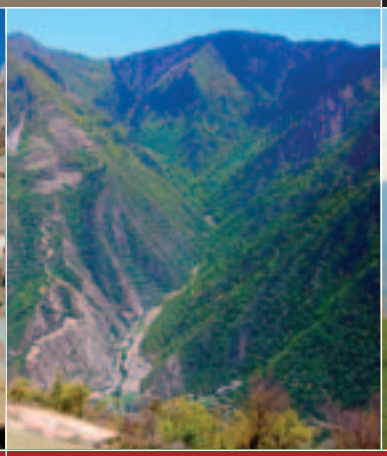
redmountain mining

PROSPECTUS



Red Mountain Mining Limited ABN 40 119 658 106

For the Offer of 40,000,000 Shares at an issue price of 20 cents each to raise $8,000,000.

This Prospectus provides important information to assist investors in deciding whether or not to invest in the Company and should be read in its entirety, together with the Application Form attached to this Prospectus. If, after reading this Prospectus, you have any questions about the Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the Shares offered under this Prospectus should be considered highly speculative.

Proposed ASX Code: RMX

Lead Manager

CYGNETCAPITAL

CORPORATE DIRECTORY

DIRECTORS
Mr Michael Wolley
(Non-Executive Chairman)

Mr Keith Rowe
(Executive Director)

Mr Neil Warburton
(Non-Executive Director)

Mr Bo Zhou
(Non-Executive Director)

COMPANY SECRETARY
Mr Desmond Kelly

REGISTERED AND BUSINESS OFFICE
Unit 2, 2 Richardson St
West Perth, Western Australia, 6005
Tel: +61 8 9226 5668
Fax: +61 8 9322 1474

WEBSITE
www.redmm.com.au

SOLICITORS TO THE OFFER
Fairweather Corporate Lawyers
Ground Floor, 1 Havelock Street
West Perth, Western Australia, 6005

INDEPENDENT SOLICITOR REPORTING ON LICENCES
Concord & Partners
Suite 13-121,13th Floor, HSBC
Bank Tower,1000#
Lujiazui Ring Road, Pudong
Shanghai, China, 200120

INDEPENDENT GEOLOGIST
Ravensgate
44 Parliament Place
West Perth, Western Australia, 6005

INVESTIGATING ACCOUNTANT
Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
Spectrum Offices
100 Railway Road
Subiaco, Western Australia, 6008

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 2, 45 St George's Terrace
Perth, Western Australia, 6000
Tel: +61 8 1300 787 272

LEAD MANAGER TO THE OFFER
Cygnet Capital Pty Ltd
Ground Floor, 30 Richardson Street
West Perth, Western Australia, 6005

***Front cover photos**:*
Zhongqu mine
Diebu exploration licence area
Road to Zhongqu project Gansu province

***Back cover photos**:*
Zhongqu mine
Diebu project area

CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of Red Mountain Mining Ltd, (the "Company") I am pleased to present this Prospectus and invite you to become a Shareholder in the Company.

The Company has acquired the rights to explore and, upon exercise of options, to acquire interests in two advanced gold projects located in the mineralised Qinling belt in the southern part of Gansu province in China.

The first project at Zhongqu is an active operating mine comprised of one granted mining lease with existing Chinese classified non-JORC compliant gold mineralisation estimated at 1,720,000 tonnes at 6.01 grams per tonne for 333,000 ounces of gold. A further gold Exploration Target is estimated at Zhongqu ranging from 400,000 to 550,000 tonnes at 7.0 to 9.5 grams per tonne of gold*. The project includes an operational underground mine and treatment facility operated by Lingbao Xuanrui Mineral Resources Company Limited (Xuanrui). The gold treatment plant is currently operating below capacity due to suboptimal and labour intensive mine production and is amenable to an increase in production through the introduction of best practice mining methods.

The second project is located at Diebu, approximately 110km east of Zhongqu, and is an advanced exploration project with a gold Exploration Target estimated ranging from 400,000 to 550,000 tonnes at 3.5 to 4.5 grams per tonne of gold*.

The Company's priority is to undertake exploration using Australian exploration industry best-practices focussed on determining a JORC Code Mineral Resource from the existing gold mineralisation and Exploration Target at the Zhongqu Project and from the Exploration Target at the Diebu Project. Appropriate exploration budgets have been allocated for these purposes over the next two years

Subject to favourable resource evaluations, the Company intends to seek additional funding to exercise the options for project acquisition and to assess and implement mine upgrade plans at Zhongqu for the introduction of modern mechanised methodologies.

The Board and management of Red Mountain Mining Ltd has demonstrable technical, operational and corporate experience in exploration, project acquisition, development and production and has considerable experience in China. I believe the Directors have the expertise to drive resource exploration programmes coupled with the capacity to evaluate and plan the mid-term development of modern mechanised underground mining and extraction methodologies at the Zhongqu Project.

However all investors should be aware of the speculative nature of mineral exploration and mining. The key specific risks associated with the Company are set out in section 5. Please carefully consider this Prospectus and seek professional advice, if necessary, to make an informed decision.

On behalf of the Directors I commend this Offer to you and we look forward to welcoming you as a Shareholder in Red Mountain Mining Ltd.

Yours faithfully

Michael Wolley
Chairman

* *The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

KEY POINTS

HIGHLIGHTS

Project Portfolio

- Binding framework agreement to acquire a 51% interest in the Zhongqu Project featuring an operating gold mine and processing facility with recent production.

- Binding framework agreement to acquire a 90% interest in the Diebu Project, an advanced gold exploration project.

Zhongqu Project

- Operating underground gold mine and carbon in leach (CIL) treatment facility with 400,000 tonnes per annum capacity.

- Existing infrastructure includes mains power, sealed roads, plant and associated buildings, site services and accommodation.

- Chinese classified non-JORC compliant gold mineralisation estimated by the Independent Geologist at 1,720,000 tonnes at 6.01 grams per tonne for 333,000 ounces of gold.

- Exploration Target estimated by the Independent Geologist at a range between 400,000 to 550,000 tonnes at 7.0 to 9.5 grams per tonne of gold.*

Diebu Project

- Advanced exploration project where specific targets have been identified.

- Exploration Target estimated by the Independent Geologist at a range between 400,000 to 550,000 tonnes at 3.5 to 4.5 grams per tonne of gold.*

Modern Exploration Techniques

- Modern and systematic exploration approach to be implemented on the Projects to focus on determining a JORC Code Mineral Resource from existing gold mineralisation (Zhongqu Project) and the Exploration Targets (Zhongqu and Diebu Projects).

- Projects are prospective, under explored and most mineralised lodes are open at depth. Located in endowed gold precinct of Qinling belt

- Underground exploration underway at Zhongqu to Australian industry best practice under the Company's control.

Production Strategy

- Mining rates are currently limited to 90,000 tonnes per annum at the Zhongqu Project by labour intensive inefficient manual mining methods. The strategy of the Company is to develop the Zhongqu Project and implement modern mechanised mining to increase mining capacity.

Board Experience

- The Company has a skilled and experienced Board and management team in exploration, project evaluation, development, mining and public company corporate skills.

* *The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

RISKS

Exploration and Development Risk

- Some of the risks associated with an investment in the Company of both a specific and general nature are outlined in section 5. A significant risk as a resource exploration and development company is that there can be no assurance that the Company's activities will result in the delineation or discovery of a significant mineral resource. This includes the risk that the existing gold mineralisation at the Zhongqu Project will not be reclassified to JORC Code standards.

Significant Further Funding Required

- Significant further funding is required if options are exercised by the Company to obtain 51% equity in respect of the Zhongqu Project (US$45,000,000) and to obtain 90% equity in respect of the Diebu Project (US$4,200,000) beyond the funds raised by this Offer. Option exercise payments are denominated in US$ and any adverse exchange rate movement with A$ will effectively increase the cost of the options. The timing of these payments is referred to in 3.3

Contractual/Joint Venture Risk

- The interests of the Company in the Projects are governed by binding framework agreements with Chinese parties. The Company is therefore dependent upon working effectively with its contractual partners.

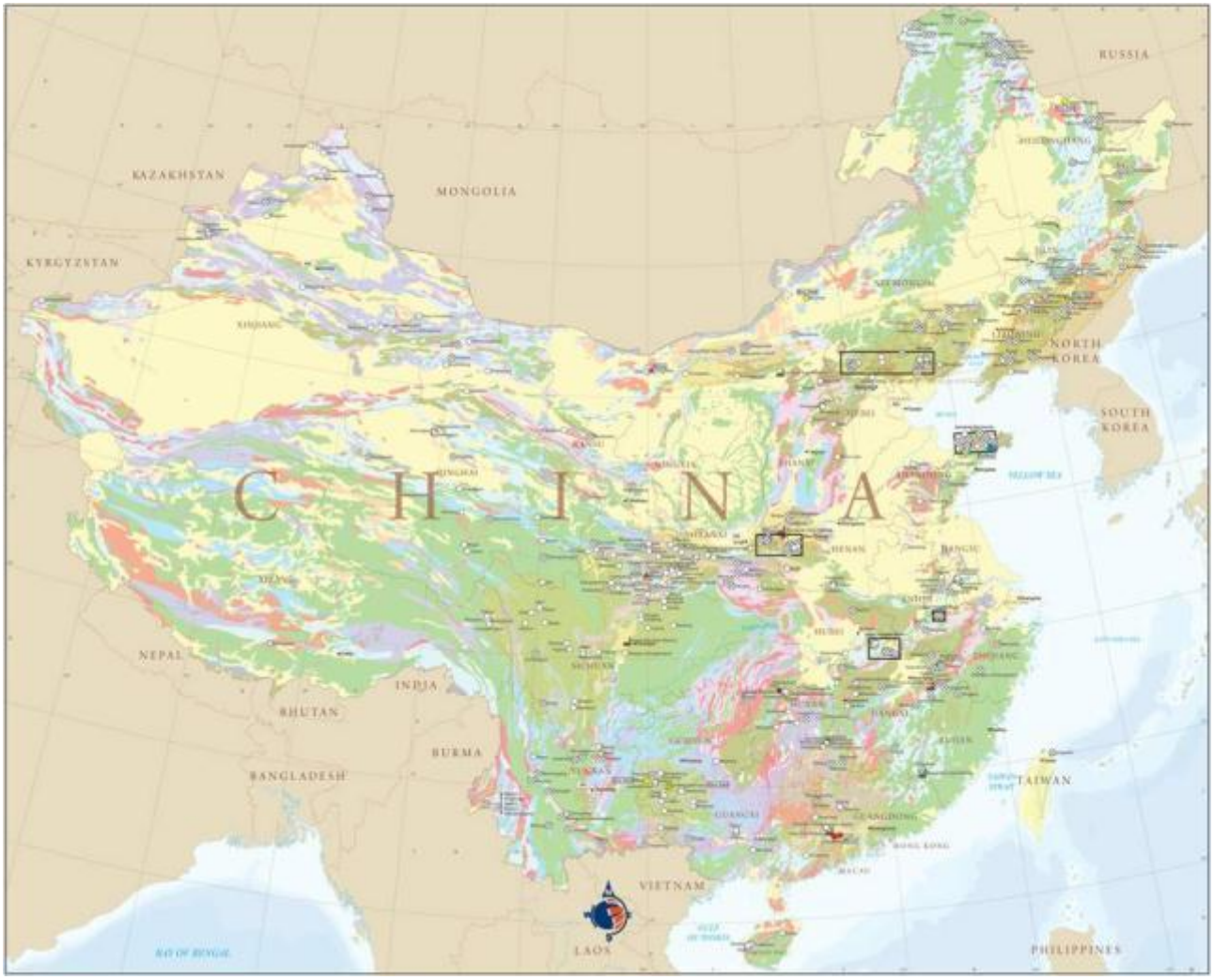
China Risks

- The interests of the Company are in Projects located in China. Some of the risks associated with China are outlined in section 5.3 and recognise that China's economy differs from the economies of many developed countries. There are future approvals required from Chinese authorities to enable the completion of interests in Chinese co-operative joint ventures and there is a risk these approvals may not be obtained.

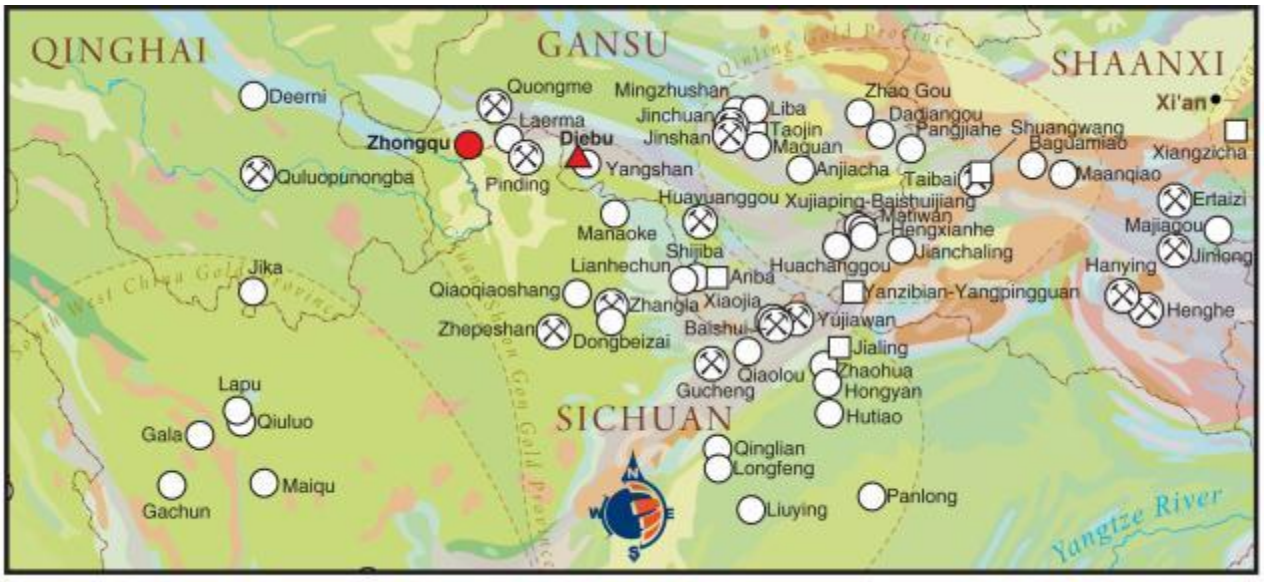
Gold Price

- The Company is seeking to develop gold projects. Adverse fluctuations in the gold price may detrimentally affect the development of the Company.

This information is a selective overview only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. Investors should read this Prospectus in its entirety and not rely solely on this overview.



Location map showing Zhongqu and Diebu projects in endowed Qinling belt of western China, covering Sichuan, Gansu and Shaanxi provinces.



Location map shows adjacent gold mines and deposits.

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IMPORTANT NOTICE

This Prospectus is dated 4 July 2011 and was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application will be made to ASX within 7 days after the date of this Prospectus for the quotation of the Shares which are the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it should not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. An investment in the securities which are the subject of this Prospectus should be considered highly speculative.

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

WEBSITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus is available and can be downloaded from the website of the Company at www.redmm.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, any Application Forms received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Application Forms received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Application Forms received in the exposure period and all Application Forms received during the exposure period will be treated as if they were simultaneously received on the Opening Date.

DEFINITIONS AND GLOSSARY

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

MINERALISATION ESTIMATES AND ASX IN PRINCIPLE ADVICE

The Independent Geologist's Report by Ravensgate set out in this Prospectus has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (VALMIN Code) which is binding upon members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG) and the rules and guidelines relating to Independent Expert Reports set out by ASIC and ASX.

ASX has indicated it will be likely to grant the Company a waiver from Listing Rule 5.6 to the extent necessary to permit the Company to include in this Prospectus foreign estimates of "mineralisation" for the Zhongqu Project in which the Company has the right to acquire an interest and which are not compliant with the JORC Code.

Previous estimates of the gold mineralisation associated with the Zhongqu Project were generated under the relevant Chinese standard for the reporting of identified mineral resources and ore reserves. Due to the fundamental differences between the Chinese mineralisation classification method and the Australian mineral resource classification the Independent Geologist does not consider that these estimates are compliant with the JORC Code guidelines. On this basis, Applicants should be aware that the estimates therefore cannot be reported as "resources" or "reserves" under the JORC Code guidelines. Whilst the Independent Geologist considers that the previous estimates of mineralisation generated for the Zhongqu Project provide a reasonable reflection of the quantum and grade of mineralisation and are material to an understanding of the Company, there is no guarantee their reclassification to JORC Code compliance will occur in the short term or at all. Please refer to the Independent Geologist's Report outlined in section 6 of this Prospectus for further information.

1 INVESTMENT OVERVIEW

1.1 Important Notice

This section is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety.

1.2 Key Dates

Prospectus lodged with ASIC	4 July 2011
Opening Date	12 July 2011
Closing Date	5 August 2011
Expected allotment of Shares under this Prospectus	8 August 2011
Expected date for quotation of Shares on ASX	12 August 2011

The above dates are indicative only and may change without notice. The Company reserves the right to extend the closing dates and the Offer or close the Offer early without notice. Applicants are encouraged to apply as soon as possible after the Offer opens.

1.3 Objectives

The objectives of the Offer are to:

(a) fund a 2 year programme to explore and develop the current Projects of the Company;

(b) fund the planned US$2,000,000 deposit payment for the Diebu Project;

(c) fund corporate administration costs;

(d) pay the costs of the Prospectus process;

(e) provide general working capital; and

(f) allow access to equity markets in order to assist funding option payments in respect of the Zhongqu Project and the Diebu Project and pursuing any other complementary resource opportunities.

1.4 Use of Proceeds and Funds

The Company intends to use its current funds of approximately $450,000 cash on hand at 30 June 2011, and the funds raised from the Offer broadly as follows:

Funds available	
Cash on hand	$450,000
Funds from this Offer	$8,000,000
Total funds available	**$8,450,000**

Application of proceeds	
Two year exploration and development budget for Zhongqu Project[1]	$1,874,000
Diebu Framework Agreement deposit payment [2]	$1,869,160
Two year exploration budget for Diebu Project[3]	$1,330,000
Two year corporate administration costs	$1,317,000
Costs of the Offer[4]	$678,600
General working capital[5]	$1,381,240
Total	**$8,450,000**

Notes:

1. The two year budget for the Zhongqu Project is itemised in the Independent Geologist's Report at section 6. The Company has until 30 April 2012 to exercise the option under the Zhongqu Framework Agreement which will commit the Company to pay US$45,000,000 upon completion of necessary approvals for a 51% interest in a Chinese co-operative joint venture concerning the Zhongqu licence. The Zhongqu Framework Agreement is summarised in section 8. The timing of the payment is referred to in section 3.3.

2. US$2,000,000 is to be paid under the terms of the Diebu Framework Agreement by 15 August 2011 and this payment commences an option in favour of the Company to acquire a 90% interest in the Diebu Project. The Diebu Framework Agreement is summarised in Section 8. For the purposes of the table above it is assumed that A$1.00 equals US$1.07 based on an A$:US$ exchange rate of 1.07 at 30 June 2011.

3. The two year budget for the Diebu Project is itemised in the Independent Geologist's Report at section 6. The Company has until 12 months after the deposit payment referred to in note 2 above (say by August 2012) to exercise the option under the Diebu Framework Agreement. The exercise of the option will commit the Company to pay US$4,200,000 upon completion of necessary approvals for a 90% interest in a Chinese cooperative joint venture concerning the Diebu licences. The timing of the payment is referred to in section 3.3.

4. The nature of the costs of the Offer are set out in section 10.10. The total costs of the Offer are approximately $808,600 of which $130,000 has already been paid. The costs of the Offer include fundraising fees of 6% on monies raised under the Offer being $480,000.

5. It is anticipated that funds available as general working capital may be applied towards further exploration or development programmes upon the Zhongqu Project or Diebu Project in the event such exploration is appropriate or towards expenses incurred in identifying and reviewing any complementary resource projects that the Board considers has potential to add value for Shareholders including evaluating acquiring majority interests in other gold projects in the Qinling precinct in China. Such expenses may include the cost of purchasing exploration data, commissioning expert reports and studies, acquiring exploration rights and due diligence costs of reviewing potentially suitable projects including associated travel, legal and other professional expenses.

The above table is a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to vary the way funds are applied on this basis.

1.5 Working Capital

On successful completion of the Offer, the Company will have enough working capital to carry out the objectives stated in this Prospectus.

1.6 Capital Structure

At ASX listing, the capital structure of the Company will be:

Shares

	Shares No.	**Shares %**
Existing Shareholders	39,060,026	49.4
Shares under this Prospectus	40,000,000	50.6
Total Shares	**79,060,026**	**100%**

Options	**Number**
September 2013 Options[1]	1,718,433
June 2014 Options[2]	27,728,125
Directors and Management Incentive Options[3]	1,818,220
Total Options	**31,264,778**

Notes:

1. The September 2013 Options have an exercise price of 20 cents and an expiry date of 12 September 2013.

2. The June 2014 Options have an exercise price of 20 cents and an expiry date of 30 June 2014. The June 2014 Options in the table above include 10,000,000 Options to be issued to the Lead Manager following the completion of the Offer.

3. Directors and Management Incentive Options have been issued to Neil Warburton (848,500), Keith Rowe (484,860) and Bo Zhou (484,860) in 2 equal tranches. The first tranche has an exercise price of 25 cents and an expiry date of 31 July 2014. The second tranche has an exercise price of 35 cents and an expiry date of 31 July 2016. Following completion of this Prospectus and ASX listing it is proposed to issue 8,181,780 Directors and Management Incentive Options in the same 2 tranches (to make 10,000,000 in total) to Michael Wolley (2,000,000), Neil Warburton (1,545,445), Keith Rowe (2,318,168), Bo Zhou (1,159,084) and Des Kelly (1,159,084) subject to obtaining Shareholder approval under the Listing Rules and the related party provisions of the Corporations Act.

The full terms of all of the series of Options are set out in section 10.4.

2 DETAILS OF THE OFFER

2.1 Shares offered for subscription

By this Prospectus the Company offers for subscription 40,000,000 Shares at 20 cents each to raise $8,000,000.

All Shares offered under this Prospectus will rank equally with existing Shares.

The details of how to apply for Shares are set out below.

2.2 Application for Shares

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the Shares offered by this Prospectus before deciding to apply for Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus.

An Application for Shares can only be made on the Application Form contained at the back of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the Application Form.

Applications must be for a minimum of 10,000 Shares (being minimum application monies of $2,000), and thereafter in multiples of 1,000 Shares ($200).

The Application Form must be accompanied by a cheque in Australian dollars, for the full amount of your application monies. Cheques must be made payable to "**Red Mountain Mining Ltd – Share Offer Account**" and should be crossed "Not Negotiable".

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

Completed Application Forms and accompanying cheques must be received by no later than 5.00 pm (WST) on the Closing Date by the Share Registry:

By Post to:	**By Delivery to:**
Red Mountain Mining Ltd c/- Computershare Investor Services Pty Limited GPO Box D182 PERTH WA 6840	Red Mountain Mining Ltd c/- Computershare Investor Services Pty Limited Level 2, 45 St George's Terrace PERTH WA 6000

The Company reserves the right to extend the Offer or close the Offer early without notice. Applicants are therefore urged to lodge their Application Form as soon as possible.

An original, completed and lodged Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application monies.

No brokerage or stamp duty is payable by Applicants in respect of Applications for Shares under this Prospectus.

2.3 Allocation and Allotment of Shares

The Company reserves the right to reject any Application or to allocate to any Applicant fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations. The Company intends to consult with the Lead Manager in prioritising the allocation of Shares.

In the event an Application is not accepted or accepted in part only, the relevant portion of the application monies will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of the Shares to Applicants. If the Offer or any part of it is cancelled, all application monies, or the relevant application monies will be refunded.

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it, or accept late Applications Forms either generally or in particular cases.

The allotment of Shares to Applicants will occur as soon as practicable after Application Forms and application monies have been received for the minimum subscription of Shares being offered, following which statements of shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their statement of shareholding will do so at their own risk.

2.4 Application Money held in Trust

All application monies will be deposited into a separate bank account of the Company and held in trust for Applicants until the Shares are issued or application monies returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

2.5 Minimum Subscription

The minimum subscription under the Offer is $8,000,000. The Company will not issue any Shares pursuant to this Prospectus until the minimum subscription is satisfied.

Should the minimum subscription not be reached within 4 months from the date of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application monies. No interest will be paid on these monies.

2.6 Lead Manager to the Offer

The Offer is not underwritten. Cygnet Capital Pty Ltd is the Lead Manager to the Offer. The Lead Manager will be paid a 1% management fee and a 5% capital raising fee plus GST for amounts raised by the Lead Manager. A summary of the material terms of the Lead Manager mandate agreement is set out in section 9.1.

2.7 ASX Listing

The Company will apply to ASX within 7 days after the date of this Prospectus for quotation of the Shares offered by this Prospectus on ASX. If ASX does not grant permission for the quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act including the return of all Application Monies without interest.

A decision by ASX to grant official quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the Shares. ASX and its officers take no responsibility as to the contents of this Prospectus. Quotation, if granted, of the Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the Shares are dispatched.

2.8 Applicants outside Australia

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and the Prospectus does not constitute an offer in any country or place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to subscribe for Shares.

Intending investors resident outside Australia should first consult their professional advisers as to whether or not governmental or other consents are required, or whether formalities need to be observed to enable them to invest. Intending non-resident investors should also seek advice in respect of the taxation effect of an investment in the Company.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

2.9 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement Pty Ltd (ASPL), a wholly owned subsidiary of ASX.

Under CHESS, the Company will not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASPL will send a CHESS statement.

2.10 Restricted securities

The ASX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on the ASX. Shares issued for consideration to unrelated parties prior to ASX listing should be free from ASX escrow.

None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.

The Company has no voluntary escrow arrangements in place.

2.11 Privacy Act

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cth). The Company (and its share registry on behalf of the Company) may collect, hold and use that person information in order to assess your Application, service your needs as a Shareholder and provide facilities and services that you request and to administer the Company.

Access to information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

If you do not provide the information requested of you in the Application Form, the Company's share registry may not be able to process your Application and allot any Shares or administer your holding of Shares appropriately. Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by telephoning or writing to the Company to the attention of the Privacy Officer.

2.12 No Prospective Financial Forecasts

The Directors have considered the matters outlined in ASIC Regulatory Guide 170. Given that the Company is a resource exploration and development company and the highly speculative nature of exploration and development and any subsequent production, the Company considers that it is unable to provide potential investors with any reliable revenue, profit or cash flow projections or forecasts.

3 COMPANY AND PROJECT OVERVIEW

3.1 The Company

Red Mountain Mining Ltd was incorporated in Australia on 5 May 2006. The Company's wholly owned subsidiary, Red Mountain Mining (Hong Kong) Holdings Ltd, was incorporated in Hong Kong on 1 June 2006. A Chinese business licence for its wholly owned foreign entity located in China, Red Mountain Mining Consulting (Shenyang) Co. Ltd was issued on 19 October 2007.

The Company has been operating in China for over 5 years seeking to acquire under-explored gold projects or operating mines that can be enhanced and exploited using modern exploration techniques and mechanised underground and surface mining methods.
The Board and management team has been formed with international mining industry and China experience. A network of industry contacts and consultants in China has been established by the Company to source projects and assist with risk management and project generation.

From 2005 to 2010 the team assessed numerous projects throughout China before agreeing and signing in May 2010 to the acquisition terms for the Zhongqu Gold Project and the Diebu Gold Project located in Gansu Province.

Map showing project locations in Gansu province, China

3.2 Corporate Objectives

The Company is seeking to establish itself as an operating gold producer in China through strategic joint ventures with Chinese partners. The Company is focused on acquiring advanced gold projects and underperforming mining operations in China which can be upgraded using modern Australian mining methods or converted into producing assets through advanced exploration techniques and modern mine designs.

Consistent with the Company's focus it has two binding Framework Agreements in place with Lingbao Xuanrui Mineral Resources Company Limited (Xuanrui). The first agreement is to acquire 51% of the operating gold mine and infrastructure at Zhongqu, which is 100% owned by Xuanrui and two individuals. The infrastructure includes an operating CIL gold plant with 400,000 tonne per annum capacity. The plant is currently operating below this capacity because of suboptimal mine production. The second agreement is to acquire 90% of three granted exploration licences at Diebu, which Xuanrui has the right to acquire 100% from existing owners. Diebu is an advanced exploration project. Both projects are located in the endowed gold producing Qinling Belt in Gansu Province in western China.

Xuanrui is a private mainland Chinese company which is a contributor to the development of minerals in Gansu province. Xuanrui have been nominated by the Bureau of Land and Resources in Diebu county in Gansu as a significant party which enables the company to preferentially acquire additional licences adjacent to its existing operations. By partnering with Xuanrui, Red Mountain Mining Ltd is positioned to expand the mining and exploration tenement licences in these areas and to deploy its objective of building a significant portfolio of gold assets.

