.6% | 61.9% |

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **7.3**

 Shares in issue (m) **832.42**

 52 weeks **High** **Low**
**2.39** **0.51**

 Financial year end **31 December**

Source: Company Data, Allenby Capital

### Key Shareholders

 Nicholas Walley **6.30%**

 Michael Somerset-Leeke **5.90%**

 Spreadex Ltd **2.60%**

 David Price **1.66%**

 Edward Fry **1.56%**

Source: Company Data, Allenby Capital

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# Rockfire Resources plc (ROCK.L)

## Encouraging scoping study results

Rockfire Resources has announced some encouraging results for a preliminary scoping study on its Plateau gold project in northern Queensland. The study relates to a small scale shallow open-pit mine and third party tolling. Based on a gold price of US\$1,718/oz and five different scenarios for key technical and operational variables, net cash flows ranged from US\$5.2m to US\$14.9m (A\$6.8m-A\$19.4m). The study is conceptual and reflects a number of assumptions surrounding key parameters such as mining costs, tolling charges and metallurgical recovery rates and gold grades. It provides an early assessment of project viability. Rockfire is planning to refine the exercise in an expanded scoping study later in 2021 when it has the results of its new work programme. This includes a comprehensive drilling programme which will focus on upgrading the scale and definition of the resource base. We believe the new programme will commence in May and provide plenty of scope for positive news flow in the coming months.

- Mine assumptions:** The scoping study assumes that the bulk of the production originates from the JORC indicated resources in Plateau's central and eastern breccias. Significantly, only relatively low-grade ore from the top 70m was incorporated in the study. Average mined grades used in the study ranged from 1.26g/t Au to 1.94 g/t Au. Given higher grades at depth, there is the potential to upgrade project economics.
- Tolling options:** Rockfire's Plateau project is located in an historic gold mining province where two operational mills exist. These are Ravenswood and Pajingo about 47 km to the northeast and 27 km to the southwest of Plateau respectively. The distances involved are undemanding for trucking. According to Rockfire, both mills have spare capacity. Largely due to the assumption of third-party toll treatment capital costs are 'minimal'. Note project economics makes no allowance for silver.
- Work programme:** With the dry season in May in northern Queensland approaching, Rockfire is scheduled to commence its 2021 work programme shortly. This will centre around infill and extensional drilling at Plateau and explorational drilling at nearby targets. Rockfire has suggested it has multiple relatively shallow targets within 250m of the designed pit outline. Previously Rockfire has indicated that a gravity survey will be undertaken at Plateau in April to identify deep drilling targets >500m. The 2021 work programme also includes metallurgical test work.
- Resources:** Rockfire currently has resources on its Plateau and nearby Double Event projects of a meaningful 218,836 oz Au. Plateau alone has resources of 208,278 oz Au (37% indicated) and 1.48 oz Ag. The upcoming drilling campaign could add significantly to critical-mass particularly if the deeper targets below 500m are tested. These are closer to the magma source and are likely to host higher grades than in the shallower zones. The sweet spot for the Mt Wright benchmark, close to Ravenswood was 400m-850m. So far, Rockfire has drilled only five holes at around 400m and all have yielded high-grade results with intersections between 2.46 g/tonne Au and 16.9 g/tonne Au.

Year End: December

| (£'000)         | 2017  | 2018  | 2019  | 2020E | 2021E |
|-----------------|-------|-------|-------|-------|-------|
| EBITDA          | (410) | (532) | (549) | (600) | (630) |
| NET (DEBT)/CASH | 1,257 | 294   | 762   | 1,463 | 30    |

Allenby Capital acts as Nomad &amp; Broker to Rockfire Resources plc (ROCK.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

## Financials

There have been no new developments on the Rockfire financials front since our February 8, 2021 report. We believe that at end 2020 the company had a comfortable cash position of about £1.46m. As of end March we believe cash could be down to about £1.25m. Based on our forecasts of G&A of £0.63m and exploration expenditure of \$0.80m we would look for a marginal cash position of £0.03m at 2021-year end. Depending on the nature and scale of exploration spending, a raise might be required in the second half of 2021.

## Valuation

The fully diluted valuation given in our February 2021 was 2.32p/share. We are adjusting this slightly to 2.07p/share to reflect changes in assumptions for exchange rate and fully diluted shares. The new exchange rate assumption is £1=US\$1.39 against US\$1.30 while fully diluted shares has been raised from 949.63m to 995.85m. The latter reflects a lower share price assumption for a prospective raise later in 2021 from 1.22p to 0.875p. As previously, we have assumed a raise of £1.43m which is in line with our forecast cash outflow in 2021. Note, our valuation is established relative to a US dollar base.

Our valuation continues to reflect sum of the parts methodology risked by chances or probability of success and diluted by a potential share issue later in 2021. The parts in the calculation are the Lighthouse tenement of which Plateau is the key component, the residual gold tenements and the two copper projects Copperhead and Copper Dome. We assume a success case for Lighthouse defined as reaching pre-feasibility status and a resource base of 1.5m oz Au which is in line with the Mt Wright benchmark. A valuation quotient of US\$35/oz is applied to the resource base and risked by our subjective probability of success. The valuation quotient and chance or probability of success of 45% are the same as used previously.

**Exhibit 1: Rockfire Resources valuation**

| Project             | Resources |            | Risk factor | Valuation    |              | Valuation per share £ |               |
|---------------------|-----------|------------|-------------|--------------|--------------|-----------------------|---------------|
|                     | Au m oz   | US\$/oz Au |             | US \$m       | £m           | Undiluted             | Diluted       |
| Lighthouse          | 1.50      | 35         | 0.45        | 23.63        | 17.00        | 0.020                 | 0.0171        |
| Other gold projects |           |            |             | 2.00         | 1.44         | 0.002                 | 0.0014        |
| Copper projects     |           |            |             | 3.00         | 2.16         | 0.003                 | 0.0022        |
| <b>Total</b>        |           |            |             | <b>28.63</b> | <b>20.59</b> | <b>0.025</b>          | <b>0.0207</b> |

Source: Company; Allenby Capital

Note: Exchange rate £1: US\$1.39

Undiluted valuation/share based on 832.42m shares outstanding

Diluted valuation/share based on a prospective 995.85m shares (832.42m + 163.43m) outstanding, 2021 cash outflow of £1.43m and cash raised at 0.875p/share

COS is chances of success.

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