



ACN 100 796 754

**ASX Announcement**

**ASX Code: RVR**

29<sup>th</sup> April, 2014

## **Red River Resources Embarks on New Strategy**

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The management team of Red River Resources Limited (“Red River” or “the Company”) is pleased to announce a new strategic direction for the company. The primary goal of the company is to deliver our shareholders sustainable capital growth as well as cash flow in the form of dividends.

We intend to do this by implementing a two tiered strategy:

**Tier One:** Acquisition and development of Advanced Mineral Projects

**Tier Two:** Implementing a Prospect Generator Model for Exploration Projects

### **Tier One: Advanced Mineral Project Portfolio**

We intend to acquire and develop a portfolio of operational assets which will generate superior financial returns within a 3-5 year timeline.

Project acquisition and development thresholds will be based on financial returns rather than physical parameters.

#### **1. Target Commodities**

Red River has identified a number of target commodities for which we believe the price outlook is positive – underpinned by structural supply/demand imbalances and increasing demand from emerging markets and/or continued advances in the application of new technologies.

Our efforts will be directed towards these commodities, however we will remain open to all opportunities, regardless of commodity, as long as the opportunity meets our financial thresholds.

##### **1.1. Cyclical base metals**

The price outlook for both zinc/lead and tin is positive, with structural supply/demand imbalances resulting in global market deficits in the short to medium term for both metals. Whilst we cannot accurately forecast zinc and tin prices, we do know that a number of globally material zinc/lead and tin mines are scheduled to close due to depletion. Coupled with increasing demand, this will lead to a drawdown in metal stocks, which should place upward pressure on prices. Similarly, the price outlook for nickel has turned positive following Indonesia’s recent ban on exports of nickel ore.

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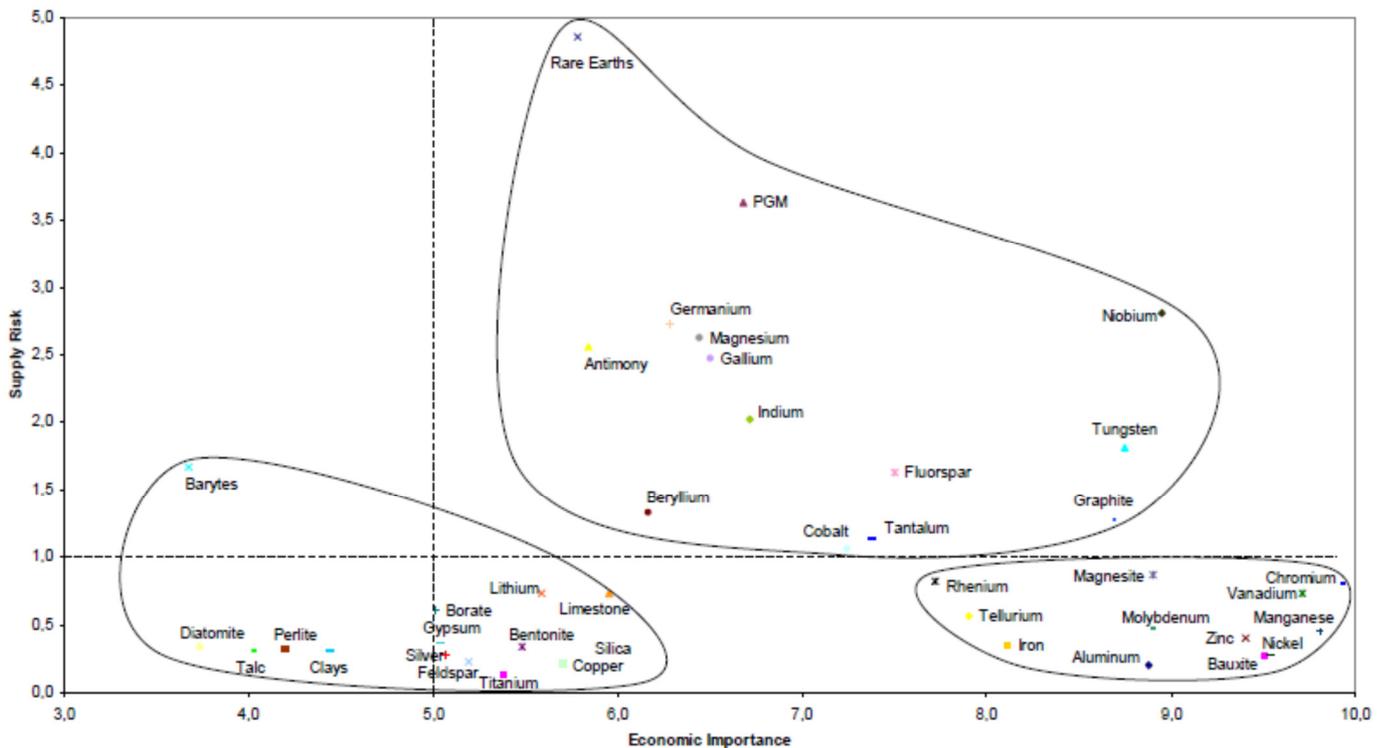
The situation is exacerbated by the cyclical nature of the commodities – as these metals have been out of favour with the capital markets for a number of years, investment in the project pipeline has been constrained, with minimal spending on exploration and development activities. This will slow the inevitable supply side response to any positive price increases.