At Zhongqu, Red Mountain Mining Ltd has initiated a near-term strategy to undertake exploration activities to bring the current Chinese gold mineralisation estimate into JORC compliance, and to expand the existing mineralisation through underground exploration using modern Australian exploration methodologies. The current Chinese classified non-JORC compliant gold mineralisation estimate is 1,720,000 tonnes at 6.01 grams per tonne for 333,000 ounces of gold with an additional Exploration Target estimate range between 400,000 to 550,000 tonnes at 7.0 to 9.5 grams per tonne of gold. The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Portal to underground works at Zhongqu

Diebu project showing Qiatou-Shari exploration lease

The Company has commenced an initial 1,700m underground diamond drilling programme which started on 5 May 2011 and is funded by pre-IPO monies. The results of this current drill programme will not be available until after the Prospectus has closed. A further drilling programme is planned to be undertaken following the completion of the Prospectus and this is detailed in this Prospectus (refer to section 6). Assuming a successful drilling programme and a favourable resource definition, the Company intends to undertake a pre-feasibility study for the development and mining of the mineralisation using modern mechanised mining techniques at Zhongqu with a view to significantly increasing the mining production rates and more fully utilise the existing gold plant production capacity.

At Diebu, the Company has an Exploration Target estimate range of between 400,000 to 550,000 tonnes at 3.5 to 4.5 grams per tonne of gold. The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Company's aim is to implement modern Australian exploration practices to focus on determining a JORC Code Mineral Resource. The funding for this work scope is outlined in section 6. Assuming a Resource determination, the Company intends to undertake additional exploration and mineralisation studies and more fully evaluate the scale of the any gold mineralisation present at Diebu and its production potential.

Red Mountain Mining Ltd's strategy for long term growth includes expansion of existing gold mineralisation to JORC Resources by extensive drilling programmes within the JORC standards. The Company also intends to continue to evaluate and where possible acquire majority interests in other nearby gold projects including operating mines located in Qinling precinct including the provinces of Shaanxi, Gansu and Sichuan.

The Company is aware of the risks inherent in operating in foreign jurisdictions and has been mindful to develop strong relationships with its Chinese partners and to maintain an experienced team of advisors to assist the Company to meet its objectives.

3.3 Timing of Payments under Framework Agreements

The Framework Agreements are summarised in section 8.

The Company has until 30 April 2012 to exercise the option under the Zhongqu Framework Agreement which will commit the Company to pay US$45,000,000 upon completion of necessary approvals for a 51% interest in a Chinese cooperative joint venture concerning the Zhongqu licence. The Company estimates that the necessary approvals for a Chinese cooperative joint venture is likely to take between 9 months to 12 months. Thereby the Company estimates it will have until January 2013 to April 2013 to pay US$45,000,000.

The Company has until 12 months after the payment of a US$2,000,000 deposit payment to exercise the option under the Diebu Framework Agreement. The deposit payment is payable by 15 August 2011 and thereby the Company will have until approximately August 2012 to exercise the option. The exercise of the option will commit the Company to pay US$4,200,000 upon completion of necessary approvals for a 90% interest in a Chinese cooperative joint venture concerning the Diebu licences. The Company estimates the necessary approvals for a Chinese cooperative joint venture will take between 9 months to 12 months. Thereby the Company estimates it will have until May 2013 to August 2013 to pay US$4,200,000.

Depending upon prevailing market conditions at the time the Company may seek to raise the monies for the option exercise payments by equity or debt or a combination of equity and debt.

3.4 Project Overview

This section contains a brief summary only of the Company's projects. Potential investors are referred to the Independent Geologist's Report in section 6 of this prospectus, where the projects and exploration programmes are outlined in detail.

3.4.1 Zhongqu Project

The Zhongqu Project is located in alpine country in Maqu and Luqu Counties, Gansu Province, in mainland China. The project consists of three mining areas within the Zhongqu 7.19 square km mining licence, and includes a modern 400,000 tonne per annum capacity CIL gold treatment plant located approximately 5km from the mine accessed by a sealed road.

The project is located 259km southwest of the provincial capital of Langzhou and is accessed on sealed roads. The nearest town and accommodation is at Maqu, approximately 11km from the mine site. The site infrastructure includes mains power supply (domestic 220v and industrial 3 phase 380v power), roads, buildings, accommodation and telecommunications. Consumables, fuel and mine supplies are trucked in on demand on all-weather roads.

The private owner, Xuanrui, commenced operations at Zhongqu in 2002 and subsequently acquired 100% of the project in 2004 from the Third Geological Brigade of Gansu Bureau of Geology and Mineral Resources, a State owned and operated entity.

The three mining areas located on the granted Mining Lease are, Xiaruo, Xinqu and Zhongqu. They are located approximately one to two kilometres from one another.

Open pit mining has ceased at Xiaruo, while at Zhongqu development from an adit is in progress to access gold mineralisation. Limited underground mining is in progress at Xinqu where formerly, maximum production of 1,200 tonne per day was undertaken using labour intensive manual mining methods.

Road into Zhongqu Project showing power lines

Zhongqu Gold Processing Plant

Zhongqu Plant Substation

Since 2007 the Zhongqu Gold Project has averaged a production rate of approximately 30,000 ounces of gold per annum. The Independent Geologist's Report (see section 6) reports that there remains a Chinese classified non-JORC compliant gold mineralisation estimate of 1,720,000 tonnes at 6.01 grams per tonne containing 333,000 ounces of gold. The majority of this mineralisation is located within the Xinqu deposit and operating underground mine area. In addition a further Exploration Target estimate exists with an estimated range of 400,000 to 550,000 tonnes at 7.0 to 9.5 grams per tonne of gold. The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Company's priority is to implement modern Australian exploration practices to focus on determining a JORC Code Mineral Resource.

The gold-mineralised system at Zhongqu is a structurally controlled sedimentary rock-hosted gold (SHRG) style. This style of mineralisation is well known in the Qinling Fold Belt and has generated significant ore-grade mineralisation elsewhere in China and in Nevada where it forms the source of a portion of the United States gold production.

Further work is required to establish a JORC compliant resource on this project and it should be noted that it is uncertain that following evaluation and/or further exploration the Chinese mineralisation will ever be able to be reported in accordance with the JORC Code.

A 9 hole 1,700m diamond drilling programme has commenced under the supervision of Geological Solutions Asia at a budget cost of $450,000 and is expected to be completed in a 3 to 4 month time frame. The drilling is being conducted from underground chambers at the lowest level (level 6) of the Xinqu mine area, targeting depth extensions down dip and along strike from that level. If successful, the programme would extend gold mineralisation below the bottom of the current mine (6 level).

In order to unlock the potential of the Project, the Company plans to implement revised exploration and mining methods using proper geotechnical support regimes and mechanised equipment.

Zhongqu Mine hand bogging

Red Mountain Mining controlled underground drilling – Zhongqu Level 6

3.4.2 **Diebu Project**

The Diebu Project consists of 3 granted exploration licences Kama, Heba and Qiaotou–Shari in the Diebu district of Gansu Province, China. The project is located in mountainous terrain at elevations from 1,930 to 2,900m above sea level.

The Diebu Project can be classified as an “Advanced Exploration” Mineral Asset where specific targets have been identified that warrant further detailed evaluation. Qiaotou-Shari has been the focus of underground mining to date within the project area with several levels developed. Other lodes at Diebu have been identified, sometimes by local operators and are at various stages of exploration and geological knowledge.

The Independent Geologist’s Report (see section 6) concludes that an Exploration Target estimate exists ranging from 400,000 to 550,000 tonnes at 3.5 to 4.5 grams per tonne of gold. The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Company completed its first comprehensive examination at Diebu during April-May 2008 obtaining encouraging results from this first phase of the project evaluation of the tenements.

The Diebu mineralisation occurs irregularly over a distance of 6kms and this mineralisation has not been adequately explored and in particular, has not been drilled. The mine openings (adits) have been developed following the common Chinese approach to "explore by mining". Openings have been driven to intersect and follow the perceived main structures without consideration being given to adjacent potential replacement gold mineralisation.

The system has gold, arsenic, antimony and mercury anomalism.

The Company is finalising a detailed exploration programme over the three exploration licences with commencement of the works expected to begin immediately after the listing of the Company on the ASX.

Qiaotou Adit, open for 265m

Kama 13.4 gpt Au

Samples bagged and labeled at Diebu

4 DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

4.1 Directors and Chief Executive Officer

Michael Wolley ***Non-Executive Chairman, BE, MM, MAICD***

Michael Wolley was appointed as Non-Executive Chairman for Red Mountain Mining Ltd in April 2011.

Michael has a depth of experience in the resources and industrial sectors in both Australia and internationally. Michael was recently Managing Director of a junior gold development business, Golden Iron Resources, and prior to that was Chief Operating Officer for Lynas Corporation, an ASX 100 company that is a vertically integrated mining and minerals business with mining and processing facilities in Western Australia and downstream processing in Malaysia. Prior to Lynas Corporation, Michael held senior executive roles with industrial and construction services businesses across Asia Pacific including the position of Managing Director Asia Pacific for a refrigeration and climate control business and as President of BlueScope Steel China. Prior to joining BlueScope Steel Michael was General Manger Operations for Dexion, a business servicing the logistics industry across Asia Pacific. He began his career with Mobil Oil Australia and over a 15 year period held senior roles in engineering, production and planning across Australia and New Zealand.

Michael holds a first class honours degree in Chemical and Materials Engineering from Auckland University and a Masters of Management from Macquarie Graduate School of Management. Michael is a Member of the Australian Institute of Company Directors.

Keith Rowe ***Executive Director, B App Sci (Pt), Grad Dip (Mt), MAICD***

Keith Rowe is a Consultant to mining operations in the development, delivery and management of occupational health and safety systems, and prior to accepting the Executive role at Red Mountain Mining Ltd was Senior Safety Advisor to Ausdrill Ltd. He has over 20 years' experience in the mining industry and has delivered safety programmes at over 40 mine sites throughout Australia.

Keith's involvement with China began with a university study tour in 1977. He has broad experience as a business manager in a variety of fields and in recent years he has developed business interests in China. He brings valuable experience to the Board in dealing with Chinese affairs and mining safety systems.

Keith is a founding Director of the Finding Sydney Foundation which managed the successful search for the HMAS *Sydney II* which was sunk off the Western Australian Coast in 1941 and located in 2008, and received the Gold Swan Award at the 2010 Western Australia Citizen of the Year Awards.

Keith qualified as a physiotherapist at Curtin University and has a B.App.Sci (PT) and Grad.Dip (Manip. Th.) and is a Member of the Australian Institute of Company Directors.

Neil Warburton Non-Executive Director, MAusIMM, FAICD

Neil Warburton is Chief Executive Officer of Barminco, Australia's largest domestic underground mining contractor with operations in Australia and Africa. Barminco mines (under contract) over 800,000 oz of gold per annum in Australia alone. Neil has successfully guided and grown the company with annual revenues having more than doubled during his tenure. Before joining Barminco he was Managing Director of Coolgardie Gold NL.

Neil is also a non executive director of Australian Mines Limited, a company publicly listed on the ASX. Neil has over 30 years' experience in gold and base metal mining. His experience includes 7 years with Western Mining Corporation as a Senior Mining Engineer and Mine Manager at Kambalda, Western Australia.

Neil is a graduate from the Western Australian School of Mines and is a Fellow of the Australian Institute of Company Directors.

Bo Zhou ***Non Executive Director, BSc, PhD, MBA, MAusIMM***

Bo Zhou is currently Managing Director of Qzcorp Pty Ltd, a resource consultancy business, and is General Manager China Operations for Griffin Mining Ltd, a UK listed company with operations in China.

Over the last 10 years Bo has worked on various resource projects covering many projects in China in both senior geological and management banking roles. Bo previously worked as Managing Director of Sinovus Mining Ltd and as General Manager Operations for Guangxi Golden Tiger Mining Joint Venture, a Sino-Australian Joint Venture gold company focused in Guangxi, China. He has also worked as Senior Geologist for Silk Road Resources and as an exploration geologist and programme manager for Turnbull and Partners (Mr Malcolm Turnbull's mining ventures in China in the 1990s).

Bo holds a Bachelor of Science degree in geology from the Peking University and a PhD in exploration geology from the University of Sydney. He also has an MBA from the Australian Graduate School of Management. He is a member of the Australian Institute of Mining and Metallurgy.

Desmond Kelly ***Company Secretary, B Comm, CPA, MAICD***

Desmond Kelly is a commerce graduate from the University of Western Australia and is a member of CPA Australia and the Australian Institute of Company Directors. Desmond has over 35 years' experience in the mining industry and accounting profession. He has been an accountant in public practice and currently is consulting to various companies as a company secretary and management consultant. He has held the positions of Director, Managing Director and Company Secretary with a number of public listed mining and industrial companies.

4.2 Consultants

Bruce Harris ***Consultant Geologist, BSc, FAusIMM***

Bruce Harris has over 30 years' experience in precious metals and base metal exploration throughout Australia and has spent the last 19 years based in Asia. He has underground engineering experience at the Mt. Charlotte Gold Operations, Kalgoorlie and was formerly a mine planning engineer with Goldsworthy Mining Ltd Mining Area C Operations.

Bruce was a founding director, Managing Director and Exploration Manager of Sabminco NL before settling in Thailand from where he has worked as an independent geologist throughout Asia gaining exploration experience in a wide range of mineralisation styles and tectonic settings. He was responsible for locating projects and negotiating the contracts in China that formed the basis of AIM-listed Caledon Resources PLC and was Director and General Manager of Caledon's Sino-foreign joint venture operating company where he was responsible for the corporate, financial, exploration and day-to-day management.

Bruce has a Bachelor of Science degree with Honours in geology from the University of Sydney and is a Fellow of the Australian Institute of Mining and Metallurgy.

Dianmin Chen ***China Advisor, BE, PhD***

Dianmin Chen has over 20 years of experience in the resources sector in senior operational and engineering roles in Australia and China. He is currently Vice President Operations for Minco Silver a Canadian publicly listed company and President of Foshan Minco Mining in Guandong, China.

Dianmin was previously Chief Operating Officer for Citic Pacific Mining Limited and was Executive Director and General Manager for Sino Gold's Jinfeng Mining Ltd in China. Prior to that Dianmin held a number of positions with Barrick Gold including Manager Underground Operations at Plutonic and Manager Mining at Darlot Gold Mine. Dianmin was previously with North Parkes Mines (now Rio Tinto) in geotechnical engineering roles.

Dianmin has a Bachelor of Engineering degree with Honours in mining engineering from the Central South University of China and PhD in mining engineering from the University of Wollongong, Australia. Dianmin holds a First Class Mine Managers Certificate of Competency in Western Australia.

4.3 Corporate governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- Protection and enhancement of Shareholder value;
- Formulation, review and approval of the objectives and strategic direction of the Company;
- Approving all significant business transactions including acquisitions, divestments and capital expenditure;

- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;

- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;

- The identification of significant business risks and ensuring that such risks are adequately managed;

- The review and performance and remuneration of executive directors and key staff;

- The establishment and maintenance of appropriate ethical standards; and

- Evaluating and, where appropriate, adopting with or without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. Subject to the exceptions outlined below the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines. Copies of corporate governance policies are accessible on the Company's website at www.redmm.com.au.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart will depart from the recommendations.

Recommendation Reference - ASX Guidelines	Notification of Departure	Explanation for Departure
2.1 and 2.2	A majority of the Board are not independent directors.	The Board takes the view that Mr Warburton is not independent in terms of the ASX Corporate Governance Council's discussion of independent status as he is a substantial shareholder. Mr Rowe as an executive director is not independent. Despite these relationships, the Board believes that Mr Warburton and Mr Rowe are able, and do make, quality and independent judgement in the best interests of the Company on all relevant issues before the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non executive Directors. Directors having a conflict of interest in relation

Recommendation Reference - ASX Guidelines	Notification of Departure	Explanation for Departure
		to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2.4	A nomination committee has not been established.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
4.1, 4.2 and 4.3	An audit committee has not been established.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.
8.1	A remuneration committee has not been established.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee.
3.2	A diversity policy has not been established.	The Board supports workplace diversity but considers that the Company is not of a size or maturity to justify a formal diversity policy. The Company has only recently been incorporated. The Board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company at its early stages of operation rather than focussing on gender and other diversity factors.

5 RISK FACTORS

5.1 Introduction

An investment in the Shares the subject of this Prospectus is highly speculative as the Company is a resource exploration and development company. The Board recommends that investors consider the risks described below and information contained elsewhere in this Prospectus, as well as consulting with their professional advisers before deciding whether or not to apply for the Shares. Investors should note that an investment in Shares is speculative and there is no guarantee in respect of profitability, dividends and return of capital, liquidity or the price the shares may trade on the ASX and that investors may lose some or all of their investment.

The following is a non-exhaustive list of the risks that may have a material effect on the financial position and performance of the Company and the value of its securities, as well as the Company's exploration, development and any mining activities and an ability to fund those activities.

The specific risks below are some of the risks specific to the Company including specific exploration business risks. The general investment risks below are some of the risks to the Company of a general economic nature.

5.2 Specific Resource Industry and Company risks

Future capital needs and additional funding

The funds raised by the Offer will be used to carry out the Company's objectives as detailed in this Prospectus.

Significant further funding will be required in the future if options in respect of the Zhongqu Project and the Diebu Project are exercised. The Company has until 30 April 2012 to exercise the option under the Zhongqu Framework Agreement which will commit the Company to pay US$45,000,000 upon completion of necessary approvals for a 51% interest in a Chinese cooperative joint venture concerning the Zhongqu licence. The Company has until 12 months after the deposit payment (say by August 2012) to exercise the option under the Diebu Framework Agreement which will commit the Company to pay US$4,200,000 upon completion of necessary approvals for a 90% interest in a Chinese co-operative joint venture concerning the Diebu licences. The Framework Agreements are summarised in section 9.

The option exercise payments are denominated in US$ and any adverse exchange rate movement with A$ will effectively increase the cost of the options.

The Company may seek to raise the option exercise payments by equity (issuing further securities) or debt or a combination of equity and debt. Issuing further equity is likely to significantly dilute existing Shareholders whilst debt creates repayment obligations. The timing of the option exercise payments is referred to in section 3.3.

No assurance can be given that required future funding will be available to the Company on favourable terms (or at all). If adequate funds are not available on acceptable terms the Company may not be able to further develop its Projects and it may impact on the Company's ability to continue as a going concern.

Exploration

Investors should understand that exploration, by its nature, is a high risk undertaking. There can be no assurance that the Company's exploration of its existing Projects or any other Projects that may be acquired in the future will result in the delineation or discovery of a significant mineral resource. Even if a significant mineral resource is identified, there can be no guarantee that it can be economically exploited.

Development and Mining

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, failure to acquire and/or delineate economically recoverable ore bodies, unfavourable geological conditions, failing to receive the necessary approvals from all relevant authorities and parties, unseasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, risk of access to the required level of funding and contracting risk from third parties providing essential services.

In the event that the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions and other accidents.

Resource estimations

Resources estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made.

Additionally, resource estimates may change over time as new information becomes available. If the Company encounters mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

Mineralisation estimates of the Company's Zhongqu Project are not complaint with JORC Code standards. There is no guarantee that reclassification of this mineralisation to JORC Code compliance will occur in the short term or at all.

Contractual/Joint Venture Risk

The interests of the Company are governed by binding framework agreements with Chinese parties. The success of the Company is dependent upon working effectively with its contractual partners.

Currency and Gold/Commodity Price Fluctuations

Fluctuations in the Australian dollar relative to RMB and the US dollar may materially affect the cash flow and earnings that the Company will realise from any future mining operations. The majority of the Company's costs will be dominated in RMB whilst revenue will move in line with the US dollar denominated gold price.

The Company will also be exposed to commodity price fluctuations as any revenues will likely be derived (at least initially) from the sale of gold. Consequently, the Company's expected earnings will be closely related to the international gold price. Gold prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand, forward selling by producers, production cost levels in major gold producing regions and general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activity as well as on its ability to fund these activities.

Title

All of the licences in which the Company has an interest in will be subject to applications for renewal. The renewal of the terms of each licence (or the grant of new applications) is at the discretion of the relevant government authority. One of the three Diebu Project licences expires on 25 August 2011.

Additionally, licences are subject to a number of specific legislative conditions. The inability to meet these conditions could affect the standing of a licence or restrict its ability to be renewed.

If a licence is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that licence.

Investors are referred to the Solicitors' Report in section 8 for information generally on the licences.

Land Access

Access to the licences to which the Company is interested may be impacted by the presence and workings of illegal miners. The Company may require governmental or law enforcement assistance to gain appropriate access and compensation for any loss or damages incurred by the joint venture or the Company as a result of such illegal activities. Such assistance may prove to be unavailable or practically difficult.

Environmental

The Company's projects are subject to rules and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company’s projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's Projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.

Reliance on key personnel

The Company's success largely depends on the core competencies of its Directors and management and their familiarisation with, and ability to operate in, the gold and mining industry and the Company's ability to retain its key executives.

Insurance

In China, insurance cover is a relatively new concept and for certain aspects of a business operation insurance cover is restricted or expensive. For example, the Company may only obtain limited workers compensation for its employees in China, so this risk is largely self-insured by the Company. The Company's financial position could be adversely affected if, for example, there was major accident involving a large number of employees. The Company seeks to minimise this risk by seeking to work to international safety standards.

The Company intends to maintain insurance within ranges of coverage consistent with industry practice, but no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Limited operational history

While the Company's management has significant experience and have previously carried out or been exposed to exploration and production activities while employed or engaged by other companies, the Company was not incorporated until 5 May 2006. Accordingly, the Company has limited historical, financial or operating information. The Company's ability to achieve its objectives depends on the ability of its Directors and officers to implement current plans and to respond to any unforeseen circumstances that require changes to those plans.

Competition

The Company competes with other companies, including major mineral exploration and mining companies. These companies will likely have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

Potential acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in other resource projects. Any such transactions would be accompanied by risks commonly encountered in making such acquisitions.

Force Majeure

Force majeure describes events including acts of God, fire, flood earthquakes, war and strikes beyond the control of a party claiming the occurrence of any such event. To the extent that Force Majeure events occur they may have a detrimental effect on the ability of the Company to operate its financial performance and the value and price of Shares.

5.3 **Risks associated with China**

Chinese Government Approvals

There are future approvals required from Chinese authorities to enable the completion of interests in Chinese cooperative joint ventures and there is a risk these approvals may not be obtained. These approvals include the establishment of a cooperative joint venture for the Zhongqu Project and the Diebu Project, the transfer of 3 exploration licences, the payment of a US$2,000,000 deposit payment and the establishment of a cooperative joint venture.

State Ownership

In recent years China's economy has been undergoing a transition from a planned economy to a more market-orientated economy. Although the Chinese government has implemented economic reforms and reduced state ownership, a substantial portion of productive assets in China is still owned by the Chinese government. The Chinese government continues to play a significant role in regulating industry and exercises significant control over China's economic growth through the allocation of resources, control of foreign currency-denominated obligations and setting monetary policy.

There can be no assurance that the regulations and controls imposed by the Chinese government will not have a negative impact on the business and operation of the Company.

Government economic intervention

The Chinese government has implemented various measures from time to time to control the rate of economic growth. Some these measures may benefit the overall economy of China, but may have a negative effect on the Company. For example, the Company's operating results and financial position may be adversely affected by changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and remittances abroad, reduction in tariff or quota protection and other import restrictions, changes in the usage and costs of state-controlled transportation services and state policies affecting the gold industry.

Government sector intervention

The central and local governments exercise a substantial degree of control and influence over the gold industry in China and, as a result, set standards that new entrants must meet, set or approve the framework for the pricing of electricity and other utilities and railway transportation, set tax levies and incentives, set import quotas and tariffs, set safety, environment and quality standards and approve major capital expenditure projects.

Foreign investment

The Chinese government has opened up opportunities for foreign investment in mining projects. However, if the Chinese government should reverse this trend and impose greater restrictions on foreign companies, the Company's business and future earnings could be negatively affected. Foreign investment in exploration and gold is in a restricted category and specific approvals may be required by the Chinese authorities for the joint ventures to be approved.

Gold sales

Before the Shanghai Gold Exchange was established in 2002, foreign exploration and mining companies were required to sell the gold produced by them to the People's Bank of China. Since the Shanghai Gold Exchange was established, gold has been freely tradeable in China through the Shanghai Gold Exchange at prices that are generally marginally less than the price of gold in international markets.

Repatriation of Local Currency

Repatriation of RMB funds is subject to a mixture of controls and regulations. The Chinese government is generally relaxing restrictions on foreign exchange and provided that certain procedural requirements are met by the Company's Chinese subsidiaries, they will be permitted to remit to their foreign investors such investors' shares of their profits in foreign currencies without the need to obtain the prior approval of the State Administration of Foreign Exchange Control. However, there is no assurance that such foreign exchange policy in relation to remittance of profits in foreign currency will continue to be in force in the future.

Developing legal system

The Chinese legal system is a system based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference. The interpretation or enforcement of the written statutes or a change to the law may have a material adverse effect on the Company's business operations.

5.4 **General investment risks**

Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for exploration and mining companies may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

Economic risk

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

Legislative

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

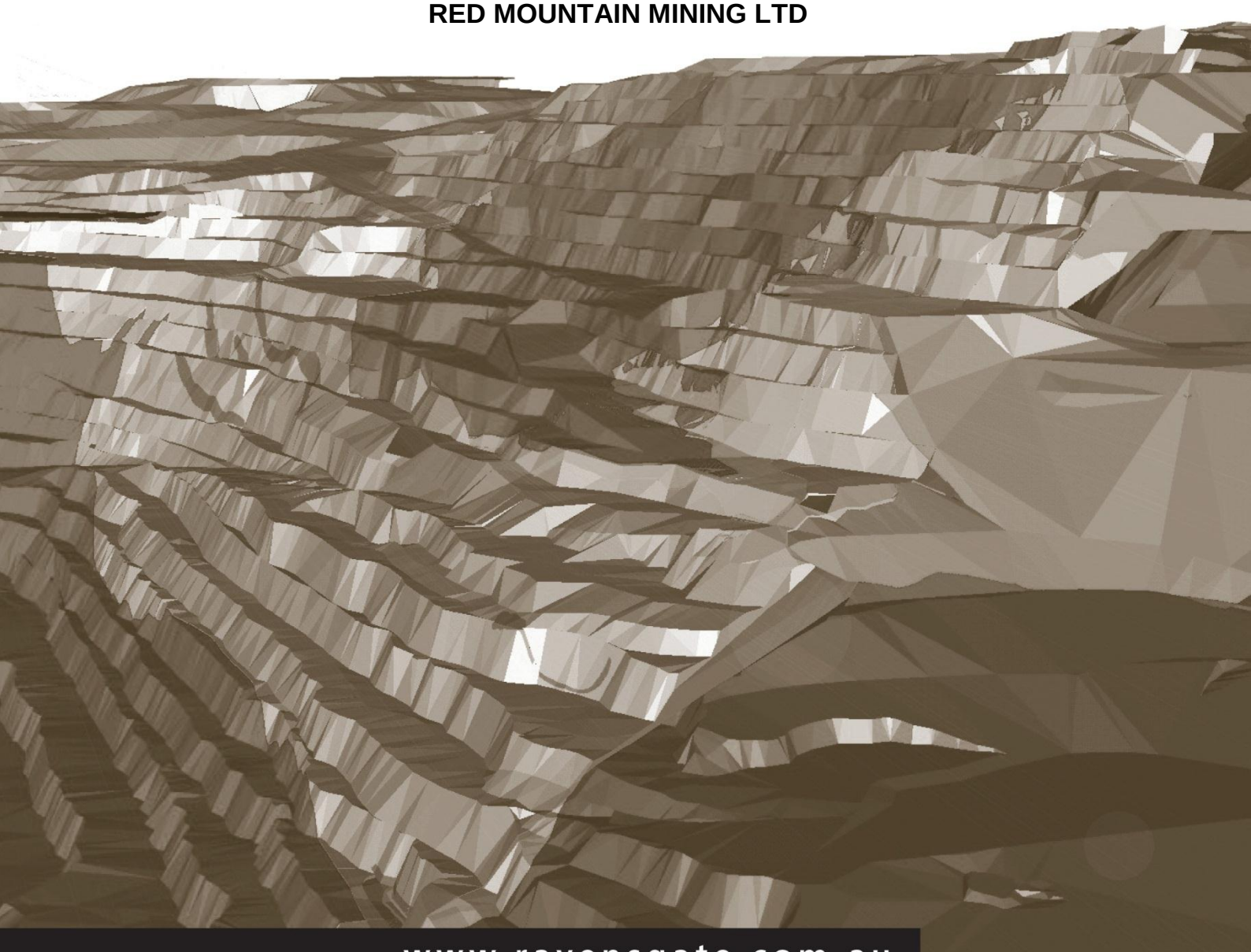
INDEPENDENT GEOLOGIST'S REPORT

on the

Mineral Properties in China

for

RED MOUNTAIN MINING LTD



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14 June 2011

Red Mountain Mining Ltd
Suite 2, 2 Richardson Street
West Perth
WA 6005

Dear Sir

Independent Geologist's Report on the mineral assets of Red Mountain Mining Ltd

Corvidae Pty Ltd as Trustee for Ravensgate Unit Trust Trading as Ravensgate ('Ravensgate') has been commissioned by Red Mountain Mining Ltd (ACN 119 568 106) ('Red Mountain') to provide an Independent Geologist's Report on Red Mountain's projects in China. This report is to be included in a prospectus ('Prospectus') to be lodged by Red Mountain Mining Ltd with the Australian Securities and Investments Commission ('ASIC'), offering for subscription 40 million fully paid ordinary shares in Red Mountain at an issue price of $0.20 per share, to raise $8.0 million (before costs associated with the issue). The funds raised will be used for the purpose of exploration, development and evaluation of Red Mountain's mineral properties.

This report is based on information provided by the title holders along with technical reports by consultants, previous tenement holders and other relevant published and unpublished data for the project areas. A listing of the principal sources of information is included in this report. Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. Red Mountain was given a final draft of this report and thereby given an opportunity to identify any material errors or omissions in it. Ravensgate has not verified the status of tenure or any related access issues, which is being addressed elsewhere in the Prospectus. Red Mountain provided Ravensgate with detailed information including several technical reports completed by independent consultants. Ravensgate has made all reasonable enquiries to verify the exploration data provided by Red Mountain. A site visit has been completed recently by the author from the 15th to the 16th of March 2011.

This report has been prepared in accordance with the rules and guidelines issued by such bodies as the ASIC and the Australian Securities Exchange ('ASX'), which pertain to Independent Expert Reports. If statements made in this report have been attributed to third parties, Ravensgate warrants that consent has been sought or obtained and not withdrawn before lodgement of the Prospectus with ASIC.

Red Mountain intends to raise $8.0 million and at least half of the liquid assets held, or funds proposed to be raised by Red Mountain are to be committed to the acquisition, exploration and development of the properties. Ravensgate considers the proposed exploration program to be consistent with the status and mineral potential of the projects. The planned exploration expenditure is considered to be sufficient to meet the costs of the exploration program and is adequate to meet the statutory annual expenditure requirements for the tenements. This Independent Geologist's Report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears.

Ravensgate and its employees are not, nor intend to be, directors, officers or employees of Red Mountain and have no material interest in any of the projects or Red Mountain. The relationship with Red Mountain is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

Craig Allison
For and on behalf of:
RAVENSGATE

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INDEPENDENT GEOLOGIST'S REPORT

on the

Mineral Properties in China

for

RED MOUNTAIN MINING LTD

14 June 2011

INDEPENDENT GEOLOGIST'S REPORT

Prepared by RAVENSGATE on behalf of:

Red Mountain Mining Ltd

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Craig Allison
For and on behalf of:
RAVENSGATE

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Executive summary

Introduction

Ravensgate was commissioned by Red Mountain Mining Ltd ("Red Mountain"), to complete an Independent Geologist's Report on its mineral assets in China. Red Mountain is seeking to list on the Australian Securities Exchange ("ASX") in order to raise working capital to fund the future technical assessment and development of its Chinese projects. Red Mountain has acquired the rights to explore and mine two gold projects located in the mineralised Qinling Belt in the southern Gansu Province, namely the Zhongqu Project and the Diebu Project. The Zhongqu Project is located within both the Luqu and Maqu Counties of the Gansu Province while the Diebu Project is located in the Diebu County. Both projects can be accessed by largely sealed roads from the provincial capital, Lanzhou. The Zhongqu Gold Project is located in alpine plateau country at elevations between 3,700m to 4,100m while the Diebu Gold Project is located in mountainous terrain at elevations of 1,900 to 2,900m. The project areas feature a surface exploration field season of six months from April to September as the region experiences winters with temperatures dropping to -20^{o}C and snowfalls. Underground mining can generally operate throughout the year. Ravensgate carried out a site visit and Project Technical Assessment on the 15th and 16th of March 2011 at the Zhongqu Gold Project. Ravensgate has concluded that the two Chinese gold projects are of technical merit and are worthy of conducting further exploration.

Both projects resulted from a Chinese central government initiative in the late 1980s to search for structurally controlled, sedimentary rock hosted (SHRG) gold (e.g. Carlin-style gold mineralisation) in prospective terrain. The work was carried out systemically in the area by the 3rd Brigade, a division of the Gansu Bureau of Geology and Mineral Exploration (3rd Brigade). The 3rd Brigade mined near-surface gold mineralisation on a small scale and later transferred its rights at Zhongqu to the current vendor, Lingbao Xuanrui Mineral Resources Co Limited, 'Xuanrui'. The Diebu project is jointly owned by the 3rd Brigade and Xuanrui. At both projects mineralisation is structurally controlled and characterised by numerous gold-arsenic-antimony anomalies. The structural environment for gold deposition is consistent over each area and provides a mineralisation model for further greenfields exploration. Initial exploration by the 3rd Brigade defined three project areas on the Zhongqu mining licence, each 1-2 kilometres apart, which hosted gold surface and blind mineralised lodes. Two mineralised lodes have been mined to depths of 200m below surface. At Diebu, SHRG gold mineralisation occurs as a structurally controlled, replacement-style mineralisation within a carbonate sequence at a number of localities over several kilometres of stratigraphy. The gold mineralisation is known from exploration adits to be intermittently present over a vertical interval of 500m and is irregular over a strike length of 6.0km within the project area.

Zhongqu Project

The geology of the Zhongqu project consists of a marine carbonate sequence that has been intruded locally by granodiorites. Gold mineralisation is structurally-controlled and hosted in cross-cutting structures within the sedimentary rocks or within breccia on the margins of a granodiorite stock. The primary alteration is silicification of the carbonates with secondary haematite and decomposition of the granite at the brecciated contact. The Zhongqu mining lease contains three areas of immediate interest, all of which were previously explored by the 3rd Brigade:-

- **Zhongqu** which was the subject of small scale surface mining, with production volumes unknown;
- **Xinqu** which was also the subject of small scale surface mining and where underground mining and milling is carried out by the present operators Xuanrui;
- **Xiaruo** where known gold mineralisation is mined out.

The 3rd Brigade and Xuanrui Ltd defined and extended an extensive number of Chinese gold estimates from surface trenches, limited drilling and exploratory underground drives. A total of

twenty-five gold mineralised lodes were initially defined and underground mining has successfully exploited a number of these. In addition underground exploration has located further discoveries suitable for mining. Ravensgate considers that the Zhongqu Project can be classified as an active "Operating Mine" Mineral Asset where mining and milling has been commissioned and are in production. The Xinqu gold mineralisation has been the focus of underground mining to date and the deeper Xinqu MAu-3 mineralised lode is presented in Figure 1. Other mineralised lodes at Xinqu and Zhongqu have been identified and are at various stages of exploration and geological knowledge. Relevant Chinese gold mineralisation has been compiled below in Table 1, along with the equivalent but not formally reportable Australian resource classification. Ravensgate stresses that these Chinese mineral estimates are not reported in accordance with the Australian JORC code (The JORC Code - 2004 Edition), and it is uncertain that following evaluation and/or further exploration that these Chinese mineralised estimates will ever be able to be reported in accordance with the JORC code.

Red Mountain intends to conduct exploration with the intention of bringing gold prospects at Xinqu area into compliance with the reporting guidelines of the JORC code within the first year of exploration (after listing on the ASX). Underground drilling at Xinqu will target depth and lateral extensions of gold mineralisation currently being mined on lower levels. Further and concurrent exploration would be carried out with the intention of bringing other gold prospects at the Zhongqu area into compliance with the JORC code reporting guidelines within the second year of exploration. These areas form the main focus for immediate exploration at the Zhongqu Project, however potential exists for further discoveries and the project will benefit from a modern and systematic exploration approach. In this regard extensional fault movement over a $5km^2$ area is known to have created structurally-controlled openings in the sediment package. These openings are recognised as favorable host sites for gold mineralisation. There is further exploration potential to find gold mineralisation along these dilational openings and structural studies will assist with the targeting of blind gold deposits not recognised near-surface. There is also further exploration potential for discoveries of structurally-controlled, sediment hosted mineralisation in favorable stratigraphy.

Figure 1 Exploration Line Sections of the Xinqu mineralised lode MAu-3 (or Au-3) which is currently being developed on the 6th level (after Harris, 2009). The mineralisation has been partly mined out above the 5th level.

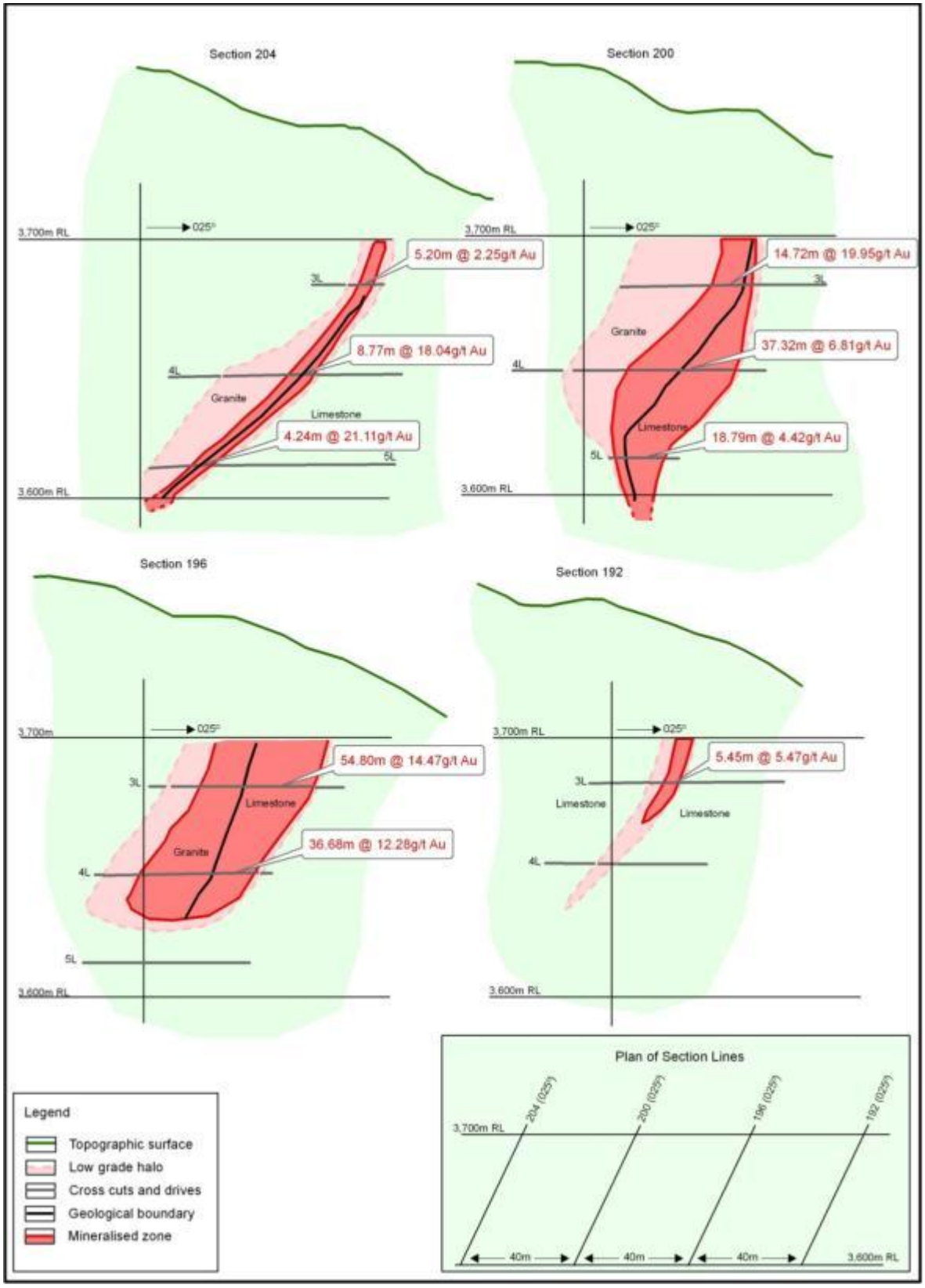


Table 1 Historically reported Zhongqu Chinese Gold Mineralisation (as at November 2005) with Reference to Comparative Australian Mineral Resource Reporting Categories.

Project	Lode No.	Tonnes (T)	Average Grade (g/t)	Metal Au (Oz)	Metal Au (t)	Chinese "Resource" Classification	Comparative Australian Resource
Zhongqu Project	Z-Au-9	93,000	6.84	20,400	0.64	122b / M22	Indicated
	Total	**93,000**	**6.84**	**20,400**	**0.64**	**122b / M22**	**Indicated**
	Z-Au-1	1,088,000	6.90	241,400	7.51	333	Inferred
	X-Au-1	521,000	4.08	68,300	2.12	333	Inferred
	X-Au-3	21,000	4.01	2,700	0.08	333	Inferred
	Total	**1,630,000**	**5.96**	**312,400**	**9.72**	**333**	**Inferred**
ALL		**1,720,000**	**6.01**	**333,000**	**10.4**		**Combined**

Note: Chinese mineralised estimates are compiled on a 100% basis with no breakdown by ownership or any royalties. Minor rounding errors may occur where the combined tonnage has been rounded to the appropriate level of precision.

A gold Exploration Target has been estimated as a range for the Zhongqu Project based on the current geological understanding and exploration work programs to date. The Exploration Target is exclusive of the Chinese Mineralisation compiled in Table 1. Ravensgate cautions the reader that the potential quantity and grade or quality of an Exploration Target is conceptual in nature and shows there has been insufficient exploration and work to define a Mineral Resource. Also, it is uncertain if further exploration and associated resource development work will result in the determination of a Mineral Resource. The Exploration Target has been derived from a polygonal estimate using a default density of 2.6t/m^3 and is based on nine mineralised lodes defined from historical exploration. Section 2.6 of this report sets out the basis of the Exploration Target in more detail. The Exploration Target estimated for the Zhongqu Project, Zhongqu and Xinqu Area as at May 2011, ranges from 400,000 to 550,000 tonnes at a grade of 7.0 to 9.5g/t Au.

Deibu Project

The geology of the Diebu project consists of structurally-controlled, sedimentary-rock hosted gold mineralisation (SHRG). This style of mineralisation is consistent with other deposits identified in the Western Qinling Fold Belt. Deposits are characterised by fine-grained gold with above background antimony and arsenic. Gold mineralisation is formed by structurally controlled, hydrothermal fluids replacing or silicifying carbonate sediments along favourable host horizons. The microscopic and disseminated nature of the gold mineralisation requires careful exploration however gold mineralisation of this style may be economically extensive (e.g. Carlin in Nevada, United States). Gold mineralisation within the project is irregular over a strike length of 6.0 kilometres and dips towards north-east. Red Mountain has also reported replacement gold mineralisation and this style of mineralisation has been identified next to mineralised faults.

The Diebu Project contains three prospect areas of immediate interest:-

- Kama which has a set of upper and lower gold workings;
- Heba where two adits are known to exist, an upper adit (2,369m level) mined by local operators and a lower adit (2,015m level) mined by Xuanrui;
- Qiaotou-Shari which can be accessed via the Qiaotou Adit (1,986m level) and the Shari Adit (2,550m level). The Shari Adit portal is located outside the licence area, use of this adit to

access the mineralised areas within the Qiaotou-Shari licence has been made with the permission of the licence owner.

Historical exploration was carried out by sampling of surface trenches, minor drilling from surface and exploratory underground drives. In addition Red Mountain has carried out due diligence surface and underground rock chip sampling in 2008 to generally confirm the presence of a mineralised structure, although further exploration programs are required. Ravensgate considers that the Diebu Project can be classified as an “Advanced Exploration” Mineral Asset where specific targets have been identified that warrant further detailed evaluation. Qiaotou-Shari has been the focus of underground mining to date within the project area and several underground levels have been developed. Other mineralised lodes at Diebu have been identified, sometimes by local operators and are at various stages of exploration and geological knowledge. The Qiaotou-Shari prospect thereby represents the best current exploration target within the project area, however mineralisation in many underground workings is open directly along strike and down-dip. In this regard the project will benefit from an exploration approach targeting potential for multiple stacked replacement-style gold mineralisation within sediment lithologies as well as structurally-hosted mineralisation. Further mapping, sampling and geological studies are required to confirm specific mineralisation controls and there is good potential for additional sediment-replacement gold bearing mineralisation to be located adjacent to structurally controlled aurifeous lodes. Despite successful exploration defining a gold-bearing mineralised structure in the area, further exploration is also required to define the extents of the mineralisation along strike and at depth. The recognition of structural and sediment-replacement gold-bearing mineralisation host styles along with the delineation of a mineralised vertical extent defined by underground workings suggests further exploration is required to understand mineralisation potential over a strike length of six kilometres within the project area.

A gold Exploration Target has been estimated as a range for the Diebu Project based on the current geological understanding and exploration work programs to date. Ravensgate cautions the reader that the potential quantity and grade or quality of an Exploration Target is conceptual in nature and shows there has been insufficient exploration and work to define a Mineral Resource. Also, it is uncertain if further exploration and associated resource development work will result in the determination of a Mineral Resource. The Exploration Target has been derived from a polygonal estimate using a default density of 2.4t/m^3 and based on a sample data-set review of historical surface trenches, underground exploration drives, minor drilling and Red Mountain due diligence studies. Section 3.5 of this report sets out the basis of the Exploration Target in more detail. The Exploration Target estimated for the Diebu Project, Qiaotou–Shari Area as at May 2011, ranges from 400,000 to 550,000 tonnes at a grade of 3.5 to 4.5g/t Au.

1. Introduction

1.1 Terms of Reference

Ravensgate was requested by Red Mountain Mining Ltd (Red Mountain), to complete an Independent Geologist's Report on its mineral assets in China. Red Mountain is seeking to list on the ASX in order to raise working capital to fund the future technical assessment of its projects. A requirement of listing is the completion of an Independent Geologist's Report (IGR) on the mineral assets of Red Mountain.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code, 2005) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004). Ravensgate has also referred to ASX Company Update No. 11/07 on Reporting 'Historical estimates and/or Foreign Resource and Reserve Estimates' where appropriate.

Ravensgate has not attempted and is not required to establish the legal status of tenements within the project area with respect to any Royalty or Native Title claims. Ravensgate has not independently verified ownership and current standing of the tenements and is not qualified to make legal assessments or representations in this regard. Details of the legal ownership of the mineral assets are dealt with elsewhere in the Prospectus.

The Independent Geologist's Report is based on information available up to and including the date of this report. Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. Consent has been given for the distribution of this report in the form and context in which it appears.

1.2 Qualifications, Experience and Independence

Ravensgate is an independent, privately owned consulting firm and has been providing exploration, mining and mineral resource consulting services to the minerals industry since 1997.

Author: Craig Allison, Principal Consultant - Resources. BAppSci (Hons) Geology, MAusIMM.

Craig Allison is employed by Ravensgate as a Principal Consultant where he carries out work for Mineral Resource estimations, Independent Technical Valuations, Independent Geologist's Report and Formal Technical Project reviews over a range of commodities. He has over 17 years mining industry experience in operational project exploration, grade control and resource estimation. Craig has worked for both junior and larger ASX listed companies, encompassing open-cut and underground operations and evaluations. Competent Person sign-off was undertaken for BHP Billiton's Mt Keith nickel resource and other projects surrounding the mine in 2007. A Post Graduate course in Geostatistics was completed in 2006. Craig Allison holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules of the CIMM and NI43-101.

Co-author: H. Kate Holdsworth, BSc (Hons) Geology, MAusIMM

Senior GIS Geologist

Mrs H. Kate Holdsworth is a senior GIS geologist with over 17 years GIS experience who joined the Ravensgate team in September 2006. During her tenure at Ravensgate, she has contributed to the compilation of numerous Independent Geologists Reports, Valuation Reports, GIS projects as well as having assisted clients with their exploration reporting requirements and QA/QC investigations into client's data quality.

Prior to joining Ravensgate, she worked for Giscoe Pty Ltd, a GIS company in Johannesburg, for ten years, where she was involved in diverse GIS projects, including database creation, database

population and data validation. Kate has four years experience in GIS with the Geological Survey of South Africa, where she was a member of their GIS database design team.

Peer Reviewer: Stephen Hyland, Principal Consultant and Director. BSc Geology, MAusIMM, CIMM, GAA, MAICD.

Stephen Hyland has had extensive experience of over 20 years in exploration geology and resource modelling and has worked extensively within Australia as well as offshore in Africa, Eastern and Western Europe, Central and South East Asia, modelling base metals, gold, precious metals and industrial minerals. Stephen's extensive resource modelling experience commenced whilst working with Eagle Mining Corporation NL in the diverse and complex Yandal Gold Province where for three and half years he was their Principal Resource Geologist. The majority of his time there was spent developing the historically successful Nimary Mine. He also assisted the regional exploration group with preliminary resource assessment of Eagle's numerous exploration and mining leases. Since 1997, Stephen has been a full time consultant with the minerals industry consulting firm Ravensgate where he is responsible for all geological modelling and reviews, mineral deposit evaluation, computational modelling, resource estimation, resource reporting for ASX / JORC and other regulatory compliance areas. Primarily, Stephen specialises in Geological and Resource Block Modelling generally with the widely used MEDSystem / MineSight® 3D mine-evaluation and design software. Stephen Hyland holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

1.3 Disclaimer

The Authors of this report, are not, nor intend to be, a director, officer or other direct employee of Red Mountain and have no material interest in the projects of Red Mountain. The relationship with Red Mountain is solely one of professional association between client and independent consultant. Neither Ravensgate nor any of its employees or associates is an insider, associate or affiliate of Red Mountain or any associated Red Mountain entity.

This Report has been compiled on the basis of information available up to and including the date of this Report. Consent has been given by Ravensgate for the distribution of this report by Red Mountain in the form and context in which it appears. Ravensgate's professional fees are based on time charges for work actually carried out, and are not contingent on any prior understanding concerning the conclusions to be reached.

This Independent Geologists Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (VALMIN Code, 2005) and the rules and guidelines relating to Independent Expert Reports set by the ASIC and ASX.

Previous estimates of mineralisation tonnage and grades associated with the Zhongqu and Diebu gold projects were generated using Chinese Mineral Resource and Reserve Reporting guidelines. This reflects the projects being located within China and the project managers at the time reporting exploration and mining results to the Chinese Government. Due to the lack of original exploration and mining data, Ravensgate is unable to fully determine the consistency of the Chinese estimates with the December 2004 JORC Code guidelines (JORC, 2004). On this basis, readers should be aware that the Chinese estimates therefore cannot be reported as "Mineral Resources" or "Ore Reserves" under the JORC Code guidelines. The JORC Code guidelines are binding on companies reporting exploration results (e.g. Exploration Targets or Mineral Resources) on the Australian Securities Exchange (ASX). Whilst Ravensgate considers that the mineralisation estimates generated for the Zhongqu and Diebu Projects do provide a reasonable reflection of the tonnage and grade of mineralisation, there is no guarantee that re-classification from Chinese to Australian Mineral Resources will occur in the short-term or at all.

1.4 Principal Sources of Information

This review is based on the information provided by the current title holders, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area. Ravensgate has carried out, to a limited extent, its own independent assessment of the quality of the geological data. The status of agreements, royalties or tenement standing pertaining to the assets was, however, not investigated and Ravensgate was not required to do so. This report is based on public information, some of which was supplied by Red Mountain, or publicly sourced data.

Ravensgate carried out a site visit and Project Technical Assessment on the 15th and 16th of March 2011 at the Zhongqu Gold Project. Mr Craig Allison, Geological Consultant for Ravensgate accompanied Mr Bruce Harris, Independent Consulting Geologist for a mine site visit to Zhongqu Xinqu underground mine and discussion with Mr Shen Yanmou, Senior Geologist for Xuanrui. The general area around Zhongqu was inspected, surface exploration (e.g. trenches) sighted, an underground mine tour conducted and exploration/mine plans and sections inspected and discussed. Mill facilities were sighted, although non-operational at the time. Ravensgate is of the opinion that on limited review, the site visit reasonably covered all significant areas for the purpose of this report. A site visit to the nearby Diebu project was prevented by heavy snow. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made without including a site inspection on the nearby Diebu Gold project and is of the opinion that while a site visit would have been useful, no significant additional benefit would have been gained through a site visit to the Diebu area at this stage.

The authors have endeavoured, by exercising reasonable due diligence along with other associated enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based. Red Mountain was given a final draft of this report and requested to identify any material errors or omissions prior to its ultimate lodgement.

1.5 Competent Person Statement

The information in this report that relates to Exploration Results, Exploration Targets or Mineral Resources is based on information compiled by Mr Craig Allison, who is a member of the Australian Institute of Mining and Metallurgy. Mr Allison is a full time employee of Ravensgate Minerals Industry Consultants where he holds the title of Principal Consultant. Mr Allison has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Revision of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code Dec 2004) and the VALMIN Code 2005. Mr Allison consents to the inclusion in this report of the matters pertaining to Exploration Targets and Mineral Resources in the form and context in which it appears. Mr Allison accepts responsibility for the accuracy of the information disclosed relating to the requirements for Non-JORC code 'compliant' historical and foreign reporting as detailed in ASX Company Update 11/07 (Section 2.5.1 – Item 10). In Ravensgate's considered opinion this report is consistent with the guidance contained in ASX Companies Update (Update No 11/07) and also Companies Update no 05/04 (25 March 2004).

1.6 Consent Statements

Consent was obtained for the reference to technical reports produced by Independent Consulting Geologist, Mr Bruce Harris, which may not be in the public domain. This consent is provided subject to the inclusion in the Independent Geological Report (IGR) that Mr Bruce Harris has not authorised or caused the issue of the Independent Geological Report and makes no representations or warranties, either express or implied, with respect to the completeness, accuracy or otherwise of the information contained in the Independent Geological Report.

1.7 Background Information

Red Mountain is an unlisted public minerals resource company which was incorporated in 2006. They have acquired the rights to a portfolio of exploration properties in China which are at various stages of exploration and underground mining. Red Mountain proposes to raise $8.0 million by way of a placement of shares through an initial public offering (IPO). The reader is referred to the Solicitor's Report which is included in this Prospectus for a summary of the tenement status.

Red Mountain has two projects located in China within the Gansu Province. The capital of the province is Lanzhou city in the south-east of the province. The Gansu province has a population of 26 million people (2009) consisting of Hui Chinese, Shaaxi and Tibetans. Refer to Table 2 for the tenement details and Figure 2 for project locations.

Table 2 Red Mountain: Granted Tenement List by Project

Project	Tenement	Area (km^2)	Status
Zhongqu - Xiaruo, Xinqu, Zhongqu	Mining lease No. 6200000710008	7.19	Granted (expiry January 2013)
Diebu - Kama	Exploration License No. 62220081002036800	2.80	Granted (expiry October 2012)
- Heba	Exploration License No. 62120080202032731	4.27	Granted (expiry February 2012)
- Qiaotou–Shari	Exploration License No. 62120090802036809	36.99	Granted (expiry August 2011)

1.8 Regional Geology

Red Mountain's projects are located within the Qinling Fold Belt, a mobile belt which lies between the Huabei (North China) and Yangtze Precambrian cratons. A number of gold deposits are located within this mobile belt gold over an area of approximately 750km by 200km.

The geological history of the fold belt can be divided into three main phases (Shicai, 2000):

1. Formation and development of a Precambrian basement in the Late Archaean-Palaeoproterozoic (3.0–1.6 Ga).
2. Plate evolution (0.8–0.2 Ga) – During the Devonian the Qinling microplate was separated from the Yangtze plate, lying on a passive continental margin. The microplate went from a compressional to an extensional regime resulting in the formation of three sedimentary basins, a rift basin in the micro-plate, a constrained ocean basin in the south and a residual ocean basin resulting from collision on the northern margin.
3. Intracontinental orogeny and tectonic evolution in the Mesozoic.

Shicai, 2000, notes that Sedex-type massive Pb-Zn-(Cu)-Ag deposits formed in Devonian basins. Many sediment hosted disseminated gold deposits and sedimentary type Pb-Zn-Hg-Sb (Au) deposits formed in Triassic rift basins. The constrained ocean basins and residual basins of the Qinling micro-plate gave rise to the formation of many ductile shear zone-related gold deposits. Many of the gold deposits, (for example the Longshan, Ertaizi, Maanqiao, Shuangwang, Baguamiao, Pangjiahe, and Anjiacha gold deposits) are associated with the east trending Lixian-Baiyun-Shanyang suture, which is considered to be the boundary between the Yangtze and Huabei cratons.