## 1.2. Critical raw materials

In June 2010, the European Commission (“EC”) published a report which identified fourteen raw materials as critical to European industry (Figure 1) based on their high relative economic importance and high relative supply risk.

The EC considered the fourteen raw materials falling within the top right cluster of the diagram in figure 1 below as ‘critical’. It is interesting to note that this grouping contains both Rare Earths and graphite which have both recently experienced a dramatic increase in interest from the capital markets.

Figure 1 Critical Raw Materials



Source: Critical raw materials for the EU: report of the Ad-Hoc Working Group on defining critical raw materials, European Commission, June 2010

Red River has undertaken a review of the critical raw materials within the EC report and associated literature, and this has highlighted a subset of the group which we believe to be of particular interest, namely antimony, niobium and tungsten.

## **2. Project Parameters**

Project acquisition and development thresholds will be based on financial returns rather than physical parameters. To fulfil our internal financial hurdles, we will naturally gravitate towards high margin (high grade), less capital intensive projects.

Analysis conducted during this strategy review also determined that poly metallic mines with high in-situ ore values, particularly with precious metal credits, were most often present in the highest margin quartiles.

Red River is seeking to acquire advanced projects where, at a minimum, previous drilling has proven the existence of economic mineralisation – mineralisation present at mineable grades over mineable widths.

We will seek to target ‘forgotten’ historical projects/operations – where a project was advanced to a certain stage but then put on hold, or an operation was placed on care & maintenance and or closed due to low prevailing commodity prices – and an opportunity exists to progress these projects to development and/or restart production at today’s higher prices.

### **Tier Two: Prospect Generator Model for Exploration Activities**

The mining sector is based on the exploitation of finite assets, as once mined a resource is not renewed. As such, investment in exploration to renew the resource base is a critical component of the long term success and viability of the mining sector.

Red River believes the best route for our shareholders to gain exposure to exploration upside is to act as a prospect generator.

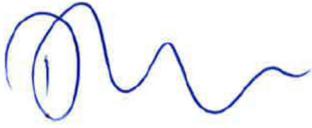
We will utilise our knowledge base to identify and acquire exploration projects in locations considered highly prospective for significant economic discoveries. Upon obtaining exploration licences in such areas, we will initially focus our attention on low cost exploration activities prior to seeking third party funding for the expensive drilling phase.

## **Conclusion**

By following this new strategic direction Red River Resources shareholders will be able to gain exposure to advanced minerals projects which have a greater chance of being developed and generating attractive returns, whilst continuing to have exposure to the upside from higher risk but potentially high return exploration projects.

Most importantly, we will effectively utilise our limited resources by ensuring the majority of shareholder funds are targeted towards development and exploration activities.

On behalf of the Board



**Donald Garner**  
**Managing Director**  
Red River Resources Limited

**End.**

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For further information please visit Red River's website [www.redriverresources.com.au](http://www.redriverresources.com.au) or contact us:

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