According to Peters et al, 2002 the west Qinling fold belt is part of the area referred to as the "northern golden triangle". The Qinling fold belt within the Gansu Province contains sedimentary hosted gold mineralisation. These also form part of a Au-As-Hg-Sb metallogenic zone that extends from Nima in Maqu County, Gansu Province to Manaoke, Namping County, Sichuan Province. Permian and Triassic carbonate and clastic rocks also host Hg-bearing sedimentary-hosted gold deposits in the area. The west Qinling fold belt can be divided into three lithotectonic sub-belts from south to north and stratigraphically into western and eastern areas. Sedimentary hosted gold deposits are commonly hosted in late Paleozoic and early Triassic sequences comprised of fine-grained clastic rocks, subvolcanic rocks, ophiolite, ferruginous dolomite, debris-bearing quartz-greywacke and carbonaceous rocks. Igneous rocks are most often Mesozoic granite porphyry dykes, as are observed in the Laerma and Lianhechun gold deposits or diabase dykes at the Qiuluo deposit. At the Pulongba gold deposit, Palaeozoic mafic rocks are present. The development of the post-Triassic Indonesian trough in the Himalayan orogeny resulted in the formation of west-northwest, northwest and northeast striking faults and folds. Mineralisation in many projects is controlled by regional structures such as the Maqu-Lueyang fault. The stratigraphy for the West Qinling Fold Belt is summarised in Section 6, Table 20.

Sedimentary-hosted micron-size gold deposits (Carlin-type deposits) (after Robert et al, 1997)

The deposits in the West Qinling Fold Belt display many features characteristic of Carlin-type gold mineralisation. These deposits occur in continental platform and shelf carbonate and carbonate-argillite facies that have been overprinted by regional thrusting, extensional faulting and felsic plutonism. The host rocks are mostly carbonates of Palaeozoic age, but may also be clastic sedimentary rocks, greenstones and infrequently granitoid stocks. Mineralisation consists of disseminated very fine-grained pyrite overgrown by arsenian pyrite rims containing sub-micron grain-size gold inclusions. Orpiment, realgar, cinnabar and stibnite are common accessory minerals. The Au:Ag ratios of the ores are highly variable but typically less than one. Decalcification and silicification (jasperoid) of carbonate rocks are typically associated with ore, and may be surrounded by zones of argillic and sericitic alteration.

Figure 2 Locality Map of Red Mountain Projects

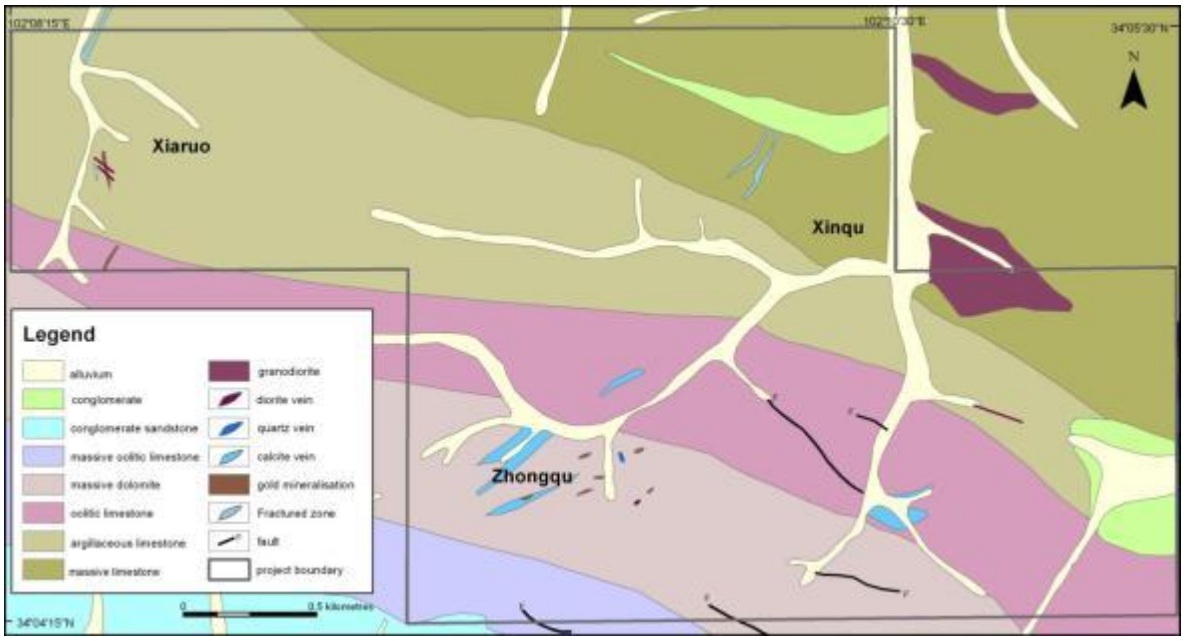
2. Zhongqu Gold Project

2.1 Location and Access

The Zhongqu Gold Project is located within both the Luqu and Maqu Counties of the Gansu Province, in the northwest of China. The Gansu Province is bordered by Mongolia, Inner Mongolia, and Ningxia to the north, Xinjiang and Qinghai to the west, Sichuan to the south, and Shaanxi to the east. The Yellow River passes through the southern part of the province via the town of Lanzhou. The project is located 259km southwest of Lanzhou and can be reached from Lanzhou via a 380km journey on sealed roads. Lanzhou city forms a regional hub with a domestic airport and industrial support for exploration and mining.

The project area has an exploration field season of six months from April to September as the project area experiences winters with severe temperatures dropping to -20^{o}C and heavy snowfalls. Underground operations can be undertaken all year round and are only halted during severe snow storms. Site telecommunication services are available at Zhongqu mine as well as electric power in domestic 220V and industrial 3-phase 380V, bore water is also available. Supplies are trucked in on demand from Maqu Town (approximately 11.5kms from the mine site). The last kilometre travelled to access the mine and mill is along gravel roads. The mine and mill sites are separated by approximately 5 kilometres of sealed roads.

Figure 3 Locality Map of the Zhongqu Project



2.2 Tenure

The Zhongqu project is comprised of one granted mining lease with a total area of 7.19km^2. Three auriferous sub-areas have been identified to date within the mining lease. These gold-bearing areas are known as the Zhongqu, Xinqu and Xiaruo Areas respectively (Figure 3). The mining lease is owned by Xuanrui. The mining lease permits mining operations at all three projects however the right to explore land in China must be negotiated with the villages affected by the exploration. Xuanrui have indicated that they have negotiated land use rights with the local inhabitants. The

mining lease details are presented in Table 2 and in Figure 3. The project is located in mountainous terrain with elevations between 3,700 to 4,100m.

2.3 Geology and Mineralisation

The Zhongqu Project is located in the western part of the Qinling Fold Belt with regional geology consisting of Permian and Triassic shallow water marine carbonates and siliclastic lithologies. These units dip gently to the south west and have been intruded by granodiorites. Irregular mineralised lodes which pinch and swell, and have a strike length and down dip length of up to several hundred metres have been identified in the area as gold bearing. Mineralisation width varies from narrow <1m veins (e.g. Zhongqu Area, Mineralised Lode Au-2) up to 35 metres of sheared and silicified breccia (e.g. Xinqu Area, Mineralised Lode MAu-3). Minerals that have been identified include haematite, native gold, pyrite, electrum, arsenopyrite, stibnite, cinnabar, realgar, orpiment, native silver and magnetite. Gold mineralisation is fine grained and overall sulphide percentage is low.

At Zhongqu the alteration observed is predominantly silicification of carbonates. Secondary haematite and clay alteration occurs along the fractured carbonate / granodiorite contact as a result of oxygenated and acidic ground water overprinting primary alteration. Minor dissolution cavities were noted in the carbonate at underground workings at Xinqu. The mineralisation style suggested by the presence of the chemical association of Au-As-Sb-Hg is a structurally controlled sedimentary rock hosted gold mineralisation (SHRG). This structurally-controlled, sedimentary-rock (SHRG) hosted style of mineralisation is consistent with other SHRG deposits identified in the Western Qinling Fold Belt. The presence of electrum and native gold has been reported and this is thought to be the result of supergene alteration.

The best mineralisation at Xinqu occurs in both granodiorite and limestone along the west northwest-striking contact, possibly representing a favourable mineralisation site due to a competency contrast in lithology and strong structural control (e.g. dilational jogs). Mineralisation in limestone is characterised by silicification, brecciation, ferruginous fracture fillings and calcite veins. No skarn alteration was observed. Mineralisation in granodiorite is characterised by oxidation, is haematite and clay rich and extensively decomposed in places.

Table 3 Geology and Mineralisation Characteristics

Area	Characteristics
Zhongqu	Gold mineralisation is hosted within the carbonates and is structurally controlled by fractures which cross cut the Permian carbonate rocks.
Xinqu	Gold mineralisation cross-cuts Permian carbonate rocks and is associated with the granodiorite at depth. Mineable widths are found where dilatational jogs occur on the faulted contact between carbonates and granodiorite.
Xiaruo	Gold mineralisation parallel to granodiorite dykes.

2.4 Exploration History

The project has been initially explored by the 3rd Brigade and subsequently by the current owner Xuanrui. Their programs are summarised in Table 4 below. A review of historical exploration and mineralisation identified by the 3rd Brigade is outlined in Section 2.4.1 below.

Table 4 Zhongqu Project: Exploration History		
Date	**Company**	**Findings**
-2002	3rd Brigade	Conducted regional stream geochemical surveying. Undertook trench work on a 40-80m grid interval over encouraging mineralisation, short tunnels and limited drilling. One drillhole was completed at Xinqu and six drillholes at Zhongqu (targeting Mineralised Lodes Au-1, Au-2 and Au-3). Compiled Chinese mineralised estimates for 25 mineralised bodies over three areas of interest (Zhongqu, Xinqu and Xiaruo Areas), under the Chinese Resource classification system.
2002 - current	Xuanrui	Underground drives were driven and mining was undertaken with the aim of developing depth extensions to the previously defined resources. Further estimations of gold mineralisation were undertaken under the Chinese classification systems.
2009	Red Mountain	Commissioned Mr B. G. Harris to compile a Due Diligence report for the project. The scope of works for the report during 2009 was to carry out due diligence and assess mine workings, mineralisation controls, exploration potential and remaining mine prospectivity. Underground visits examined mineralisation trends. An underground drilling exploration program was developed as an outcome of the review at Xinqu. Field reconnaissance and desktop reviews confirmed project geology and the occurrence of historical exploration. No specific sampling relevant to the Chinese estimates in Table 12 was undertaken and no re-generation of the Chinese estimates was carried out post 2005 by Mr B. G. Harris.

Figure 4 View of the Zhongqu surface workings as well as exploration trenches

2.4.1 Summary of Exploration and Initial Mineralisation identified by 3rd Brigade

The 3rd Brigade submitted exploration reports for each area in 1991, 1997 and 1998 respectively. Additional work lead to the submission of a further and final evaluation report in 2002. This report noted the occurrence of 25 distinct lodes of mineralisation over the three areas. A summary of the results is presented in Table 5 below. Only mineralised lodes with Chinese mineralisation estimates (Table 1 and repeated in Table 12) have full details listed. Geological characteristics of all mineralised lodes are listed within Table 6. Geological inspection has noted that the majority of mineralisation listed within Table 6 is moderately to steeply dipping towards the north-west.

Surface exploration utilised deep trenching (2-4m deep on high side) to provide information on mineralisation extents (e.g. Zhongqu Deposit Area Au-1 and Au-9). Surface topography is mountainous with near-surface subcrop, thereby allowing exploration trenching to readily identify mineralisation trends within fresh rock (Figure 4). The 3rd Brigade also conducted diamond drilling of the Zhongqu Au-1, Au-2 and Au-3 mineralised lodes (e.g. drillhole ZK1146) to more accurately determine mineralisation depth and extents. The drilling also improved understanding of regional geology and mineralisation trends. More lightly explored mineralised lodes appear to feature an assumed extrapolation depth of 80m. This may be reasonable where the extrapolated depth is below half the determined length of mineralisation as suggested from limited drillhole results at other mineralised lodes.

The Xinqu exploration area is located approximately 1 kilometre north-east of the Zhongqu exploration area. In addition to trench work, 3rd Brigade tunnel PD1 and diamond drillhole ZK1961 provided important information on mineralisation controls. The Xiaruo exploration area is located 3 kilometres east from the Xinqu exploration area. Geological reports from the 3rd Brigade noted the structural controls at Xiaruo were similar to Zhongqu and Xinqu deposit areas. The 3rd Brigade defined three mineralised bodies at Xiaruo on the basis of surface exploration trench-work and two drift channels (underground adits).

Table 5 Summary of mineralised lodes in the Zhongqu district by exploration area (based on 3rd Brigade exploration as at 2002)

Lode Area	Lode No.	Note	Length (m)	Depth (m)	Thickness (m)	Average Grade (g/t)	Lode Dip & Dip Direction	Location
Zhongqu	Au-1	Banded	219	389	4.45	6.90	345<75	Surface
	Au-9	Banded	130	106.5	4.43	15.42	340<88	Surface
Xinqu	Au-1	Banded	186	66	6.24	13.48	320°∠55°	Surface
	Au-3	Banded	140	80	4.85	4.19	295°∠60°	Surface

Note: The mineralised lode numbers refer to the location of noted mineralisation. The 3rd Brigade used a cut-off grade of 1g/t gold (Au). A total of 25 lodes were identified, only mineralised lodes with Chinese mineralisation estimates (Table 1 and repeated in Table 12) have full details listed.

Table 6 Summary of historical mineralised lodes in the Zhongqu district by exploration area (based on 3rd Brigade exploration as at 2002).

Lode Area	Lode No.	Geological Characteristic	Lode Dip & Dip Direction	Location
Zhongqu	Au-1	Banded	345<75	Surface

Table 6 Summary of historical mineralised lodes in the Zhongqu district by exploration area (based on 3rd Brigade exploration as at 2002).				
Lode Area	**Lode No.**	**Geological Characteristic**	**Lode Dip & Dip Direction**	**Location**
	Au-2	Banded	328<70	Buried
	Au-3	Banded	342<65	Buried
	Au-4	Banded	328<70	Surface
	Au-5	Veined	327<70	Surface
	Au-6	Ellipsoid	350<75	Surface
	Au-7	Veined	270<88	Surface
	Au-8	Veined	340<75	Surface
	Au-9	Banded	340<88	Surface
	Au-10	Banded	340<88	Surface
	Au-11	Banded	340<88	Surface
	Au-12	Veined	340<88	Surface
	Au-13	Banded	335<88	Surface
	Au-14	Veined	340<80	Surface
Xinqu	Au-1	Banded	320°∠55°	Surface
	Au-2	Banded	320°∠55°	Surface
	Au-3	Banded	295°∠60°	Surface
	Au-4	Banded	295°∠60°	Surface
	Au-5	Banded	320°∠55°	Blind
	Au-6	Banded	320°∠55°	Blind
	Au-7	Banded	320°∠55°	Blind
	Au-8	Banded	320°∠55°	Blind
Xiaruo	Au-1	Banded	295°∠68°	Surface
	Au-2	Banded	294°∠82°	Surface
	Au-3	Banded	292°∠80°	Surface

Ravensgate has carried out a review of the Chinese 3rd Brigade Exploration approach with comments listed below in Table 7. The review comments are made in reference to Table 1 of the JORC code. Ravensgate understands the 3rd Brigade would have taken a systematic and progressive approach to exploration for each mineralised lode, using a more prescriptive exploration approach compared to Australian exploration. For example the 3rd Brigade sample spacing and depth extrapolation of surface data may follow prescribed rules from government bodies (dependent on mineralisation style). However, in Australia the exploration approach and subsequent Mineral Resource classification from successful exploration is applied at the discretion

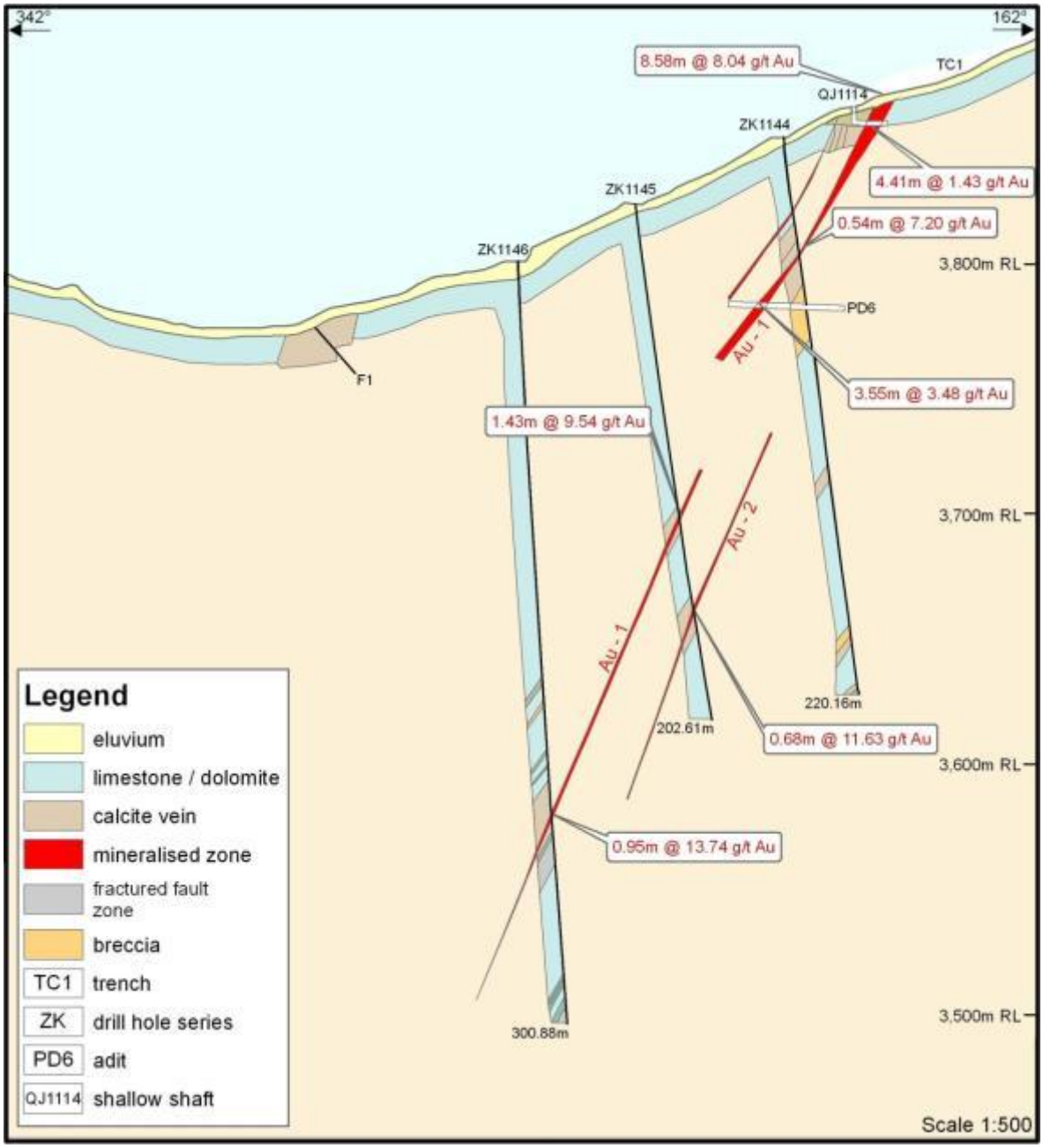
of a Competent Person who provides a sign-off on the estimate (as opposed to a government body in China). A prescriptive Chinese approach has the benefit in that no short-cuts can be taken however provides lower flexibility for geological and grade variability on a deposit by deposit basis.

Table 7 Observations on and regarding the 3rd Brigade Exploration Approach relative to Table 1, JORC 2004	
Geological Mapping and Interpretation	➢ The terrain consists of steep hills and generally shallow weathering. Zhongqu, Xinqu and Xiaruo are located on the southern side of the Zhongqu anticline with strata striking 290-300^{o} at a dip of 40-65^{o} towards south-west. ➢ The regional Maqu-Nanping Fault and Zhongqu-Dashui Fault (NW-NNW strike, dipping 50-70 degrees NE) is noted as a significant source and control on gold mineralisation. District and local-scale lithology and structures were recorded for Zhongqu, Xinqu and Xiaruo exploration areas. Geological and exploration maps and sections were drafted. Hematisation, silification and granodiorites in NNE striking fracture zones were also noted in association with gold mineralisation. ➢ Structural control has a large influence on mineralisation geometry. Granodiorite dykes associated with gold mineralisation strike NNE and NNW at Zhongqu, NNW at Xiaruo and NW at Xinqu. ➢ Target geochemical signatures developed from Au, Hg, As, Ag and Sb geochemical results. ➢ Mineralisation boundaries noted as undulating along strike and down-dip with overall en echelon shape. Gold is fine-grained (i.e. generally not visible) and greatest where intensely hematised/silicified. ➢ **LOW – MODERATE RISK (Representing Exploration to Mine Scale)**
Sampling Techniques and Sample Collection	➢ Exploration protocol for stream sampling, trenching, adits or drifts and minor drilling appears consistent on brief review (although not specifically documented). ➢ Regional stream sampling successfully lead to identification of gold mineralisation. ➢ Inspected trenches were well constructed at 2-3m deep into the side of hills. Trenching appears systematic and on 40-80m intervals over mineralisation. Sample collection technique is unknown. ➢ Short exploration adits or drifts have been carried out. Sample collection technique is unknown but thought to be rock chip sampling on continuous sample lines at nominal 1m intervals. ➢ Minor diamond drilling has been undertaken at Zhongqu, Xinqu and Xiaruo. Drillhole depth intersecting blind mineralisation is 160-200m. The method of core sampling is unknown however the sample interval in sections is 0.23m to 1.3m on nominal 1m intervals. No core was sighted. For Zhongqu area only one main section of drilling is known (Figure 5). Drilling was sub-vertical against moderately-steeply dipping mineralisation and some downhole survey is evident in section. ➢ Survey control is considered reliable for the location of data points. This is demonstrated by an Xuanrui adit which intersected a 3rd Brigade drillhole at Zhongqu. Ravensgate understands topographic contour maps are held by the 3rd Brigade however these were not sighted by Ravensgate. Given the mountainous terrain, suitable

Table 7 Observations on and regarding the 3rd Brigade Exploration Approach relative to Table 1, JORC 2004	
	topographic contour maps will be a requirement for further exploration. ➢ **LOW – MODERATE RISK**
Sample Analysis and QAQC	➢ The method of 3rd Brigade gold and geochemical assay is unknown. ➢ No records of Quality Assurance / Quality Control (QAQC) for assay data are known. ➢ **MODERATE RISK**
Estimation techniques and conclusions	➢ The Chinese 3rd Brigade tonnage and grade estimates are understood to be constructed from a default bulk density multiplied by mineralisation envelope volume (interpreted or extrapolated envelope length x width x depth). ➢ Some individual results are plotted on sections and indicate the compiled gold grades could be plausible and without translation error. ➢ Mineralisation envelope is based on geological mapping, surface trenches, underground exploratory adits and minor diamond drilling from surface. ➢ Bulk density of 2.65 or 2.60 would appear reasonable for non-weathered carbonate or granitoid rocks. ➢ The estimation of the grade average for each mineralised lode or the method of dealing with high-grade outliers is unknown. ➢ It is possible that a minor correction for mineralisation dip may have been applied. ➢ It is thought that local and 3rd Brigade mining (at the time of reporting in 2002) would only be minor and of an exploratory mining nature. ➢ **MODERATE RISK (Reflected in Chinese Resource Classification)**

In summary Ravensgate considers the Zhongqu Chinese Resources estimated by the 3rd Brigade to be of good standard sufficient for further compilation and reporting, subject to the inherent risks and positive features identified in Table 7.

Figure 5 Cross-Section of surface trenches, underground tunnels and drilling for gold mineralised lodes Zhongqu Au-1 and Zhongqu Au-2.



2.5 Gold Mineralisation

2.5.1 ASX Companies Update 11/07 regarding Historical estimates and foreign resource and reserve estimates, currently not reported in accordance with the JORC Code

Ravensgate has considered ASX company update 11/07 on reporting foreign resource and reserve estimates in undertaking the task of compiling relevant gold mineralisation by mineralised lode (ASX, 2007). The mineralised tonnes and grade were compiled on the post-1999 Chinese New Mineral Resource Classification System with a final comparison undertaken to the Australian Mineral Resource Classification system. This reflects Red Mountain listing on the Australian Securities Exchange (ASX) where listing companies are bound by the Australian Mineral Resource

Classification standards and guidelines (JORC, 2004 and VALMIN, 2005). In Ravensgate's considered opinion this report is consistent with the guidance contained in ASX Companies Update (Update No 11/07) and also Companies Update No 05/04 (25 March 2004).

2.5.1.1 Comparison between Chinese and Australian Mineral Resource Classification and Reporting

The Chinese Mineral Resource Classification was updated in 1992 after being initially developed in 1954. This classification tends to be referred to as the Old Chinese Mineral Resource Classification. In 1999 a revised Chinese Classification Scheme was introduced (referred to as the New Chinese Mineral Resource Classification Scheme). All Chinese Mineral Resources discussed above for Zhongqu refer to the New Chinese Mineral Resource Classification Scheme. The post-1999 Chinese classification is reproduced below in Table 8. An approximate relation to the Australian Mineral Resource Classification Scheme is also presented below in Table 8. In reality there is some blurring of the translation between the two classification schemes. A particular Chinese Mineral Resource classification does not automatically transfer directly to the corresponding Australian Mineral Resource classification. This is caused by a fundamental difference between the two classification schemes where the Chinese Mineral Resource classification is prescriptive and based on government standards for each mineralisation style while the Australian Mineral Resource Classification is based on the judgement of the Resource Competent Person based on geological information relating directly to the project under consideration. For example surface geological data (e.g. exploration trenches) may be projected to a prescribed depth by mineralisation style under the Chinese system.

Table 8 Chinese Mineral Resource/Reserve Classification (after Stoker, 2009 & Bucci et al, 2006)

Australian Classification of Mineral Resource and Exploration Targets (JORC, 2004).		**Measured**	**Indicated**	**Inferred**	**Exploration Target**
Note the equivalent Chinese and Australian Mineral Resource for each column is theoretical and approximate with an evaluation required on a deposit-by-deposit basis.					
New Chinese Classification of Reserves and Resources.		**Discovered**			**Undiscovered**
		Measured	Indicated	Inferred	Predicted
Viable Economics (1xx series)	Feasibility Study Level	111			
		111 b			
	Prefeasibility Study Level	121	122		
		121 b	122 b		
Marginally Economic (2Mxx series).		2M11 2M21	2M22		
Sub-Economic (2Sxx series).		2S11 2S21	2S22		
Intrinsic Economic (3xx series: no economic analysis conducted).		331	332	333	334

Note the New Chinese Resource Classification is based on a 3-part code of economic viability, level of study and level of geological knowledge. In general a deposit starts at a '334' classification code of low geological and economic confidence. Deposits with a low '111' classification code reflect progressive and successful studies demonstrating economic viability for mining and relatively higher geological confidence.

2.5.2 Zhongqu Project Gold Mineralisation by Exploration Area

The Zhongqu project contains three current exploration and mining areas of interest which are repeated as below:

1. Zhongqu Area:- exploration area investigated mainly by 3rd Brigade;
2. Xinqu Area:- exploration area investigated mainly by 3rd Brigade and also the current area of underground mine operations by Xuanrui; and
3. Xiaruo Area:- exploration area investigated mainly by 3rd Brigade.

Each area features multiple lodes of auriferous mineralisation identified from exploration and mining. Exploration was initially carried out by the 3rd Brigade with further exploration and subsequent development carried out by private operators Xuanrui. Some shallow mining has also been carried out by local mining operators and the 3rd Brigade.

The current project operators (Xuanrui) do not have a recent table (post-2005), describing the remaining mineralised tonnes and grade by mineralised lode. To further complicate the issue of defining remaining mineralisation, Xuanrui has undertaken significant underground mining activities at two gold mineralised lodes at Xinqu. It is also known that other mineralised lodes have had some surface and exploratory underground mining by local mining operators, the 3rd Brigade and the project operators Xuanrui. Ravensgate has compiled a sequence of the generation of Chinese mineralised estimates for initially the 3rd Brigade and later Xuanrui. Relevant gold mineralisation has then been compiled based on exploration and mining activities and mineralised lodes have been excluded where thought to be mined out.

- Mineralised lodes identified by the 3rd Brigade which have not been mined or have minor surface mining;
- Mineralised lodes identified by the 3rd Brigade which are mined out;
- Mineralised lodes identified by Xuanrui which are mined out;
- Mineralised lodes identified by Xuanrui which are remaining to be mined.

2.5.3 Summary of More Recent Mineralisation identified by Xuanrui

Xuanrui began exploration work in 2002 after reviewing the exploration work previously carried out by the 3rd Brigade. The work was carried out in two stages, an earlier exploration phase examining the potential for depth extensions to the mineralisation identified by the 3rd Brigade and a second phase of underground exploration and production which targeted newly identified mineralisation at depth. The exploration work used a control grid of 40m (section spacing) x 35m (vertical). The second phase of production was preceded by the discovery of the mineralised lode MAu-1 and the blind mineralised lode MAu-3 at depth at the Xinqu area. Ravensgate understands that the mineralised lodes MAu-1 and MAu-3 represented new and additional discoveries at depth at the time and has marked these mineralised lodes with an "M" to denote this. Exploration was dominantly carried out by underground tunnel exploration. The following comments on individual mineralised lodes were made by Zhou, 2005 and relate to Table 9 below. This table is a partial update on the 3rd Brigade results listed in Table 5. These estimation and Chinese classification results were finalised in mid-November 2005 and are based on the relevant Chinese regulations and the level of exploration work carried out.

Comments on Table 9:

- Xinqu Au-1 and MAu-1 Chinese 122b reserve (Table 9 below) are below the mineralisation (i.e. Xinqu Au-1) identified by the 3rd Brigade. Xinqu MAu-1 refers to a small blind mineralised lode discovered near North-South trending mineralisation in the No. 3 section of the original Xinqu mineralised lode Au-1 discovered by the 3rd Brigade. In addition the Chinese 333 resource (Table 9 for Xinqu Au-1) reflects a re-estimation of the original Xinqu Au-1 lode from more recent work carried by Xuanrui and also by local mining activities. The Chinese 333 resource thus reflects a combination of newly identified mineralisation estimates and re-estimation of mineralisation previously identified by the 3rd Brigade. Ravensgate understands that Xinqu MAu-1 was the initial focus of underground production and has been mined out. It is also thought that Xinqu Au-1 would have significant production from mining by the 3rd Brigade, Xuanrui and local miners and is considered to be mined out except near surface (i.e. Chinese Resource '333' in Table 9).
- Xinqu MAu-3 refers to a new discovery by Xuanrui and is separate to Xinqu Au-3 referred to by the 3rd Brigade. A Chinese reserve was developed by Xuanrui for Xinqu MAu-3 (Table 9). Mineralised lode Xinqu Au-3 was re-estimated based on the exploration results of a new exploration tunnel (exploration drive PD5). Ravensgate understands this is the current focus of mining with extensive workings developed on the 6th level as presented in Figure 6 (Xinqu MAu-3) and development extending towards the 7th level (approximately 35m below 6th level).
- Xuanrui conducted further infill exploration work on Zhongqu Au-2 and Au-9 which resulted in an upgrade in classification to a Chinese Reserve/Resource.
- No exploration work was carried out by Xuanrui on the Xiaruo mineralised areas with Xuanrui accepting the 3rd Brigade exploration work as representing mineralisation prospectivity. Ravensgate understands Xiaruo is considered to be mined out at the present time.

Figure 6 Xinqu 6th Level Assay Plan (after Harris, 2010).

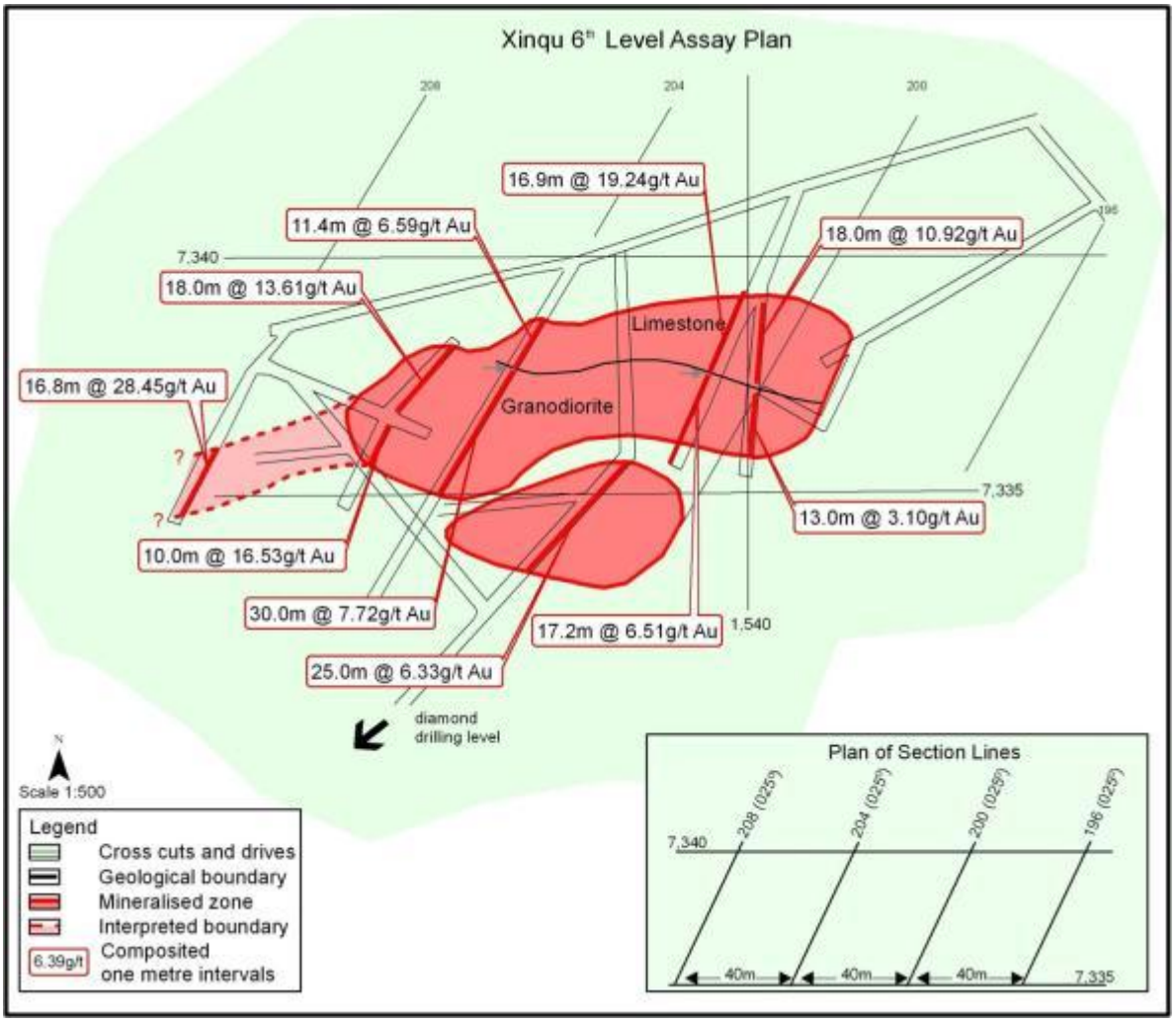


Table 9 Summary of Chinese gold mineralisation compiled by Xuanrui at mid-November 2005

Lode No	Chinese "Reserve"				Chinese "Resource"				Total	
	'122b'		'2M22'		'333'		'334'			
	Tonnes (kT)	Grade g/t Au	Tonnes (kT)	Grade g/t Au	Tonnes (kT)	Grade g/t Au	Tonnes (kT)	Grade g/t Au	Tonnes (kT)	Grade g/t Au
Xinqu Au-1	280.8	6.41			520.8	4.08			801.6	4.90
Xinqu MAu-1	9.7	12.21							9.7	12.21
Xinqu Au-3					20.9	4.01	124.7	4.01	145.6	4.01
Xinqu MAu-3	572.8	10.76	305.8	10.80	150.0	7.76	323.1	7.76	1,351.7	9.72
Zhongqu Au-2			70.6	5.06	3.3	3.00			73.9	4.97
Zhongqu Au-9	96.5	6.94	43.8	7.78					140.3	7.20

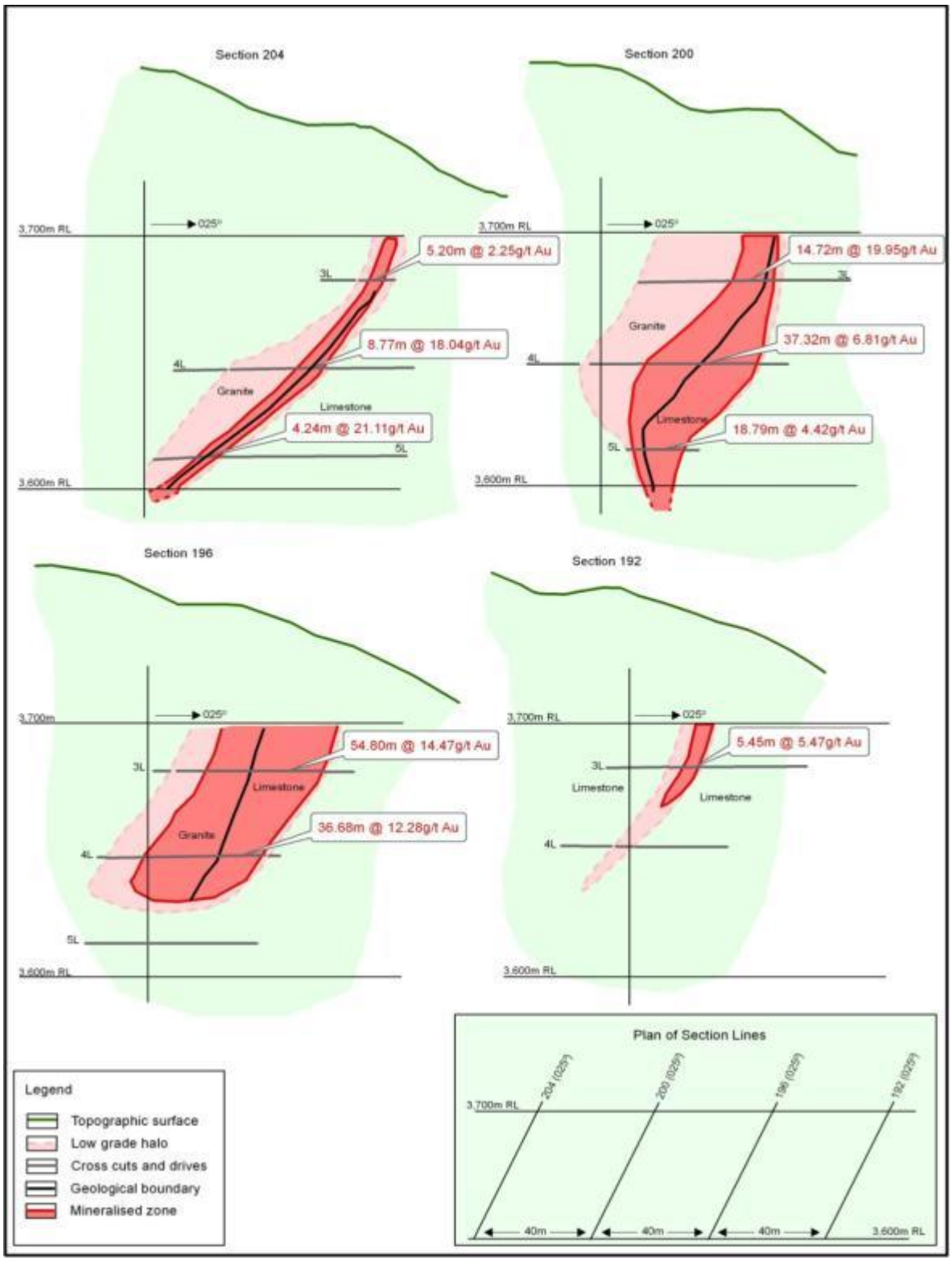
The reader is directed to Section 2.5.1.1 for a comparison between Chinese and Australian Mineral Resource Classification. Minor rounding errors may occur.

These estimations and associated Chinese classification results were finalised in mid-November 2005 and are based on the relevant requirements of regulations and the level of exploration work. Xuanrui undertook trial underground mining on the Xinqu Au-1 mineralisation from November 2004 with a production rate of approximately 100 to 125 tonnes per day. Trial mining was also undertaken on Xinqu MAu-3 mineralisation from March 2005. Mining activities were concentrated around "Exploration Section Line 3" with some exploratory mining and trenching carried out on "Exploration Section Line 4". In addition, mining was undertaken on the upper part of the Zhongqu Au-9 mineralisation. Xuanrui noted this mining expanded on local mining activities and that the mineralisation above Pit Gai-1 is virtually mined out. A summary of mined mineralisation is produced below in Table 10. Milling included 61,000 tonnes of tailings from previous local mining activities and mined metal was reported as reconciling in line with production data gathered from the processing plant (as at mid-2005). Ravensgate notes no reconciliation figures relative for tonnes, grade and metal were located post 2005. Xuanrui reported Xinqu MAu-3 is currently being mined and has been mined out above the 5th level (Figure 7).

Table 10 Summary of processed mineralisation at Zhongqu mine district by Xuanrui (as at mid-November 2005)					
Mineralised Lode	**Mine Depletion (tonne's)**		**Contained metal (kg)**		**Notes on grade**
Xinqu Au-1	145,500	244,200 (total)	994.4	1,932.5 (total)	Calculated 6.83g/t Au.
Xinqu MAu-3	50,500		561.8		Calculated 11.12g/t Au.
Zhongqu Au-9	48,200		376.3		Calculated 7.81g/t Au.
Tailings	61,000		183.0		Based on average grade of 3.0g/t Au
Total	**305,200**		**2,115.5**		

Note: Average grade calculated is 6.93g/t over 305,200 tonnes. Zhongqu mineralised lode Au-9 is considered to be partially mined out.

Figure 7 Exploration Line Sections of the Xinqu mineralised lode MAu-3 (or Au-3) which is currently being developed on the 6th level (after Harris, 2009). The mineralisation has been partly mined out above the 5th level.



Ravensgate has carried out a review of the exploration approach by Xuanrui with comments listed below in Table 11. The review comments are made in reference to Table 1 of the Australian JORC code (JORC, 2004). Ravensgate has assumed after brief review that exploration methodology reported for one mineralised area would have been applied consistently by the company in other nearby exploration areas.

Table 11 Observations on and Regarding Xuanrui Exploration & Grade Control Approach relative to Table 1, JORC 2004

Geological Mapping and Interpretation	➢ Geological features (e.g. lithology) are noted on sections and plans (e.g. mine plans). ➢ No geological 3D geometry models have been completed and these would be of benefit. ➢ No structural studies have been completed ➢ **LOW – MODERATE RISK (Exploration to Mine Scale)**
Sampling Techniques and Sample Collection	➢ Conducted infill exploration with the majority of historical exploration conducted via underground exploratory mining. Exploration aimed to verify and extend mineralisation noted by 3rd Brigade. Grade Control samples conducted on all drives intersecting mineralisation zones. Samples are collected on nominal 1m tape interval by rock chip sampling along mine walls. Sample weight of approximately 4kg. Sample lines are orientated from survey stations and plotted on map plans. All drives are surveyed and spacing of drives is 35m vertical. ➢ More recently Xuanrui conducted underground diamond drilling from the 6th level of Xinqu mineralised lode MAu-3. Section line spacing is 40m moving westward (e.g. #200, #204, etc. on strike of 25 degrees). A total of 3 holes completed along section with 1 in progress and a further 2 planned. Drilling was observed to consist of single-tube with no wireline or core barrel. Inspected core showed poor recovery, possibly more representative of brecciated rock rubble rather than more mineralised breccia infill. No records of sample recovery are known. This could well influence assay results despite the fine grained nature of gold mineralisation. Core samples split with chisel (due to poor recovery) or electric saw on surface. ➢ No surface diamond drilling or geophysics has been conducted. ➢ Survey control is considered reliable for the location of data points and a part of mine operations. A Xuanrui adit (No.4) intersected a 3rd Brigade drillhole at Zhongqu. There is thought to be a vertical collar error as mineralisation noted in the drillhole (Zhongqu Au-4) was not intersected. Ravensgate understands topographic contour maps are held by the 3rd Brigade however these were not sighted by Ravensgate. Given the mountainous terrain, suitable topographic contour maps will be a requirement for further exploration. ➢ **LOW – MODERATE RISK (Higher Risk on 2011 Drilling)**

Table 11 Observations on and Regarding Xuanrui Exploration & Grade Control Approach relative to Table 1, JORC 2004	
Sample Analysis and QAQC	➢ The method of gold assay is titration carried out by the on-site laboratory in a dedicated preparation and assay room. A laboratory assay procedure and equipment is in place (although of lower standard relative to Australian laboratories and not specifically documented). ➢ Sample weight is a nominal 4kg before drying and first-pass crush to 2-4mm. A grab sample is then taken for a final grind (ring grind of ~0.5kg). ➢ No records of Quality Assurance / Quality Control (QAQC) for assay data. The on-site lab noted one assay only is carried out for one sample. It is however possible reconciliation against the mill over time would fine-tune the method (assuming the mill result is correct). ➢ **LOW - MODERATE RISK**
Estimation techniques and conclusions	➢ The Xuanrui tonnage and grade estimates are understood to be constructed from a default bulk density multiplied by mineralisation envelope volume (interpreted or extrapolated envelope length x width x depth). Ravensgate has not audited the estimation procedure. ➢ Mineralisation envelope is based on geological mapping/sampling of underground drives and underground diamond drilling. Results are plotted on plan and sections. ➢ The Xuanrui mine geologist has been on-site for approximately 7 years and has good knowledge and experience with the mine geology and mining operations. ➢ Bulk density of 2.65 or 2.60 would appear reasonable for non-weathered carbonate or granitoid rocks. ➢ The estimation of the grade average for drives appears from back-calculation by Ravensgate to be based on length-based grade averages with no top-cut or other estimation controls. ➢ Mine to mill reconciliation was reported as reasonable but no records or reports were sighted. Production is quoted as in the order of 48kt/year which is reasonable against quoted mine haulage of 365kt/year. There is no available report of remaining resources or production records since 2005 however the 5th level and above is regarded as mined out with development currently active on the 6th level. ➢ **MODERATE - HIGH RISK (Reflecting a lack of post-2005 resource, mine production and mine schedule records. This comment primarily relates to current operations at Xinqu).**

In summary Ravensgate considers the Zhongqu Chinese mineralisation estimated by Xuanrui to be of good standard sufficient for further compilation and reporting, subject to the inherent risks and positive features identified in Table 11.

2.5.4 Compilation of Mineralisation relevant to Red Mountain Mining as at Mid-November 2005

Ravensgate has re-compiled the remaining mineralised estimates as at mid-November 2005 and as listed below in Table 12. No reports on reconciliation were sighted and there are no up to date Chinese mining reports to provide guidance. A conservative approach has been taken where no mined remanent areas have been compiled within Table 12 as underground ground collapse may

have occurred. Ravensgate, in consultation with Red Mountain, has elected to restrict Table 12 to where mineralised lodes were above 4g/t gold on average over 2 metres in mining width (economic parameters assumed for underground mining). Waste was assumed to be of nil grade for this analysis. No other restriction was placed on reported mineralisation with regard to mining method (apart from assumed underground mining) or milling method (apart from 1g/t gold cut-off as used by 3rd Brigade).

Ravensgate considers that there are no significant Chinese Mineral Resources which would relate to equivalent Measured or Indicated (higher levels of geological confidence) under the Australian JORC system classification system for Mineral Resources. Zhongqu deposit number Au-9 (Chinese Mineral Resource 122b/2M22 of 20koz) is relatively more explored for the quoted deposits in Table 12 and equivalent to an Indicated classification. Chinese Mineral Resources designated as '333' would represent the equivalent of Inferred. For example Zhongqu Au-1 has some 3-dimensional exploration information from surface trenches, underground drives and diamond drilling (Figure 5).

This analysis excludes Xinqu Deposit Au-3 at depth which appears to be depleted for upper levels (3,4 & 5) but is being developed on the 6th level. In addition a decline is extending to the 7th level below and underground exploration diamond drilling is testing the extents of mineralisation at depth. Unfortunately no Chinese Mineral Resources are available for this area post-2005. Ravensgate has therefore not been able to list any Mineral Resources, Chinese or otherwise for Xinqu Au-3 at depth.

Table 12 Historically reported Zhongqu Chinese Gold Mineralisation (as at November 2005) with Reference to Comparative Australian Mineral Resource Reporting Categories.

Project	Area & Lode No.	Tonnes (T)	Average Grade (g/t)	Metal Au (Oz)	Metal Au (t)	Chinese "Resource" Classification	Comparative Australian Resource	Explanation Note
Zhongqu Project	Zhongqu-Au-9 (All)	93,000	6.84	20,400	0.64	122b / M22	Indicated	The mineralised lode quantity and grade is the result of 3rd Brigade exploration to 2002. Subsequent Xuanrui exploration to 2005 reviewed the 3rd Brigade results and made no changes.
	Total	**93,000**	**6.84**	**20,400**	**0.64**	**122b / M22**	**Indicated**	**Sub-Total**
	Zhongqu-Au-1 (All)	1,088,000	6.90	241,400	7.51	333	Inferred	The mineralised lode quantity and grade is the result of 3rd Brigade exploration to 2002 with subsequent Xuanrui exploration and mine depletion to 2005.
	Xinqu-Au-1 (Near Surface)	521,000	4.08	68,300	2.12	333	Inferred	The mineralised lode quantity and grade is the result of initial 3rd Brigade exploration to 2002 with subsequent Xuanrui exploration and estimate update undertaken in 2005.
	Xinqu-Au-3 (Near Surface)	21,000	4.01	2,700	0.08	333	Inferred	The mineralised lode quantity and grade is the result of initial 3rd Brigade exploration to 2002 with subsequent Xuanrui exploration and estimate update undertaken in 2005.
	Total	**1,630,000**	**5.96**	**312,400**	**9.72**	**333**	**Inferred**	**Sub-Total**
ALL		**1,720,000**	**6.01**	**333,000**	**10.4**			**Combined Total**

Note: The comparison of the Chinese Resource Classification to the Australian Resource Classification is to solely examine differences. Ravensgate emphasizes a Mineral Resource 'compliant' with the current reporting guidelines of the Australian JORC code (JORC, 2004) has not been estimated. The compiled estimate was reported to an appropriate level of precision and minor rounding errors may occur. The compiled estimate is based on exploration and production initially undertaken by the 3rd Brigade and subsequently undertaken by Xuanrui. No significant exploration or mining activity has been undertaken since 2005 specific to these estimates. The Chinese mineral estimates are simply reported on a 100% ownership basis.

2.6 Exploration Potential

In summary Ravensgate considers the Chinese mineralised estimates listed in Table 12, although non-JORC and therefore un-classified for ASX reporting, demonstrate that there is gold-bearing volume of mineralisation within the Zhongqu mining lease area. Mineralised lodes listed in Table 12 reflect an estimate of gold mineralisation as at mid-November 2005 and are considered relevant and material as exploration prospects with high-priority potential for additional exploration to convert Chinese mineralised estimates to Australian Resources. The Chinese mineralised estimates supply material information relating to the conclusions of previous exploration and for providing direction on further exploration. This historical information adds to the project prospectivity as it demonstrates a significant accumulation of gold has been defined which warrants further specific exploration programs. Ravensgate notes the majority of the near-surface Chinese mineralised lodes are open at depth and would benefit from an exploration approach using modern techniques and drilling. Progressive underground exploration at depth has lead to the noteworthy mining of two blind lodes at the Xinqu area. Of these the deeper lode MAU-3 is still open for exploration at depth, although perhaps closed off along strike. In this regard extensional fault movement over a $5km^2$ area is known to have created structurally-controlled openings in the sediment package. These openings are recognised as favorable host sites for gold mineralisation. There is further exploration potential to find gold mineralisation along these dilational openings and structural studies will assist with targeting blind gold deposits not recognised near-surface. There are also good prospects for further discoveries of structurally-controlled, sediment hosted mineralisation in favorable stratigraphy.

The Chinese gold mineralisation estimates were initially compiled in 2002 by the 3rd Brigade and re-compiled (reflecting additional exploration) in 2005 by Xuanrui. Ravensgate has considered the nature of the historic exploration programs and estimation methodology (Table 7 and Table 11). In Ravensgate's opinion the Chinese mineralised estimates are approriate for the level of resource classification. There is demonstrated potential for the project to produce a Mineral Resource Estimate under the reporting guidelines of the JORC code (despite differences in Chinese and Australian resource classification and the lack of recent estimates post-2005). Additional verification work such as supplementary mapping and drilling would be required as a part of this exploration process.

Ravensgate considers that the Zhongqu Project can be classified as an active "Operating Mine" Mineral Asset where mining and milling has been commissioned and are in production. Xinqu has been the focus of underground mining to date. Other mineralised lodes at Xinqu and Zhongqu have been identified and are at various stages of exploration and geological knowledge. Ravensgate would however note that a Mineral Resource 'compliant' with the current reporting guidelines of the Australian JORC code (JORC, 2004) has not been estimated. Also there appears to be little long-term mine scheduling in place and as such it is not possible to comment on remaining mine life. Ravensgate would note that the Chinese mineral estimates identified in the preceding sections are not reported in accordance with the JORC code (The JORC Code - 2004 Edition), and it is uncertain that following evaluation and/or further exploration the Chinese resource will ever be able to be reported in accordance with the JORC code. In the case of this gold deposit, this reflects a requirement for a resource estimate and associated report detailing consideration of such check assessment items as referred to in Table 1 of the JORC code rather than specific modifying factor issues.

A gold Exploration Target has been estimated as a range for the Zhongqu Project based on the current geological understanding and exploration work programs to date. Ravensgate cautions the reader that the potential quantity and grade or quality of an Exploration Target is conceptual in nature and shows there has been insufficient exploration and work to define a Mineral Resource. Also, it is uncertain if further exploration and associated resource development work will result in the determination of a Mineral Resource. The Exploration Target has been derived from the following methodology:-

- A desktop review of geological and exploration information;
- Geological model of structurally-controlled, narrow-veined gold mineralisation;
- A polygonal estimate (average length x width x depth x average grade) was used to form the basis of the range;
- Information relating to nine mineralised lodes was compiled with only lodes showing above 4g/t gold on average over 2 metres in width being selected;
- The average strike length ranges from 40 to 160m;
- The following historical exploration data set was used in the polygonal estimate:-
    - Dominantly surface trenches.
- The maximum depth of extrapolation was 80m below information from surface trenches.
- A default bulk density of 2.6t/m^3 was applied for a mostly fresh, carbonate or felsic rock type;
- Due diligence by Red Mountain in 2009 did not specifically sample these Exploration Targets, therefore Ravensgate has utilised available 3rd Brigade and Xuanrui exploration information to derive the Exploration Target.

The Exploration Target estimated for the Zhongqu Project, Zhongqu and Xinqu Area as at May 2011, ranges from 400,000 to 550,000 tonnes at a grade of 7.0 to 9.5g/t Au. The exploration target is exclusive of the Chinese estimates within Table 12.

2.7 Exploration Strategy and Budget

Red Mountain intends to conduct exploration with the intention of bringing gold prospects at the Xinqu area into compliance with the JORC code within the first year of exploration (after listing on the ASX). Further and concurrent exploration would be carried out with the intention of bringing gold prospects in the Zhongqu area into compliance with the JORC code within the second year of exploration (after listing on the ASX). Funds raised from listing will be used for the purposes of exploration and development at Zhongqu. The Zhongqu and Diebu Project form the main projects for Red Mountain and as such, there will be no significant impact on assets devoted to other exploration projects. A staged exploration strategy is proposed for the Project comprising:-

- Conversion of hardcopy records into exploration software;
- Underground drilling at Xinqu;
- Geological mapping and Structural Studies;
- Field prospecting and trenches;
- Surface drilling and exploratory tunnels.

Red Mountain intends to undertake a systematic exploration approach with progressive work programs. Surface exploration would be scheduled to fit in with the exploration field season. The project is at an advanced stage of exploration at Xinqu and Red Mountain intends to drill test possible mineralisation extents below the 6th level. A dedicated underground exploration drill rig will carry out diamond drilling from exploration drill drives. Red Mountain has indicated that a sampling and assay procedure will be developed in-line with current Australian industry standards and samples will be sent to an off-site assay laboratory. Underground exploration will form the initial focus of a phased exploration program in Year 1 and a progressive exploration approach is planned for other identified lodes of mineralisation. Work programs in Year 2 will target follow-up of successful Year 1 results.

The proposed strategy builds on available data and geological interpretation, and should prove to be effective. Ravensgate considers that the proposed exploration program is consistent with the gold mineralisation potential and status of the project. Budgeted expenditure on the Zhongqu Project for Years 1 and 2, respectively, is considered consistent with the project's potential and is adequate to cover the costs of the proposed program. These allocations meet the current minimum annual statutory expenditure requirement for the granted tenements. A budget for exploration and development is presented in Australia dollars below (Table 13).

Table 13 Zhongqu Project: Exploration and Development Budget Expenditure ($A)			
Activity	**Year 1**	**Year 2**	**Total**
Project Acquisition	-	-	-
Geological Studies	222,000	145,000	367,000
GIS Modelling	10,000	15,000	25,000
Drilling Phase 1	311,000	319,000	630,000
Drilling Phase 2	360,000	340,000	700,000
Assaying	91,000	61,000	152,000
Total	**994,000**	**880,000**	**1,874,000**

3. Diebu Project

3.1 Location and Access

The Diebu Project is located near the Heba village in the Diebu County of Gansu Province. The project is located 347km south of Lanzhou the capital of Gansu Province and 88kms south of Minxian, the nearest centre for supplies. The project is accessed via a sealed road from Lanzhou to Minxian which takes approximately nine hours and then an 88km drive to the project which takes approximately two hours. Road conditions are variable depending on the weather.

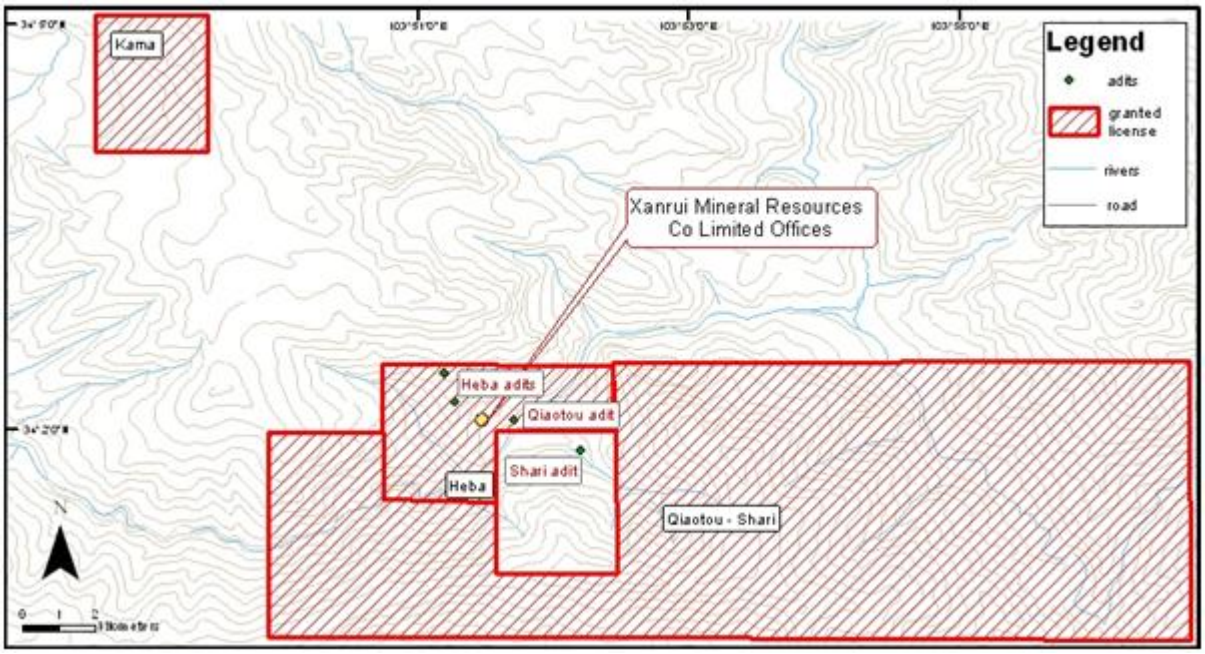
The project is located in mountainous terrain at elevations of 1,930 to 2,900m. The area was originally covered by pine forests which have now mostly been cleared. The bottom areas of the valley are narrow and flood-prone. The mountain sides are terraced in places and cultivated by villagers. Most crops grown are wheat, maize, vegetables and fruit. The project area has a field season of six months from April to September as the project area experiences winters with temperatures dropping to -20^{o}C and snow.

At the Diebu Project, telecommunication services are available at high elevations but relatively poor in the valleys. Electric power in domestic 220V and industrial 3-phase 380V is available at the Xuanrui base camp located in the Heba village as well as at the nearby Daozha exploration camp. Bore water is available at the Xuanrui base camp and spring water at the Daozha exploration camp. No services are available at Heba or Qiaotou-Shari. Supplies are trucked in on demand from Minxian and Diebu City.

3.2 Tenure

The Diebu Project consists of three granted exploration licences over the project area (44.1km^2 in total). The right to explore land in China must be negotiated with the villages affected by the exploration. Relationships have been established with the villagers and exploration/mining activities and villages have historically coexisted. Tenement details are presented in Table 2 and in Figure 8.

Figure 8 Diebu Project: Tenements, Location of Adits and Topographic Contours



3.3 Geology and Mineralisation

3.3.1 Regional Geology

Regional geology for the Diebu Project is presented in Figure 9.

3.3.2 Local Geology and Mineralisation

The mineralisation at the Diebu Project is structurally-controlled, sedimentary rock-hosted gold mineralisation (SHRG). This SHRG style of mineralisation is consistent with other SHRG deposits identified in the Western Qinling Fold Belt. The mineralisation is irregular over a length of 6.0km within the project area.

- Replacement gold mineralisation has been identified next to mineralised faults by Red Mountain Mining Limited.
- The mineralised zones dip towards the northeast into increasing elevations.

Figure 9 Deibu Project Regional Geology

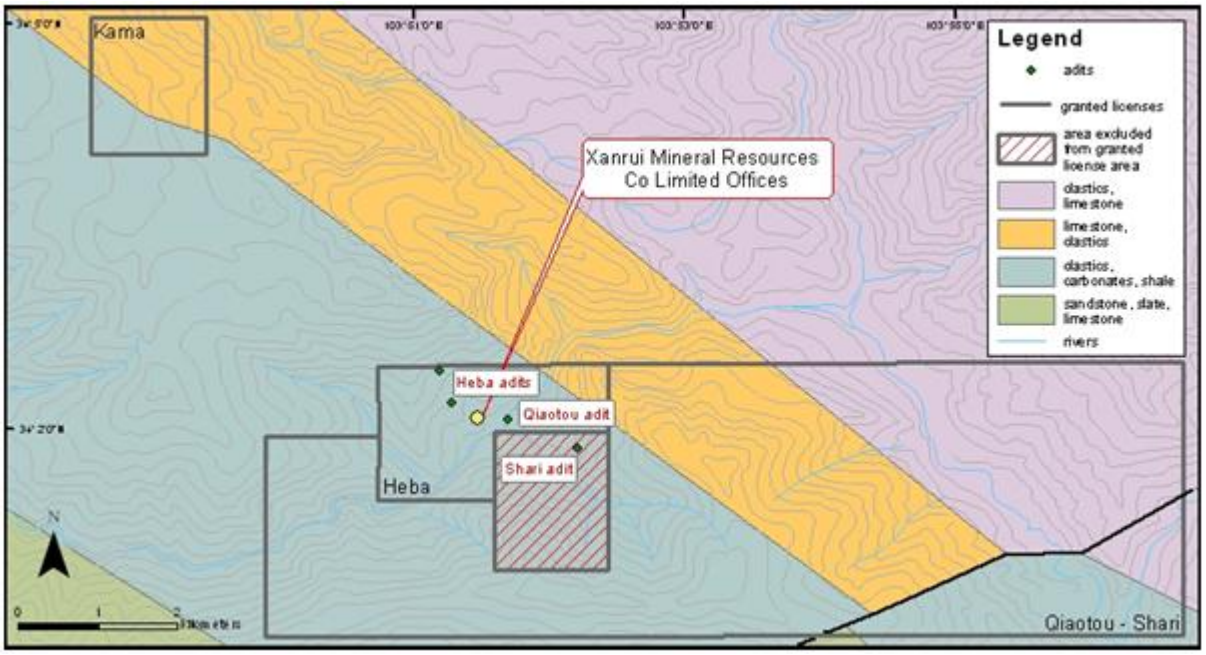


Table 14 Mineralisation Characteristics	
Mineralised zone	**Characteristics**
Kama	Arsenical pyrite-silica replacement of calcareous sediments and limestones is observed at waste dumps as well as an altered coarse to medium-grained intrusion. The 3rd Brigade reported low-level assay values for molybdenum for this area. This atypical geochemical signature indicates the presence of separate, igneous related mineralisation (Harris, 2008).
Qiaotou-Shari	The 3rd Brigade reported that the mineralised body was narrow and steeply dipping. Located on the Qiaotou-Shari licence accessed via the Shari Adit.

3.4 Exploration History

3.4.1 Exploration History by Date and Company

An exploration history of the Diebu Project is summarised in Table 15.

Table 15 Diebu Project: Exploration History		
Date	**Company**	**Findings**
1986	Bureau of Geology and Mineral Exploration	From a regional stream sediment survey 34 areas of interest were identified with respect to gold and mercury. The average gold anomaly values are from 6 to 29.4ppb Au. The average size of an anomaly is 1-3km^2 with 16km^2 being the largest. From this study it was confirmed that gold mineralisation occurs at Jiuyuan, Pingding, Heiyugou, Luoda, Ningninggou, Heiduosi, Daozha, Heba and Chabu.
1987-2002	3rd Brigade	A rock chip sampling survey was undertaken. The results returned for gold, mercury and antimony in carbonate systems were anomalous in terms of the Clarke value as follows: Au values were 2x Clarke (4ppb), Sb was 57x Clarke (0.2ppm) and Hg was 96x Clarke (0.08ppm).
2002-	Xuanrui	Development of Adit and underground workings at Heba.
2008	Red Mountain	Commissioned Mr B. G. Harris to compile a Due Diligence report for the project. The scope of works for the report during 2008 was to investigate project geology, mineralisation style and confirm the previously reported mineralisation extent and assay results. With the exception of Kama, all previously mined and prospected sites were visited and grab samples taken. At inaccessible underground sites grab samples of mineralised and non-mineralised rocks were taken. Underground samples consisted of either grab samples where the mineralised attitude could not be established or continuous chip channel samples of mineralised backs or drive, crosscut and adit walls. ***Surface samples*** Heba Upper Adit: – 4 rock samples collected, assays show none were mineralised (assay results are listed in Section 3.4.3, Table 16). Kama: – samples taken from waste rock heaps (assay results are listed in Section 3.4.3, Table 17). ***Underground samples*** Shari Adit – 2,550m Level (assay results are listed in Section 3.4.3, Table 18). The results of the sampling program support some of the 3rd Brigade results and it also highlights that further geological studies and mapping with sampling are required.

3.4.2 Exploration History by Adit

An exploration history by underground adit is summarised below. The reader is directed to Figure 9 for the adit location relative to regional geology and to Figure 10 for photographic slides of the adit location on the surface.

Heba Adit

There are two adits known to exist at Heba (Figure 9 and Figure 10). These consist of an upper adit (2,369m level) mined by local operators and lower adit (2,015m level) mined by Xuanrui. Production is unknown and the lower adit has collapsed.

Qiaotou Adit

This adit (1,986m level) has been extended towards the down dip extension of the main mineralised structure of the Shari Adit 564m above. Strike drives are reported to have been driven on mineralisation northwest and southeast from the adit but cannot be examined due to rock falls.

Kama Adit

Two abandoned sets of workings are known at Kama. The surface and underground workings consist of lower artisanal workings in colluviums and tallus, and upper workings at higher altitudes. The lower workings are characterised by shallow openings and shafts. The upper workings by local operators are more extensive and appear to extend for several hundred metres.

Shari Adit

The Shari Adit (2,550m level) portal is located outside the Red Mountain licence area, previously permission to access this portal has been granted by the licence holder. The adit is reported as open with no current access to an internal decline shaft. The adit lies above the Qiaotou Adit (Figure 9 and Figure 10). Due diligence samples by Red Mountain were collected for slightly over half of the drive length on the 2,550 level. Samples were collected across the width of the drive (2.2m) and generally on or close-by to the original sample marks (Harris, 2008). Samples and assay results are listed in Table 18. Gold assay results are generally subdued although do indicate the presence of gold-bearing structure.

3.4.3 Red Mountain 2008 Due Diligence Assay Results by Adit.

Due diligence assay results from Red Mountain surface and underground samples are presented below in Table 16 to Table 18.

Table 16 Red Mountain Due Diligence 2008 Assay results from Heba surface samples (after Harris, 2008).

Sample ID	Au (ppm)	Au(R) (ppm)	Au(R2) (ppm)	Ag (ppm)	As (ppm)	Sb (ppm)	Hg (ppm)	Ba (ppm)	Cu (ppm)	Pb (ppm)	Zn (ppm)
206	0.04	-	-	<1	82	8	<0.5	5	19	11	84
207	0.02	-	-	<1	19	8	<0.5	573	12	5	36
208	0.01	-	-	<1	48	58	<0.5	22	10	33	109
209	0.01	-	-	<1	97	15	<0.5	7	24	15	129

Table 17 Red Mountain Due Diligence 2008 Assay results from Kama surface samples (after Harris, 2008).

Sample ID	Au (ppm)	Au(R) (ppm)	Au(R2) (ppm)	Ag (ppm)	As (ppm)	Sb (ppm)	Hg (ppm)	Ba (ppm)	Cu (ppm)	Pb (ppm)	Zn (ppm)
201	0.04	-	-	<1	2040	7	5.2	256	5	20	77
202	2.70	-	-	<1	1420	<5	3.6	241	8	20	84
203	3.94	-	-	<1	2430	<5	5.8	268	5	23	78
204	8.96	-	-	<1	3440	6	8.1	265	5	23	68
205	13.40	13.1	-	<1	3770	7	6.1	289	7	20	81

Table 18 Red Mountain Due Diligence 2008 Assay results from the Shari Adit 2,550m level underground samples (after Harris, 2008).

Sample ID	Au (ppm)	Au(R) (ppm)	Au(R2) (ppm)	Ag (ppm)	As (ppm)	Sb (ppm)	Hg (ppm)	Ba (ppm)	Cu (ppm)	Pb (ppm)	Zn (ppm)
1	0.38	0.38	-	2	618	819	<0.5	116	5	23	47
2	0.47	-	-	2	743	257	<0.5	202	6	13	30
3	0.79	-	-	1	1250	599	<0.5	261	9	22	58
4	1.47	-	-	2	1220	243	<0.5	92	4	9	25
5	0.16	-	-	2	228	234	<0.5	126	4	8	23
6	0.88	-	-	1	1050	122	<0.5	180	7	16	45
7	0.25	-	-	2	445	101	<0.5	219	10	22	64
8	0.08	-	-	3	242	94	<0.5	39	<3	5	12

9	0.03	0.04	-	4	62	35	<0.5	51	<3	3	6	

The Red Mountain 2008 Due Diligence has generally confirmed 3rd Brigade gold mineralisation tenor on a global basis.

Figure 10 Left slide looking East Southeast:- View of the Qiaotou Adit and Shari Adit and Right Slide looking Northwest:- Heba Adits (across valley) and Qiaotou Adit (viewed from the Shari Adit). After Harris, 2008.

3.5 Exploration Potential

Ravensgate considers that the Diebu Project can be classified as an "Advanced Exploration" Mineral Asset where specific targets have been identified that warrant further detailed evaluation. The Shari Adit has been the focus of underground mining to date within the project area and several underground levels have been developed. Other mineralised lodes at Diebu have been identified, sometimes by local operators and are at various stages of exploration and geological knowledge. The Qiaotou-Shari prospect thereby represents the best current exploration target within the project area, however mineralisation in many underground workings is open directly along strike and down-dip. In this regard the project will benefit from an exploration approach targeting potential for multiple stacked replacement-style gold mineralisation within sediment lithologies as well as structurally-hosted mineralisation. Further mapping, sampling and geological studies are required to confirm specific mineralisation controls and there is good potential for additional sediment-replacement gold bearing mineralisation to be located adjacent to structurally

controlled aurifeous lodes. Despite successful exploration defining a gold-bearing mineralised structure in the area, further exploration is also required to define the extents of the mineralisation along strike and at depth. The recognition of structural and sediment-replacement gold-bearing mineralisation host styles along with the delineation of a mineralised vertical extent defined by underground workings suggests further exploration is required to understand mineralisation potential over a strike length of six kilometres within the project area.

A gold Exploration Target has been estimated as a range for the Diebu Project based on the current geological understanding and exploration work programs to date. Ravensgate cautions the reader that the potential quantity and grade or quality of an Exploration Target is conceptual in nature and shows there has been insufficient exploration and work to define a Mineral Resource. Also, it is uncertain if further exploration and associated resource development work will result in the determination of a Mineral Resource. The Exploration Target has been derived from the following methodology:-

- A desktop review of geological and exploration information;
- Geological model of structurally-controlled, narrow-veined gold mineralisation striking at 105 degrees;
- A polygonal estimate (average length x width x depth x average grade) was used to form the basis of the range;
- The following historical exploration data set was used in the polygonal estimate:-
    - Twelve surface trenches on a 40 to 80m spacing along a mineralisation strike length of approximately 450m;
    - One drillhole collared at surface;
    - Two underground levels with 14 sample lines reported over a 200m underground drive length along mineralisation strike.
- The polygonal boundary for extrapolation was set at approximately 50 to 100m past mineralised sample lines;
- A default bulk density of 2.4t/m^3 was applied for a generally fresh, carbonate rock type;
- The assignment of the Low Case and High Case Target Range incorporated a review of the 2008 due diligence assays, as well as available historical 3rd Brigade and Xuanrui exploration information.

The Exploration Target estimated for the Diebu Project, Qiaotou–Shari Area as at May 2011, ranges from 400,000 to 550,000 tonnes at a grade of 3.5 to 4.5g/t Au.

3.6 Exploration Strategy and Budget

Red Mountain intends to conduct a staged exploration strategy comprising of:-

- Conversion of hardcopy records into digital format;
- Rehabilitation of adits;
- Underground drilling;
- Geological mapping, sampling and structural studies;
- Field prospecting and trenches;
- Exploratory underground tunnels.

Red Mountain intends to undertake a systematic exploration approach with progressive work programs. Surface exploration would be scheduled to fit in with the exploration field season. The project is at an advanced stage of exploration at the Qiaotou-Shari prospect and Red Mountain intends to drill test possible mineralisation extents from accessible levels within the Shari Adit. A dedicated underground exploration drill rig will carry out diamond drilling from exploration drill drives. Red Mountain has indicated that a sampling and assay procedure will be developed in-line with current Australian industry standards and samples will be sent to an internationally accredited off-site assay laboratory. Underground exploration at the Qiaotou-Shari prospect will form the initial focus of exploration in Year 1 and a progressive exploration approach is planned for other

remaining lodes of mineralisation identified by the 3rd Brigade and local operators. Work programs in Year 2 will target follow-up of successful Year 1 results.

The proposed strategy builds on available data and geological interpretation, and should prove to be effective. Ravensgate considers that the proposed exploration program is consistent with the gold mineralisation potential and status of the project. Budgeted expenditure on the Diebu Project for Years 1 and 2, respectively, is considered consistent with the project's potential and is adequate to cover the costs of the proposed program. These allocations meet the current minimum annual statutory expenditure requirement for the granted tenements. A budget for exploration and development is presented in Australia dollars below (Table 19).

Table 19 Diebu Project: Exploration and Development Budget Expenditure ($A)

Activity	Year 1	Year 2	Total
Geological Studies	92,000	107,000	199,000
GIS Modelling	15,000	0	15,000
Underground Development	226,000	0	226,000
Drilling	212,000	308,000	520,000
Assaying	71,000	71,000	142,000
Surface Mapping and Sampling	28,000	200,000	228,000
Total	**644,000**	**686,000**	**1,330,000**

4. Statements Regarding The Foreign Resource Estimate For Zhongqu, China.

1.1 These Foreign (Chinese) Resource Estimates are not reported in accordance with the JORC code and it is uncertain that following evaluation and/or further exploration the resource will ever be able to be reported in accordance with the JORC Code.

1.2 These Foreign Estimates for Zhongqu are sourced from an exploration report on the 'Zhongqu Gold Deposits – Synopsis', dated 2005 (Zhou, 2005). The Foreign Estimate was generated from exploration work undertaken by the 3rd Brigade, a division of the Gansu Bureau of Geology and Mineral Exploration and also subsequent work by the current vendor Lingbao Xuanrui Mineral Resources Co Limited (Xuanrui). The date of the historical estimate is November 2005.

1.3 It is the opinion of Ravensgate that the Foreign Estimates quoted within the Independent Geological Report are strongly relevant to the value of the Zhongqu Project as they provide an estimation as to the quantum of gold mineralisation present.

1.4 Having examined the protocols and criteria observed in the estimation of the Foreign Estimate, it is in the opinion of Mr Craig Allison, who is a Member of the Australasian Institute of Mining and Metallurgy and can be described as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC, 2004), that the resources quoted are reliable as to the quantum of mineralisation within for the Zhongqu Project (subject to point 6 below). In summary these criteria are:-

1.4.1 Exploration was methodically carried out to delineate a number of mineralised lodes within the Zhongqu Project and over three main areas as: Xinqu Area, Zhongqu Area, and Xiaruo Area.

1.4.2 Gold mineralisation estimates were compiled on four mineralised lodes within the Xinqu Area and Zhongqu Area.

1.4.3 Gold mineralisation estimates were produced from an assay data-set compiled from surface trenches, underground exploration drives and minor drilling from surface;

1.4.4 The estimate methodology for each lode is compiled from a polygonal estimation technique;

1.4.5 The average bulk density is 2.65t/m^3 for a generally fresh, carbonate or felsic rock type.

1.5 Materiality:-

1.5.1 Ravensgate considers the Foreign Estimate is material as Red Mountain Mining is currently completing a Prospectus and the grade and tonnage of the Foreign Estimates imply that there is potential for the economic extraction and treatment of this gold-bearing material at the Zhongqu mill.

1.5.2 Red Mountain intends to complete a program of exploration works (e.g. drilling) to confirm the Foreign Estimate. These additional exploration programs will be combined with the historical information to seek to generate a gold Mineral Resource which will be in compliance with the reporting guidelines of the JORC code.

1.5.3 Red Mountain is seeking to list on the ASX to raise working capital by the Prospectus to fund the future exploration and technical assessment of the Zhongqu Project.

1.5.4 Upon raising the Prospectus monies, the proposed evaluation work falls within the capability of Red Mountain Mining's financial and technical resources and the work will not otherwise affect the Company's other exploration projects.

1.6 The Foreign Estimate is mostly estimated under criteria comparable to the Inferred Mineral Resource category of the JORC code. A minor portion of the Foreign Estimate is estimated under criteria comparable to the Indicated Mineral Resource category of the JORC code.

1.7 There are no more recent estimates or resources for this gold mineralisation which are available to the Company.

1.8 Red Mountain intends to conduct progressive exploration with the intention of bringing gold deposits at the Xinqu area, Zhongqu Project into compliance with the JORC code within the first year of exploration (after listing on the ASX). Further and concurrent exploration would be carried out with the intention of bringing gold deposits at the Zhongqu area, Zhongqu Project into compliance with the JORC code within the second year of exploration (after listing on the ASX). It is the intention of Red Mountain Mining to transfer historical information into digital format, obtain topographic and underground surveys and conduct further exploration programs at a standard suitable for generating a resource estimate in compliance with the reporting of Mineral Resources as defined by the JORC Code.

1.9 In Ravensgate's considered opinion this report is consistent with the guidance contained in ASX Companies Update No 11/07 and also Companies Update No 05/04 (25 March 2004).

1.10 The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Craig Allison, who is a member of the Australian Institute of Mining and Metallurgy. Mr Allison has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Revision of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code, 2004). Mr Allison accepts responsibility for the accuracy of the information disclosed relating to the requirements for Non-JORC code 'compliant' historical and foreign reporting as detailed in ASX Company Update 11/07.

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6. West Qinling Belt Stratigraphy

Table 20 Stratigraphy of the West Qinling Fold Belt after Peters et al, 2002			
Age	**Name**	**Composition**	**Notes**
Lower Cambrian	Taiyangding Group	>497m of pyrite bearing slates, siliciclastics with carbonaceous component.	Important gold-bearing horizon.
Cambrian	Cambrian Sequence	Metamorphic sandstone and slate interbedded with intermediate to basic volcanic rocks.	
Ordovician	Lower Ordovician Sequence	Various slate units.	Only hosts a few sedimentary gold (Au) deposits.
Upper Ordovician	Dabao Group	>1,932m slates, limestones and metamorphic siltstones interbedded with tuff.	
Lower Silurian	Diebu Group Anzigou Formation	742m phyllite, slate (various) interbedded with argillaceous sediments and tuff.	Occurs in a number of sedimentary Au deposits in the southern part of the Qinling fold belt.
Lower Silurian	Diebu Group Jiannigou Formation	>1,657m various slate, phyllites interbedded with siliceous slate.	
Middle Silurian	Zhouqu Group	>693m slates, meta quartz sandstone and thin interbedded limestone.	
Upper Silurian	Bailongjiang Group	22,396m thick, sericite-phyllite, meta- fine- grained quartz sandstone, thin bedded crystalline and carbonaceous slate.	
Lower Devonian	Xiapugou Formation	240m thick, dolomitic marl, slates and thin interbedded limestone.	Important host for sedimentary gold deposits and related deposits of Sb and Hg. The Xiawuna Formation of the Middle Devonian, is an important host formation for sedimentary gold deposits and antimony deposits.
Lower Devonian	Shangpugou Formation	281m thick, dolomite interbedded with dolomitic marl, slate interbedded with dolomitic marl.	
Lower Devonian	Gala Formation	1,091m thick, dolomite interbedded with arenaceous dolomite and carbonaceous argillaceous siltstone.	
Middle Devonian	Lure Formation	389m thick, limestone, argillaceous limestone, interbedded with arenaceous limestone, quartz sandstone and shale.	
Middle Devonian	Xiawuna Formation	Upper clastic unit comprised of shale, argillaceous siltstone and thin bedded limestone. lower carbonate unit composed of thick bedded limestone, thin bedded argillaceous limestone and marl interbedded with shale.	
Upper Devonian	Cakuohe Formation	560m thick, argillaceous limestone and limestone interbedded with black shale and silty slate. Gritty limestone and conglomerate.	
Upper Devonian	Doushishan Formation	663m thick, chert band and limestones, dolomite at the base.	
Lower Carboniferous	Yiwagou Formation	593m thick, limestone, argillaceous limestone and calcareous mudstone.	
Lower Carboniferous	Lieyang Formation	1,290m thick, limestone, oolitic limestone interbedded with argillaceous limestone and shale.	
Middle Carboniferous	Mingshan Formation	363m thick, massive limestone, thin bedded limestone with local oolitic structures.	

Table 20 Stratigraphy of the West Qinling Fold Belt after Peters et al, 2002			
Age	**Name**	**Composition**	**Notes**
Upper Carboniferous	Gahai Formation	545m thick, massive clastics, limestone and oolitic limestone.	
Lower Permian	Qixia Formation	320m thick, limestones with a chert band. Nodules in places.	
Lower Permian	Maokou Formation	226m thick, thin–medium bedded limestone chert band / nodules, Arenaceous limestone and siltstone.	
Upper Permian	Dieshan Formation	113m thick, limestone, mudstone, calcareous mudstone and calcareous shale.	
Upper Permian	Changxing Formation	179m thick, various limestones with oolites in places, dolomitic towards the top.	
Lower Triassic	Bocigou Formation	<101m thick thin bedded metamorphic sandstone, thin bedded micrite limestone and Fe and Mn bearing slate. Oolitic and pisolithic limestones in some areas e.g. Maqu area.	Triassic hosts a number of sedimentary-style gold deposits. Xinduqiao Formation is an important gold-bearing formation for sedimentary hosted gold deposits.
Middle Triassic	Zagunao Formation	Medium bedded metamorphic sandstone and siltstone, interbedded with slate.	
Middle Triassic	Zagashan Formation	Metamorphic dacite tuff, metamorphic tuffaceous sandstone, slate and limestone.	
Upper Triassic	Zhuwo Formation	362 to 917m thick metamorphic sandstone, siltstone and silty slate.	
Upper Triassic	Xinduqiao Formation	>800m thick, carbonaceous slate and sandstone.	
Cretaceous		2,629m thick, river and lake facies sandstone, siltstone, argillaceous siltstone, mudstone and conglomerate, interbedded with lava and breccia.	
Tertiary		>1698m thick, alluvial and lacustrine mudstone and sandstones.	

7. Glossary

Aeromagnetic	A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the Earth's magnetic field.
airborne geophysical data	Data pertaining to the physical properties of the Earth's crust at or near surface and collected from an aircraft.
Aircore	Drilling method employing a drill bit that yields sample material which is delivered to the surface inside the rod string by compressed air.
Ag	Chemical symbol for silver.
Alluvial	Pertaining to silt, sand and gravel material, transported and deposited by a river.
Alluvium	Clay silt, sand, gravel, or other rock materials transported by flowing water and deposited in comparatively recent geologic time as sorted or semi-sorted sediments in riverbeds, estuaries, and flood plains, on lakes, shores and in fans at the base of mountain slopes and estuaries.
Alteration	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
Andesite	An intermediate volcanic rock composed of andesine and one or more mafic minerals.
Anomalies	An area where exploration has revealed results higher than the local background level.
Antiformal	An anticline-like structure.
Archaean	The oldest rocks of the Precambrian era, older than about 2,500 million years.
As	Chemical symbol for arsenic.
Assayed	The testing and quantification metals of interest within a sample.
Au	Chemical symbol for gold.
Bedrock	Any solid rock underlying unconsolidated material.
Carbonate	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO_3. Essential component of limestones and marbles.
Chert	Fine grained sedimentary rock composed of cryptocrystalline silica.
Chlorite	A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks.
Clastic	Pertaining to a rock made up of fragments or pebbles (clasts).
Depletion	The lack of gold in the near-surface environment due to leaching processes during weathering.
Dolerite	A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
Ductile	Deformation of rocks or rock structures involving stretching or bending in a plastic manner without breaking.
Dykes	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
Erosional	The group of physical and chemical processes by which earth or rock material is loosened or dissolved and removed from any part of the Earth's surface.
fault zone	A wide zone of structural dislocation and faulting.
Feldspar	A group of rock forming minerals.
Felsic	An adjective indicating that a rock contains abundant feldspar and silica.
Foliated	Banded rocks, usually due to crystal differentiation as a result of metamorphic processes.
follow-up	A term used to describe more detailed exploration work over targets generated by regional exploration.

g/t	Grams per tonne, a standard volumetric unit for demonstrating the concentration of precious metals in a rock.
Gabbro	A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.
Geochemical	Pertains to the concentration of an element.
Geophysical	Pertains to the physical properties of a rock mass.
Granite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
Granodiorite	A coarse grained igneous rock composed of quartz, feldspar and hornblende and/or biotite.
Greenfields	Mineral exploration may be termed Greenfields or Brownfields depending on the quantity and quality of previous exploration. Greenfields exploration is generally taken to refer to exploration further away from known mineralisation and is more conceptual in nature compared to Brownfields exploration.
Hg	Chemical symbol for mercury.
hydrothermal fluids	Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution.
igneous	Rocks that have solidified from a magma.
infill	Refers to sampling or drilling undertaken between pre-existing sample points.
intermediate	A rock unit which contains a mix of felsic and mafic minerals.
intrusions	A body of igneous rock which has forced itself into pre-existing rocks.
ironstone	A rock formed by cemented iron oxides.
joint venture	A business agreement between two or more commercial entities.
laterite	A cemented residuum of weathering, generally leached in silica with a high alumina and/or iron content.
lead	A metallic element, the heaviest and softest of the common metals.
magnetite	A mineral comprising iron and oxygen which commonly exhibits magnetic properties.
metamorphic	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
Mt	Million Tonnes.
mylonite	A hard compact rock with a streaky or banded structure produced by extreme granulation of the original rock mass in a fault or thrust zone.
outcrops	Surface expression of underlying rocks.
pegmatite	A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals.
porphyries	Felsic intrusive or sub-volcanic rock with larger crystals set in a fine groundmass.
ppb	Parts per billion; a measure of low level concentration.
Proterozoic	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
regolith	The layer of unconsolidated material which overlies or covers in situ basement rock.
residual	Soil and regolith which has not been transported from its point or origin.
resources	In situ mineral occurrence from which valuable or useful minerals may be recovered.
rhyolite	Fine-grained felsic igneous rock containing high proportion of silica and felspar.
rock chip sampling	The collection of rock specimens for mineral analysis.
Sb	Chemical symbol for antimony.
schist	A crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals.

scree	The rubble composed of rocks that have formed down the slope of a hill or mountain by physical erosion.
sedimentary	A term describing a rock formed from sediment.
sericite	A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks.
shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
sheared	A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress.
sheet wash	Referring to sediment, usually sand size, deposited over broad areas characterised by sheet flood during storm or rain events. Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica.
SHRG	Gold mineralisation structurally controlled and sedimentary rock hosted.
Silica	Dioxide of silicon, SiO_2, usually found as the various forms of quartz.
Sills	Sheets of igneous rock which is flat lying or has intruded parallel to stratigraphy.
silts	Fine-grained sediments, with a grain size between those of sand and clay.
soil sampling	The collection of soil specimens for mineral analysis.
stocks	A small intrusive mass of igneous rock, usually possessing a circular or elliptical shape in plan view.
strata	Sedimentary rock layers.
stratigraphic	Composition, sequence and correlation of stratified rocks.
stream sediment sampling	The collection of samples of stream sediment with the intention of analysing them for trace elements.
strike	Horizontal direction or trend of a geological structure.
	Poorly exposed bedrock.
sulphide	A general term to cover minerals containing sulphur and commonly associated with mineralisation.
supergene	Process of mineral enrichment produced by the chemical remobilisation of metals in an oxidised or transitional environment.
tectonic	Pertaining to the forces involved in or the resulting structures of movement in the Earth's crust.
veins	A thin infill of a fissure or crack, commonly bearing quartz.
volcanics	Formed or derived from a volcano.
zinc	A lustrous, blueish-white metallic element used in many alloys including brass and bronze.

7. INVESTIGATING ACCOUNTANT'S REPORT

LPG / MvdM
REDM01

30 June 2011

The Directors
Red Mountain Mining Limited
Unit 2, 2 Richardson Street
WEST PERTH WA 6005

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

This Investigating Accountant's Report ("Report") has been prepared by Butler Settineri (Audit) Pty Ltd at the request of the Directors of Red Mountain Mining Limited ABN 40 119 568 106 ("Red Mountain Mining" or "the Company") for inclusion in a Prospectus ("the Prospectus") to be dated on or about 1 July 2011.

Under the Prospectus the Company is offering 40,000,000 Shares each at an Issue Price of $0.20 to raise $8,000,000 before the expenses of the issue ("Offer").

This report has been included in the Prospectus to assist potential investors and their financial advisers in making an assessment of the financial position of the Company.

Structure of Report

This report has been divided into the following sections:

1. Background information
2. Scope of report
3. Financial information
4. Subsequent events
5. Statements, and
6. Declarations

1. Background Information

Red Mountain Mining Ltd was incorporated in Australia on 5 May 2006. The Company's wholly owned subsidiary, Red Mountain Mining (Hong Kong) Holdings Ltd, was incorporated in Hong Kong on 1 June 2006. A Chinese business licence for its wholly owned foreign entity located in China, Red Mountain Mining Consulting (Shenyang) Co. Ltd was issued on 19 October 2007.

The Company has been operating in China for approximately five years seeking to acquire under-explored gold projects or operating mines that can be enhanced and exploited using modern exploration techniques and mechanised underground and surface mining methods.

Chartered Accountants

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Lucy Gardner CA

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The Board and management team has been formed with international mining industry and China experience. A network of industry contacts and consultants in China has been established by the Company to source projects and assist with risk management and project generation.

From 2006 to 2010 the team assessed numerous projects throughout China before agreeing to and signing in May 2010 the acquisition terms for the Zhongqu Gold Project and the Diebu Gold Project located in Gansu Province ("the framework agreements").

Under the Offer, the Company is seeking to do the following:

a) Enable a payment of US$2,000,000 under the Diebu Framework Agreement to obtain an option to commit the Company to acquire a 90% interest in a Chinese cooperative joint venture concerning the Diebu Licences.

b) Fund a two year exploration program for the Diebu Project which will enable the Company to determine whether to exercise this option.

c) Fund a two year exploration program for the Zhongqu Project which will enable the Company to determine whether to exercise their option to commit the Company to acquire a 51% interest in a Chinese cooperative joint venture concerning the Zhongqu Mining Licence.

2. Scope of Report

Scope of Review

You have requested Butler Settineri (Audit) Pty Ltd to prepare this Report for inclusion in the Prospectus covering the following information of the Company:

The historical financial information comprises:

- The consolidated statement of comprehensive income for the period from 1 July 2010 to 31 March 2011;
- The consolidated statement of financial position as at 31 March 2011;
- The consolidated statement of changes in equity for the period from 1 July 2010 to 31 March 2011;
- The consolidated statement of cash flows for the period from 1 July 2010 to 31 March 2011; and
- Notes to these financial statements.

The historical financial information has been prepared on the basis detailed in note 1 as set out in the Appendix to this report.

The unaudited pro forma financial information comprises:

- The unaudited pro forma consolidated statement of financial position; and
- Notes to the unaudited pro forma consolidated statement of financial position.

The Directors have prepared and are responsible for the historical and pro forma financial information, including the determination of the pro forma adjustments. It is our responsibility to review the historical and pro forma financial information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

Butler Settineri (Audit) Pty Ltd has performed a review of the historical and pro forma financial information of the Company in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements and in order to state whether, on the basis of the procedures described, anything has come to our attention that

would cause us to believe that the historical and pro forma financial information as set out in the Appendix to this Report is not fairly presented in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of Australian equivalents to the International Financial Reporting Standards.

Our review of the historical and pro forma financial information of the Company was carried out in accordance with Australian Auditing Standard ASRE 2405 "Review of Historical Financial Information Other than a Financial Report" and was limited to enquiries of management and the Directors, analytical review procedures applied to the financial data, review of accounting records and other documentation and the performance of certain limited verification procedures. These review procedures were substantially less in scope than that of an audit examination conducted in accordance with Auditing Standards. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on either the historical financial information or pro forma financial information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

a) support by another person, corporation or an unrelated entity has not been assumed;
b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
c) the going concern basis of accounting has been adopted.

3. Financial Information

Set out in the Appendix to this Report is the interim financial report for the Company for the nine month period from 1 July 2010 to 31 March 2011.

The unaudited pro forma consolidated statement of financial position has been prepared on the assumption that the following transactions (which have either taken place or are proposed to take place on completion of the Offer) occurred as at 31 March 2011:

(a) Issue of 40,000,000 Shares at $0.20 per share pursuant to this Prospectus, raising an amount of $8,000,000 being the issue available under the Offer;

(b) Payment of expenses of the Offer of $808,628 (of which $748,628 are direct Offer issue costs and $60,000 are other costs);

(c) Issue of 1,818,220 options to the directors;

(d) Issue of 10,000,000 lead manager options;

(e) Payment of US$2,000,000 under the terms of the Diebu Framework Agreement at an exchange rate of A$1.00 being equal to US$1.07.

4. Subsequent Events

Nothing has come to our attention which would cause us to believe that matters arising after 31 March 2011, other than the matters dealt with in this report, would require comment on, or adjustment to, the information contained in this report, or which would cause such information to be misleading.

5. Statements

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

a) the historical financial information of Red Mountain Mining Limited as at 31 March 2011 as set out in the Appendix to the Report does not present fairly the financial position of the

Company as at that date in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and

b) the pro forma consolidated statement of financial position of Red Mountain Mining Limited as at 31 March 2011 is not drawn up so as to present fairly the financial position of the Company on completion of the listing in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and

The historical financial statements for the nine months ended 31 March 2011 have been reviewed by Butler Settineri (Audit) Pty Ltd and nothing has come to our attention which would require any further modification to the historical financial information for it to present fairly the results for the period from 1 July 2010 to 31 March 2011.

6. Declarations

Butler Settineri (Audit) Pty Ltd will be paid its usual professional fee based on the time involved for the preparation of this Report.

Apart from the above-mentioned fee neither Butler Settineri (Audit) Pty Ltd nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.

Butler Settineri (Audit) Pty Ltd has consented to being appointed as auditors of the Company effective as of the date of the Company's registration.

Butler Settineri (Audit) Pty Ltd has acted as the Independent Accountant for Red Mountain Mining and has not been involved in the preparation of any other part of this Prospectus. Accordingly we make no representations or warranties as to the completeness or accuracy of the information in any other part of this Prospectus.

Butler Settineri (Audit) Pty Ltd has consented to the inclusion of this report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by Butler Settineri (Audit) Pty Ltd of any participation in the Company by an intending subscriber.

Yours faithfully
BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

RED MOUNTAIN MINING LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JULY 2010 TO 31 MARCH 2011

	Notes	Reviewed 1 July 2010 to 31 March 2011 $
Revenue		2,676
Net foreign exchange gains		2,731
Professional fees		(8,943)
Consultants		(376,666)
Legal fees		(70,560)
Travel costs		(16,478)
Finance costs		(7,528)
Investment option fee		(489,522)
Other expenses		(26,636)
Loss before income tax		(990,926)
Income tax expense		-
Net loss		(990,926)
Other comprehensive income		-
Total comprehensive income attributable to members		(990,926)
Basic and diluted loss per share (in cents)	4	(4.62)

STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011

		Reviewed 31 March 2011 $	Unaudited Pro forma 31 March 2011 $
CURRENT ASSETS			
Cash and cash equivalents	3	919,384	5,772,213
Trade and other receivables		63,274	63,274
TOTAL CURRENT ASSETS		982,658	5,835,487
TOTAL ASSETS		982,658	5,835,487
CURRENT LIABILITIES			
Trade and other payables		261,329	261,329
TOTAL CURRENT LIABILITIES		261,329	261,329
TOTAL LIABILITIES		261,329	261,329
NET ASSETS		721,329	5,574,158
EQUITY			
Contributed equity	2(a)	4,112,218	11,363,590
Reserves		121,975	285,343
Accumulated losses		(3,512,864)	(6,074,775)
TOTAL EQUITY		721,329	5,574,158

The accompanying notes form part of these financial statements

RED MOUNTAIN MINING LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JULY 2010 TO 31 MARCH 2011

	Issued capital $	Foreign Exchange Reserve $	Option reserve $	Accumulated losses $	Total equity $
Total equity 1 July 2010	1,974,665	31,787	176,834	(2,521,938)	(338,652)
Shares issued	2,291,251	-	(27,630)	-	2,263,621
Capital raising costs	(153,698)	-	-	-	(153,698)
Total comprehensive income for the period	-	(59,016)	-	(990,926)	(1,049,942)
Total equity 31 March 2011	4,112,218	(27,229)	149,204	(3,512,864)	721,329

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JULY 2010 TO 31 MARCH 2011

	Notes	Reviewed 31 March 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers		(681,690)
Interest received		2,676
Interest paid		(7,528)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(686,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
Option fee payments		(489,522)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(489,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans		(103,750)
Proceeds from the issue of shares		2,263,621
Capital raising costs paid		(153,698)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,006,173
NET INCREASE IN CASH HELD		830,109
Cash at the beginning of the financial period		145,561
Net foreign exchange movements		(56,286)
CASH AT THE END OF THE FINANCIAL PERIOD	3	919,384

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE REVIEWED FINANCIAL STATEMENTS AND THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JULY 2010 TO 31 MARCH 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This historical financial information, for the nine month period from 1 July 2010 to 31 March 2011, has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

This historical financial information has been prepared under the historical cost convention.

The historical and pro forma financial information does not include all of the information required for a full annual report and accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Red Mountain Mining Limited during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of this historical and pro forma financial information are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010.

NOTE 2. CONTRIBUTED EQUITY

(a) Ordinary Shares

	Number	$
Audited ordinary shares issued 1 July 2010	**41,275,000**	**1,974,665**
New share issues before consolidation	6,000,000	600,000
Consolidation	(17,728,125)	-
New share issues post consolidation	9,375,000	1,500,000
Less issue costs	-	(153,698)
Issue of options for consideration post consolidation	-	163,621
Issue of shares in lieu of services	138,151	27,630
Reviewed Issued capital as at 31 March 2011	**39,060,026**	**4,112,218**
Shares to be issued under the Offer	40,000,000	8,000,000
Less expected direct Offer issue costs	-	(748,628)
Post IPO ordinary shares as at 31 March 2011	**79,060,026**	**11,363,590**

Ordinary shares are fully paid and have no par value. Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a general meeting of the Company. Ordinary Shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of Shares held.

(b) Unlisted Options

	Number
Audited unlisted options issued 1 July 2010	**3,000,000**
Cancellation of options	(3,000,000)
Grant of options in lieu of services	1,718,433
Issue of options for working capital	17,728,125
Unlisted options as at 31 March 2011	19,446,558
Director options	1,818,220
Lead manager options	10,000,000
Total pro-forma unlisted options as at 31 March 2011	**31,264,778**

NOTES TO AND FORMING PART OF THE REVIEWED FINANCIAL STATEMENTS AND THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JULY 2010 TO 31 MARCH 2011

	Reviewed Pro forma Consolidated 31 March 2011 $
NOTE 3. CASH ASSETS	
Reconciliation of Cash	
Cash on hand and at bank as at 31 March 2011	919,384
Operating expenditure pre-IPO	(469,384)
Issue of 40,000,000 shares at $0.20 as a result of the Offer	8,000,000
Capital raising and other costs associated with the Offer	(808,628)
Payment of Diebu deposit payment	(1,869,159)
Pro-forma cash balance post IPO.	5,772,213

NOTE 4. LOSS PER SHARE

	Reviewed Pro forma Consolidated 31 March 2011 Cents
Basic and diluted loss per share	(4.62)

	31 March 2011 Number
Weighted average number of shares used as the denominator	
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share.	21,430,772
Losses used in calculating losses per share	
Net loss	(990,926)

NOTE 5 RELATED PARTY DISCLOSURES

The Directors of the Company from registration on 5 May 2006 to the date of this Prospectus, unless otherwise stated are:

Michael Wolley (appointed 4 April 2011)
Keith Rowe
Neil Warburton
Bo Zhou
Bruce Harris (appointed 9 January 2008 and resigned 12 April 2008)

The company's secretary is Mr Des Kelly.

NOTES TO AND FORMING PART OF THE REVIEWED FINANCIAL STATEMENTS AND THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JULY 2010 TO 31 MARCH 2011

NOTE 5 RELATED PARTY DISCLOSURES (continued)

Directors' and key management personnel's interests in Shares issued or proposed to be issued:

	Shares	Options
Directors		
Michael Wolley	-	-
Keith Rowe	5,353,125	3,211,875
Neil Warburton	6,290,625	3,774,375
Bo Zhou	2,418,750	1,451,250
Key Management Personnel		
Des Kelly	625,000	375,000

NOTE 6. SUBSEQUENT EVENTS

Nothing has come to our attention which would cause us to believe that matters arising after 31 March 2011, other than the matters dealt with in this report, would require comment on, or adjustment to, the information contained in this report, or which would cause such information to be misleading.

8. SOLICITOR'S REPORT

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Solicitor's Report on the Licences

This Solicitor's Report on the Licences (the "***Report***"') has been prepared for inclusion in the prospectus to be issued by Red Mountain Mining Limited ("***Company***") for listing on the ASX ("**Prospectus**"). The Company will seek admission to the Official List of the ASX Limited.

1、 INTRODUCTION

This Report relates to two Framework Agreements under which the Company is investing in 2 gold mine projects in the People's Republic of China (hereinafter refer to as "PRC", for the purposes of this Report, PRC shall mean the mainland of China, which, excludes Taiwan, Hong Kong and Macau), namely Diebu project and Zhongqu project, and also relates to the various exploration rights and mining right involved in the 2 gold mine projects ("***Tenements***"). The particulars of the Tenements are set out in Appendix A of this Report.

For the purposes of this Report, we have reviewed copies of the documents listed in Appendix B of this Report.

2、 MAIN REPORT

2.1 FRAMEWORK AGREEMENT SUMMARY

(1) Framework Agreement – Diebu Sangba Gold District Projects, Gansu Province ("Diebu Agreement")

Red Mountain Mining (Hong Kong) Holdings Limited ("***RMMHK***"), a wholly-owned subsidiary of the Company, entered into the Diebu Agreement with Lingbao Xuanrui Mineral Resources Company Limited ("***Xuanrui***") and Gansu Diebu Xuanrui RMM Mining Co. Limited ("***GXRMM***") on 1 May 2010. Three amendments to the Diebu Agreement were executed respectively on 1 May 2010, 25 February 2011 and 6 April 2011.

The term of this Diebu Agreement is two years commencing from the date of execution thereof ("***Commence Date***") unless extended or earlier terminated in accordance with the provisions thereunder.

The Diebu Agreement and its amendments acknowledge that 3 existing exploration licences as listed in Appendix B are held by No. 3 Institute of Geological Survey of Gansu Mine Bureau ("**Third Brigade**") and that these exploration licences are intended to be transferred to GXRMM. GXRMM will initially be 58% owned by Xuanrui and 42% owned by Third Brigade. The intention (if relevant options are exercised) is for GXRMM to be established as a cooperative joint venture ("**CJV**") with RMMHK holding 90% and Xuanrui 10%. The establishment of a CJV is subject to a number of PRC approvals.

According to the Diebu Agreement and its amendments, RMMHK paid an option payment of USD 500,000 to Xuanrui in consideration of the grant of the options referred to below.

According to the Diebu Agreement and its amendments, Xuanrui shall provide to RMMHK the original Diebu transfer agreements in relation to 3 existing exploration licences ("Diebu Transfer Documents") after 3 months from the date on which RMMHK would make the option payment ("Option Payment Date") (unless otherwise agreed in writing between RMMHK and Xuanrui) and no later than 6 months from the Option Payment Date. We are informed by the Company that the option payment was paid on 27 December 2010. Within 5 business days of RMMHK receiving the Diebu Transfer Documents, RMMHK shall notify Xuanrui in writing as to whether or not RMMHK is satisfied with the content and purpose of the Diebu Transfer Documents. If RMMHK notifies Xuanrui in writing that RMMHK is satisfied with the Diebu Transfer Documents then RMMHK shall pay to Xuanrui the deposit of USD 2,000,000 on or before 15 August 2011 ("**Deposit Payment Date**"). The payment of

the deposit is subject to approval by the relevant PRC authorities and may require the formation of an exploration cooperation agreement between the parties. By the Diebu Agreement, Xuanrui is obliged to obtain required approvals. We have been advised by the Company that the parties will proceed with these approvals when required.

According to the Diebu Agreement, in consideration of the option payment, Xuanrui grants to RMMHK the following separate options exercisable during a 12 month period commencing on the Deposit Payment Date:

(a) an option to require Xuanrui to transfer an interest equal to 90% of the registered capital in GXRMM to RMMHK for the purchase price of USD 4,200,000. For the purpose of such transfer, Xuanrui shall procure the transfer of the 42% interest held by Third Brigade to Xuanrui or procure the transfer of the 90% interest to RMMHK.

For such future equity transfer to be effective, approval needs to be obtained from relevant PRC authorities including MOLAR. By the Diebu Agreement, Xuanrui is obliged to obtain all relevant approvals.

Foreign investment in exploration and mining of gold is in a restricted category. We made inquiries with the Department of Land and Resources of Gansu ("**GSDLR**") and were advised that foreign investment in exploration or mining of gold in Gansu may be approved provided it is submitted for approval in compliance with the relevant laws and regulations.

Although the option needs to be exercised within the 12 month period commencing on the Deposit Payment Date, the USD 4,200,000 is to be paid only when all necessary approvals have been obtained to the equity transfer.

In the event that Xuanrui fails to procure the foregoing transfer, the deposit payment of USD 2,000,000 will be offset against the amounts payable to Xuanrui by RMMHK under the Zhongqu Framework Agreement. Otherwise, the deposit payment is not refundable or transferable .

(b) an option to require Xuanrui to execute a joint venture contract, articles of association and other documentation for application for the establishment of a CJV with RMMHK and to lodge such application and to be primarily responsible for the establishment of the CJV. The above arrangements and establishment of the CJV will require approval by relevant PRC authorities;

(c) an option to require Xuanrui to submit and be primarily responsible for progressing applications for the Chabu Exploration Licence, the Daozha West Exploration Licence and the Daozha East Exploration Licence so that GXRMM will be the registered owner of these three licences. When GXRMM is converted into a CJV and these three exploration licences are registered under the name of the CJV, RMMHK shall pay Xuanrui USD 1,100,000 for Chabu Exploration Licence, USD 200,000 for Daozha West Exploration Licence and USD1,000,000 for Daozha East Exploration Licence, which are to be paid by way of an increase to the registered capital of the CJV. We are advised by the Company that these exploration licence applications have currently been withdrawn and are awaiting re-application.

From the date of execution of the Diebu Agreement, RMMHK is granted access to the 3 existing exploration licences for the Permitted Use (i.e. to the extent that such activities would be permitted under the terms of the 3 existing exploration licences if undertaken by or on behalf of the holder thereof, the exclusive right to explore for and evaluate gold bearing ore and gold on the area the subject of the 3 existing exploration licences, including by way of drilling and related work) and right to possess and use a quantity of gold bearing ore or gold soil sample that is reasonably necessary for the Permitted Use.

To establish advanced exploration on the Diebu project in its current form will require the establishment of an exploration cooperation agreement between the parties. We have been advised by the Company that this will be addressed once it is required.

Parties have termination rights only where a party commits an insolvency event or is in breach of the agreement and is served with a notice of default and fails to remedy the default within 30 days.

The Diebu Agreement is governed by the laws of the PRC.

(2) Framework Agreement – Zhongqu District Gold Mine ("Zhongqu Agreement")

The Zhongqu Agreement was entered into by and among RMMHK, Xuanrui and two natural persons (namely Mr. Meng Fanrui and Ms. Ma Xianting, both of whom are the current shareholders holding a sum of 100% equity interest in Xuanrui) on 1 May 2010. RMMHK and Xuanrui later entered into two amendments respectively on 1 May 2010 and 25 February 2011.

The term of this Zhongqu Agreement is two years commencing from the date of execution thereof unless extended or earlier terminated in accordance with the provisions thereof.

Under this Zhongqu Agreement, RMMHK was granted two options of which RMMHK must elect to exercise one of these options by 30 April, 2012 (2 years from the date of execution of this Zhongqu Agreement) by notice in writing:

(a) First Option: to require Xuanrui to execute the documentation required in order to lodge an application for the establishment of a CJV in accordance with the agreed terms and conditions and to lodge such application.

The registered capital of the CJV shall be USD 46,000,000, of which USD 45,000,000 will be contributed by RMMHK. Upon completion of the transfer of the Zhongqu Mining Licence into the name of the CJV to the satisfaction of RMMHK, RMMHK shall procure payment of USD 45,000,000 ("Zhongqu Mining Licence Payment") to Xuanrui from the registered capital of the CJV.

(b) Second Option: to require (i) Mr. Meng Fanrui and Ms. Ma Xianting to transfer 51% equity interest in Xuanrui to RMMHK pursuant to the terms in the agreed equity transfer agreement and make an application for approval thereof, and (ii) Mr Meng Fanrui to execute the documentation required in order to lodge an application for the conversion of Xuanrui into a CJV in accordance with the agreed terms and conditions and to lodge such application.

The First Option involves creating a new CJV entity of which RMMHK will hold a 51% interest whilst the Second Option is effectively converting an existing entity (Xuanrui) to a CJV and establishing new ownership levels in the CJV with RMMHK holding a 51% interest.

Upon the exercise of either of the options, the completion of required events (a new CJV entity or an equity transfer) will need approval from all relevant PRC authorities including MOLAR. By the Zhongqu Agreement, Xuanrui, Mr. Meng Fanrui and Ms. Ma Xianting are obliged to obtain all relevant approvals.

Foreign investment in exploration and mining of gold is in a restricted category. We made inquiries with the Department of Land and Resources of Gansu ("**GSDLR**") and were advised that foreign investment in exploration or mining of gold in Gansu may be approved provided it is submitted for approval in compliance with the relevant laws and regulations.

From the date of execution of the Zhongqu Agreement, RMMHK is granted access to the Zhongqu Mining Licence for the Permitted Use (i.e. to the extent that such activities would be permitted under the terms of the Zhongqu Mining Licence if undertaken by or on behalf of the holder thereof, the exclusive right to explore for and evaluate gold bearing ore and gold on the area the subject of the Zhongqu Mining Licence, including by way of drilling and related work) and right to possess and use a quantity of gold bearing ore or gold soil sample that is reasonably necessary for the Permitted Use.

To establish advanced exploration on the Zhongqu project in its current form will require the establishment of an exploration cooperation agreement between the parties. We have been advised by the Company that this will be addressed once it is required.

RMMHK shall incur the following payments in accordance with the Zhongqu Agreement:

(a) Capital contribution of USD 45,000,000 under the First Option; or the amount of USD 45,000,000 for equity transfer under the Second Option. The USD 45,000,000 is only required to be paid upon completion of the relevant approvals for establishment or equity transfer (as the case may be);

(b) 50% of the development and exploration funds of the Zhongqu Mining Licence until the establishment of the CJV. It is agreed that RMMHK will be entitled to receive such funds from the profits of the CJV before

dividends are distributed to shareholders.

Parties have termination rights only where a party commits an insolvency event or is in breach of the agreement and is served with a notice of default and fails to remedy the default within 30 days.

The Zhongqu Agreement is governed by the laws of the PRC.

2.2 TENEMENTS

(1) Exploration Licences

Details of the 3 exploration licences currently held by Third Brigade are set out in Part 1 of Appendix A hereto.

Third Brigade has executed 3 Exploration Licence Transfer Contracts with GXRMM for transfer of the 3 exploration licences from Third Brigade to GXRMM. The 3 Exploration Licence Transfer Contracts will not be valid until such transfer is approved by GSDLR. The Company informs us that the transfer documents are being finalised and approval to the transfers will be sought.

The 3 exploration licences held by Third Brigade were issued by GSDLR. We have reviewed copies of these licences and are of the opinion that these exploration licences are valid. According to relevant PRC laws, Third Brigade is permitted to carry out exploration activities in the gold tenement as specified in the exploration licences. The exploration licences are valid until the expiry date indicated in Appendix A.

(2) Mining Licence

Details of the mining licence currently held by Xuanrui are set out in Part 2 of Appendix A hereto.

The mining licence held by Xuanrui was issued by GSDLR. We have reviewed the licence and are of the opinion that this mining licence is valid. According to relevant PRC laws, Xuanrui is permitted to carry out mining activities in the gold tenement as specified in the mining licence. The mining licence is valid until the expiry date indicated in Appendix A.

Pursuant to relevant PRC laws and regulations, the mining of gold minerals requires a Certificate of Approval for Mining of Gold Minerals issued by the Ministry of Industry and Information Technology of PRC ("**MIIT**").according to a 2008 Notice and a Safe Production Licence issued by Work Safety Supervision and Administration Bureau according to Regulations on Work Safety Licence and relevant implementation Measures. Xuanrui has obtained the Safe Production Licence for the mining of Zhongqu gold mine issued by Gansu Work Safety Supervision and Administration Bureau. The Company informs us that Xuanrui is in the process of preparing a submission to seek approval for a Certificate of Approval for Mining of Gold Minerals to address the 2008 Notice.

2.3 LINGBAO XUANRUI MINERAL RESOURCES COMPANY LIMITED

According to Xuanrui Business Licence dated April 12, 2011, Xuanrui was incorporated as a limited liability company on April 13, 2000. As of the date of this Report, the registered capital of Xuanrui is RMB 10,000,000 in which Mr. Meng Fanrui holds 70% of the equity share and Ms. Ma Xianting holds 30% of the equity share. All of the registered capital of Xuanrui has been paid up by the shareholders. The business scope of Xuanrui is survey for engineering geology, hydrogeology survey, environmental geology and geological hazards, geological prospecting engineering, geological surface mining, mine excavating and mineral processing.

From our examination of the business licence, Xuanrui has passed annual inspection for year 2010 administered by Administration for Industry and Commerce ("AIC"). In accordance with relevant PRC laws, each enterprise shall apply for annual inspection for the previous year during the period from March to June. In the event that an enterprise fails to pass the annual inspection, its business licence will be revoked. Therefore, Xuanrui's passing the annual inspection for year 2010 is in compliance in this regard.

2.4 GOVERNMENT REGULATIONS

This section sets out certain selected laws and regulations of the PRC relating to mineral resources, including gold resources. Notwithstanding anything to the contrary on this Report, this section does not intend to be comprehensive or to cover all relevant laws and regulations of the PRC.

According to the Law of the Peoples Republic of China on Mineral Resources promulgated by the Standing Committee of the National People's Congress of the PRC on 19 March 1986 with the Amendment in 1996 and the Detailed Implementing Rules for the Law of the People's Republic of China on Mineral Resources issued by the State Council on 26 March 1994, mineral resources are owned by the state. MOLAR centrally administers the allocation of mineral resources for the whole country. The state regulates the exploration and mining of mineral resources through a licensing system. Any exploration or mining of mineral resources requires registration with the relevant regulatory authorities and obtaining the relevant exploration licence or mining licence. No corporation or individual is allowed to carry out exploration or mining activities in mineral resources tenements for which other corporations or individuals have obtained exploration or mining rights. The holder of an exploration licence has a pre-emptive right to obtain a mining licence for mineral resources within the exploration area.

Under relevant PRC laws and regulations, exploration rights and mining rights are collectively referred to as mining industry rights (or "Tenements"). Transfers of mining industry rights are governed by the Administrative Measures on Transferring of Exploration Rights and Mining Rights issued by the State Council on 12 February 1998 and Tentative Provisions on Administration of Granting and Assigning Mining Industry Rights issued by MOLAR on 1 November 2000. Upon fulfilment of minimum exploration and survey input and other conditions, exploration rights can be transferred if approved by its original approval authority.

Tenements of mineral resources for exploration are required to be registered with the relevant authorities. The exploration area of mineral resources consists of basic units of tenements of 1' (longitude) x 1' (latitude) each. The largest area permitted for registration for each gold exploration project is 40 units of tenements, according to the Methods of Regional Registration and Administration of Mineral Resources Exploration Tenements. For any changes in the exploration area, an application for change of registration should be made to the registration authorities.

The Chinese government permits foreign investment in the mining industry but foreign investment in gold mine is restricted in accordance with Foreign Investment Industry Directory. The Sino-foreign cooperative exploration agreement shall be submitted to MOFCOM and MOLAR for approval in accordance with Notice of State Council of PRC concerning Opinions on Further Encouraging Foreign Investment in Exploration and Mining of Non-oil-gas Resources.

According to Notice of MIIT concerning Questions on Application for Certificate of Approval for Mining of Gold Minerals in 2008, the mining of gold minerals in PRC shall be carried out with the Certificate of Approval for Mining of Gold Minerals which is issued by MIIT. The mining of gold minerals is not permitted without such certificate of approval.

3、 SCOPE AND QUALIFICATIONS

3.1 SCOPE OF REPORT

(1) This Report relates only to the laws of the PRC in force at the date of this Report. We are not qualified to advise, and we express no opinion on, the laws of Australia or any other jurisdiction.

(2) This Report is strictly limited to the matters it expressly deals with and does not extend by implication or otherwise to any other matter.

(3) This Report is solely based on a technical legal review of documentation supplied to us. Unless clearly stated otherwise, we have not independently verified the information provided to us. We cannot give assurance that the information supplied to us is complete or accurate. A list of all documents reviewed is set out in Appendix B.

3.2 ASSUMPTIONS

For the purpose of giving this Report, we have assumed:

(1) that the information provided to us by or on behalf of the Company or Xuanrui is correct and up to date as at the date of this Report, unless otherwise notified to us in writing;

(2) the completeness, and conformity to originals, of all copies of documents submitted to us;

(3) that where a document has been submitted to us in draft form or as a pro forma document it will be signed or executed in that form; and

(4) the authenticity of all signatures, seals and dates, and of any stamp duty endorsement or marking.

The making of the above assumptions:

- indicates that we have assumed that each matter and subject of those assumptions is true, correct and complete in every particular;
- does not imply that we have made any enquiry to verify any assumptions; and
- does not imply that we are not aware of any circumstances which might affect the correctness of the assumption.

3.3 QUALIFICATIONS

This Report is subject to the following qualifications:

(1) This Report has been compiled solely based on the documents provided to us. There can be no assurance that the information supplied was complete or accurate.

(2) To the extent that we have relied on any documents approved by governmental authorities, such documents have been approved by relevant governmental authorities in compliance with PRC laws and regulations.

Nothing in this section limits any other assumptions, disclaimer or qualifications contained elsewhere in this Report.

4、 CONSENTS

Concord & Partners consents to being named in this Prospectus as being responsible for the preparation of this Report. Concord has given, and has not before the lodgement of this Prospectus, withdrawn its consent to the issue of the Prospectus with the inclusion of this Report.

Except for this Report (including any document forming part of it) Concord:

(1) has not in any way authorised or caused the issue of the Prospectus;

(2) has not been involved in the preparation of any part of the Prospectus (Except this Report);

(3) is not responsible for any matter included in or omitted from the Prospectus;

(4) makes no representations or warranties (either express or implied) with respect to the completeness or accuracy of the information contained in the Prospectus; and

(5) disclaims liability to any person in respect of any statement included in or omitted from the Prospectus.

5、 DISCLOSURE OF INTEREST

Concord will be paid fees for the preparation of this Report and related matters. Other than these professional fees, Concord and its partners have no interest in the promotion of the Company.

We furnish this Report to you, solely for your benefit in connection with the Company's admission to the Official List of ASX Limited. This Report is not to be relied on by or furnished to any other person or used, circulated, quoted or otherwise referred to for any other purpose. We assume no obligation to advise you or to make any other investigations, as to any legal developments or factual matters arising subsequent to the date hereof that might affect the Report expressed herein.

Yours faithfully,

Concord Partners

June 21, 2011

APPENDIX

APPENDIX A: TENEMENTS AND EXPLORATION LICENCES AND MINING LICENCE

APPENDIX B: DOCUMENT LIST; LAWS & REGULATIONS

APPENDIX A

TENEMENTS/EXPLORATION LICENCES AND MINING LICENCE

Part 1: Exploration Licence of No.3 Institute of Geological Survey of Gansu Mine Bureau

No.	Licence No	Location Name	Registered Holder	Size	Expiry Date
1	T62120090802036809	Qiaotou-Shari	Third Brigade	36.99Sq.km	2011-08-25
2	T6212008020203273	Heba	Third Brigade	4.27Sq.km	2012-02-12
3	T62120081002036800	Kama	Third Brigade	2.8 Sq.km	2012-10-07

Part 2: Mining Licence of Lingbao Xuanrui Mineral Resources Company Limited

No.	Licence No	Location Name	Registered Holder	Size	Expiry Date
1	6200000710008	Zhongqu	Xuanrui	7.1907Sq.km	2013-01-08

APPENDIX B

DOCUMENT LIST

1. The first draft of the RMM Prospectus;
2. Framework Agreement – Diebu Sangba Gold District Projects, Gansu Province dated 1 May 2010;
3. Diebu Framework Agreement Amendments dated 1 May 2010;
4. Diebu Framework Agreement Amendment (II) dated 25 February 2011;
5. Diebu Framework Agreement Amendment (III) dated 6 April 2011;
6. Framework Agreement – Zhongqu District Gold Mine dated 1 May 2010;
7. Zhongqu Framework Agreement Amendments dated 1 May 2010;
8. Zhongqu Framework Agreement Amendment (II) dated 25 February 2011;
9. Mining Licence (No. 6200000710008);
10. Heba Exploration Licence (No. T62120080202032731);
11. Qiaotou-Shari Exploration Licence (No. T62120090802036809);
12. Kama Exploration Licence (No. T62120081002036800);
13. Heba Exploration Licence Transfer Contract dated 14 January 2011;
14. Qiaotou-Shari Exploration Licence Transfer Contract dated 14 January 2011;
15. Kama Exploration Licence Transfer Contract dated 14 January 2011;
16. Statement between Third Brigade and GXRMM dated May 18, 2011;
17. Registered Share Certificate of RMMHK;
18. Business Licence of GXRMM;
19. Business Licence of Xuanrui;
20. Organization Code Certificate of Xuanrui;
21. Safety Production Licence of Xuanrui;
22. Articles of Association of Xuanrui;
23. Shareholders Resolution of Xuanrui dated 5 April 2011;
24. Identity Card of MF;
25. Identity Card of MX;
26. Document from Deibu County Land and Resource Bureau (Die Guo Tu Zi Fa [2008] No. 52).

LAWS & REGULATIONS

1. Law of the Peoples Republic of China on Mineral Resources;
2. Detailed Implementing Rules for the Law of the People's Republic of China on Mineral Resources;
3. Administrative Measures on Transferring of Exploration Rights and Mining Rights;
4. Tentative Provisions on Administration of Granting and Assigning Mining Industry Rights;
5. Methods of Regional Registration and Administration of Mineral Resources Exploration Tenements;
6. Foreign Investment Industry Directory;
7. Notice of State Council of PRC concerning Opinions on Further Encouraging Foreign Investment in Exploration and Mining of Non-oil-gas Resources;
8. Notice of Ministry of Industry and Information Technology of PRC concerning Questions on Application for Certificate of Approval for Mining of Gold Minerals;
9. Company Law of the People’s Republic of China;
10. Law of the People’s Republic of China on Chinese-Foreign Cooperative Joint Ventures:
11. Notice of MIIT Concerning Questions on Application for Certificate of Approval for Mining of Gold Minerals;
12. Regulations on Work Safety Licence.

9. MATERIAL CONTRACTS

Set out below is a summary of the contracts to which the Company is a party which may be material in terms of this Prospectus and which are not otherwise summarised in the Solicitor's Report in section 8 which summarises the framework agreements entered into by the Company or its subsidiaries.

To fully understand all rights and obligations of a material contract it would be necessary to review each contract in full and the summaries below should be read in that light.

9.1 Lead Manager Mandate Agreement

The Company has entered into an agreement with Cygnet Capital Pty Ltd ("Cygnet") by which Cygnet have been appointed as Lead Manager to the Offer under this Prospectus.

Cygnet in its role as Lead Manager will manage the capital raising by the Offer on a best endeavours basis.

The fees payable to Cygnet upon successful completion of the Offer is a 1% management fee and a 5% capital raising fee plus GST of all funds raised under the Offer. Cygnet may pass on any part of the fees to Australian financial services licensees or authorised representatives. Additionally, Cygnet will receive the right to purchase 10,000,000 Options at 0.1 cent each. The Options will have an exercise price of 20 cents and an expiry date of 30 June 2014. The terms of the Options are otherwise set out in section 10.4.

Cygnet is further mandated to provide ongoing corporate advisory services for 6 months after the ASX listing for the sum of $10,000 per month plus GST.

9.2 Executive service agreement with Mr Keith Rowe

The Company has entered into an executive service agreement with Mr Keith Rowe.

By the agreement Mr Rowe is employed as a full time executive director of the Company.

The agreement commences from the date of listing of the Company on the ASX and continues until terminated by either party. The Company may terminate the employment without notice upon limited events akin to misconduct or incapacity. Additionally, either party may terminate the agreement without cause upon 6 months written notice.

Mr Rowe's cash remuneration will consist of $218,000 per annum salary inclusive of statutory superannuation. He will be provided with a laptop computer and mobile telephone. The remuneration of Mr Rowe will be reviewed on 30 June 2012 and every 12 months thereafter. Mr Rowe will not be paid a separate Director's fee for serving on the Board.

The agreement is governed by the laws of Western Australia.

9.3 Introduction Fee Agreement with Ms Vanessa Xing

The Company has entered into an introduction fee agreement with Ms Vanessa Xing.

In consideration of introductions in respect of each of the Zhongqu Project and the Diebu Project, the Company has agreed to pay a commission fee to Ms Xing as follows:

(a) US$540,000 to be paid upon completion by the Company of the acquisition of a 51% interest in the Zhongqu Project; and

(b) US$150,000 of which US$15,000 has been paid upon execution of the Diebu Project documents and US$135,000 is to be paid upon completion of the acquisition of 90% of the Diebu Project and the transfer of the Diebu tenements.

10. ADDITIONAL INFORMATION

10.1 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

(a) the formation or promotion of the Company; or

(b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or

(c) the Offer;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

(d) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or

(e) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

Holdings of Directors

As at the date of ASX listing the Directors will have a relevant interest in securities of the Company as set out below.

Director	Shares	Options
Michael Wolley	0	0[1]
Keith Rowe	5,353,125	3,211,875[1]
Neil Warburton	6,603,125	4,036,875[1]
Bo Zhou	2,418,750	1,451,250[1]

1. Exercise price of 20 cents and expiry date of 30 June 2014.

Following completion of this Prospectus and ASX listing it is proposed to issue Directors and Management Incentive Options to the Directors in 2 tranches with the first tranche having an exercise price of 25 cents and an expiry date of 31 July 2014 and the second tranche having an exercise price of 35 cents and an expiry date of 31 July 2016. The issue of these Options will be subject to obtaining Shareholder approval under the Listing Rules and the related party provisions of the Corporations Act. The Options proposed to be issued among the Directors are Michael Wolley – 1,000,000 first tranche Options and 1,000,000 second tranche Options, Neil Warburton – 772,722 first tranche Options and 772,723 second tranche Options, Keith Rowe – 1,159,084 first tranche Options and 1,159,084 second tranche Options and Bo Zhou – 579,542 first tranche Options and 579,542 second tranche Options.

The Directors are not required to hold any Shares in the Company under the Constitution.

Remuneration of Directors

Mr Michael Wolley as Chairman will be paid a Director's fee of $80,000 per annum. In the 2 years prior to the date of this Prospectus, Mr Wolley has received consulting fees of approximately $41,250 (inclusive of GST) through his associated company Omaha Holdings Pty Ltd.

Mr Keith Rowe as an executive director has entered into an executive service agreement with the Company. The agreement is summarised at section 9. In the 2 years prior to the date of this Prospectus, Mr Rowe has received consulting fees of approximately $126,452 (inclusive of GST). Additionally, Mr Rowe will receive 242,430 Options with an exercise price of 25 cents and an expiry date of 31 July 2014 and 242,430 Options with an exercise price of 35 cents and an expiry date of 31 July 2016 in lieu of Directors fees of $40,000 for the financial year ended 30 June 2011. No related party approval will be sought as the independent Directors consider the issue of these Options will be on reasonable arm's length terms.

Mr Neil Warburton as a non-executive director will receive a Director's fee of $40,000 per annum. In the 2 years prior to the date of this Prospectus, Mr Warburton has received consultancy fees of approximately $105,600 (inclusive of GST) and interest on an unsecured loan to the Company of $42,000 through his related company Michlange Pty Ltd. This loan agreement was for the sum of up to $300,000 at an interest rate of 11.25% per annum and has been satisfied in full. No related party approval was sought as the independent Directors considered the loan was on reasonable arm's length terms. Additionally, Mr Warburton will receive 424,250 Options with an exercise price of 25 cents and an expiry date of 31 July 2014 and 424,250 Options with an exercise price of 35 cents and an expiry date of 31 July 2016 in lieu of Directors fees of $70,000 for the financial year ended 30 June 2011. No related party approval will be sought as the independent Directors consider the issue of these Options will be on reasonable arm's length terms.

Mr Bo Zhou as a non-executive director will receive a Director's fee of $40,000 per annum. In the 2 years prior to the date of this Prospectus, Mr Zhou has received consultancy fees of approximately $40,000 (inclusive of GST) through his related company Qzcorp Pty Ltd. Additionally, Mr Zhou will receive 242,430 Options with an exercise price of 25 cents and an expiry date of 31 July 2014 and 242,430 Options with an exercise price of 35 cents and an expiry date of 31 July 2016 in lieu of Directors fees of $40,000 for the financial year ended 30 June 2011. No related party approval will be sought as the independent Directors consider the issue of these Options will be on reasonable arm's length terms.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

10.2 **Interests of experts and advisors**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

(a) the formation or promotion of the Company; or

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer.

Fairweather Corporate Lawyers has acted as solicitors to the Offer. In respect of this work, the Company will pay approximately $60,000 exclusive of GST. Subsequently fees will be paid in accordance with normal hourly rates. Fairweather Corporate Lawyers has not received any other fees for services to the Company in the 2 years prior to the date of this Prospectus for other legal services.

Concord & Partners has prepared the Solicitor's Report on the Licences in this Prospectus. In respect of this work, the Company will pay approximately $30,000. Concord & Partners Shanghai has not received any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

Ravensgate has prepared the Independent Geologist's Report in this Prospectus. In respect of this work, the Company will pay approximately $55,000 exclusive of GST. Ravensgate has not received any other fees for services to the Company in the 2 years prior to the date of this Prospectus.

Butler Settineri (Audit) Pty Ltd has prepared the Investigating Accountant's Report in this Prospectus. In respect of this work, the Company will pay approximately $10,000 exclusive of GST. Butler Settineri (Audit) Pty Ltd has received fees totalling $11,600 plus GST for accounting and audit services for the Company in the 2 years prior to the date of this Prospectus.

Cygnet Capital Pty Ltd is the Lead Manager to the Offer and will receive a 1% management fee and a 5% capital raising fee plus GST on funds raised under this Prospectus (being $480,000 plus GST). Cygnet Capital Pty Ltd has received fees totalling $90,000 plus GST for an earlier capital raising for the Company in the 2 years prior to the date of this Prospectus.

10.3 **Rights and liabilities attaching to Shares**

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. The person who holds a Share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant Share bears to the total issue price of the Share excluding amounts credited or paid in advance of a call. Voting may be in person or by proxy, attorney or representative.

Dividends

Subject to the rights of holders of Shares issued with any special rights (at present there are none), the profits of the Company which the Board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the Board resolves to pay a dividend in proportion to the amount for the time being paid on a Share (not credited) bears to the total issue price of the Share (excluding amounts credited). All Shares currently on issue and the Shares to be issued under this Prospectus are fully paid Shares.

Future Issues of Securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued Shares in the Company at the times and on the terms that the Directors think proper and a Share may be issued with preferential or special rights.

Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Board.

Meetings and Notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules. Shareholders may requisition meetings in accordance with the Corporations Act.

Election of Directors

There must be a minimum of three Directors. At every annual general meeting one third of the Directors (or the number nearest to one third) must retire from office together with any Director who would have held office for more than three years since that Director's election or last election. These retirement rules do not apply to certain appointments including the managing director.

Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders:

- divide the assets of the Company among the members in kind;
- for that purpose fix the value of assets and decide how the division is to be carried out as between the members and different class of members; and
- vest assets of the Company in trustees on any trusts for the benefit of the members as the liquidator thinks appropriate.

Shareholder Liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days written

notice specifying the intention to propose the resolution as a special resolution must be given.

Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

10.4 **Options**

The Options in the capital of the Company at ASX listing will be the September 2013 Options (1,718,433), June 2014 Options (27,728,125) and the Directors and Management Incentive Options (1,818,220).

The key terms of the various Options are as follows:

September 2013 Options

- exercise price of 20 cents
- expiry date of 12 September 2013
- Options are freely transferable

June 2014 Options

- exercise price of 20 cents
- expiry date of 30 June 2014
- Options are freely transferable

Directors and Management Incentive Options

- 1,818,220 Options issued in 2 tranches
- First tranche of 909,110 Options with an exercise price of 25 cents and an expiry date of 31 July 2014.
- Second tranche of 909,110 Options with an exercise price of 35 cents and an expiry date of 31 July 2016.

Otherwise the terms of the issue of the Options are:

(a) Each Option entitles the holder to subscribe for one fully paid ordinary Share, ranking equally with existing fully paid ordinary Shares, in the capital of the Company.

(b) The Options are exercisable by notice in writing to the Company accompanied by payment of the exercise price prior to the expiry date.

(c) Exercise of the Options is effected by completing the notice of exercise of Options and forwarding it to the Company with the requisite application monies.

(d) There is no right to change the exercise price of the Options nor the number of underlying Shares over which the Options can be exercised, if the Company completes a bonus or entitlement issue.

(e) There are no participation rights or entitlements inherent in the Options and their holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. The Company, however, will ensure that the Option holder will be notified of a proposed issue after the issue is announced. This will give the option holder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

(f) In the event of any reconstruction of the issued capital of the Company, the number of Options or the exercise price of the Options or both shall be reconstructed in a manner which complies with the provisions of the Listing Rules in force at that time and in all other respects the terms for the exercise of the Options shall remain unchanged.

10.5 **Employee Share Option Plan**

The Company has established an employee share option plan ("ESOP") in order to provide an incentive for employees to participate in the future growth of the Company. The ESOP will be administered in accordance with the ESOP rules, which are summarised below.

Option Issue

The Board may, in its absolute discretion, offer Options to eligible participants under the ESOP. The Options will be issued for no consideration and each Option will carry the right in favour of the Optionholder to subscribe for one Share (fully paid ordinary) in the capital of the Company.

An eligible participant is a full or part time employee or a Director of a company within the Red Mountain Mining Ltd group of companies. The Company must obtain Shareholder approval before the participation under the ESOP of an eligible participant who is a Director of, or otherwise a related party of the Company.

The Board may impose performance criteria such as vesting hurdles.

The Options issued under the ESOP are not transferable except with the prior written consent of the Board.

Restrictions

The Options may only be issued or exercised within the limitations imposed by the Corporations Act and the Listing Rules.

Further, the total number of Shares that would be issued under the ESOP were each Option issued pursuant to the ESOP exercised, and the number of Shares issued by the Company pursuant to an employee Share or option scheme implemented by the Company during the previous 5 years may not exceed 5% of the total number of Shares on issue as at the date any Options are offered pursuant to the ESOP.

Exercise Price and Expiry Date

The exercise price of the Options to be issued under the ESOP after being admitted to the Official List will, unless otherwise determined by the Board, be a minimum of the weighted average closing sale price of Shares recorded on ASX over the last 5 trading days on which sales of Shares were recorded preceding the day on which the Board resolves to offer the

Options. The expiry date will be determined by the Board but will be no longer than 5 years from the issue date.

Exercise of Options

If performance criteria are imposed on an Optionholder, that Optionholder may only exercise their Options upon satisfaction of the performance criteria and prior to the expiry date. Notwithstanding this, all Options may be exercised during a takeover period or, in the Board's discretion, upon the death or permanent disablement of an eligible participant.

If an eligible participant acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to any company within the Red Mountain Mining Ltd group of companies, then, notwithstanding any other provisions in the ESOP, the Board may deem any unexercised options of the eligible participant to have lapsed.

Notice of Exercise

Options may only be exercised by the Optionholder delivering an option exercise notice to the Company specifying the number of Options being exercised (which must be no less than multiples of 1,000) and accompanied by the exercise price for the Options specified in the option exercise notice and the certificates for those Options.

Bonus Issue

If, prior to the expiry of any Options, the Company makes a bonus share issue to the holders of Shares on a pro-rata basis, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the Option had been exercised before the date the Shares the subject of the bonus issue had been duly allotted and issued.

Reconstruction of Capital

In the event that prior to the expiry of any Options, there is a reconstruction (including consolidation, subdivision, reduction, return or pro-rata cancellation) of the issued capital of the Company, then the number of Options to which each Optionholder is entitled or the exercise price or both will be reconstructed in the manner required by the Listing Rules.

Pro-Rata Issues

In the event the Company makes a pro-rata issue of securities, the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

Administration of the ESOP

The Board will supervise the administration of the ESOP and has a discretion to amend the rules.

10.6 **Consents**

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by those parties (as described below in the form and context in which they are included), and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

(a) FW Legal Pty Ltd trading as Fairweather Corporate Lawyers has consented to being named as the Solicitors to the Offer.

(b) Concord & Partners has consented to being named as the Independent Solicitor reporting on the Licences and the inclusion of the Solicitor's Report on the Licences in this Prospectus.

(c) Corvidae Pty Ltd as trustee for Ravensgate Unit Trust trading as Ravensgate has consented to being named as the Independent Geologist to the Company and the inclusion of the Independent Geologist's Report in this Prospectus and all statements referring to it in this Prospectus.

(d) Butler Settineri (Audit) Pty Ltd has consented to being named as the Investigating Accountant to the Company and the inclusion of the Investigating Accountant's Report in this Prospectus.

(e) Cygnet Capital Pty Ltd has consented to being named as the Lead Manager to the Offer.

(f) Computershare Investor Services Pty Limited has consented to being named as the Share Registry to the Offer.

Each of the parties referred to above in this section:

- does not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of that party as specified in this section; and
- has not caused or authorised the issue of this Prospectus.

10.7 **Officer Protection Deeds**

The Company has entered into Officer Protection Deeds ("**Deed**") with each Director. Under the Deed, the Company indemnifies the Director to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charges, expense, outgoings or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the Director being an officer of the Company, the employment of the Director with the Company or a breach by the Company of its obligations under the Deed.

Pursuant to the Deed, the Company must insure the Directors against liability and provide access to all Board documents both while a person is a Director and after that person ceases to be a Director to the extent relevant to defending any claim brought against the Directors in their capacity as officers of the Company.

10.8 **Company tax status and financial year**

The Company will be taxed in Australia as a public company. The financial year of the Company ends on 30 June annually.

10.9 **Dividend policy**

The Company does not intend to pay dividends on securities for the year ending 30 June 2011.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of

distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

10.10 Expenses of the Offer

The total estimated expenses of this Prospectus, including fees to be paid to the Lead Manager, solicitors, independent geologist and investigating accountant, listing fees, Prospectus design, printing and other miscellaneous expenses will be payable by the Company and these expenses are estimated to be approximately $808,600exclusive of any GST. This sum includes fees to the Lead Manager of $480,000 in respect of this Offer.

10.11 Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company.

As at the date of this Prospectus, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

10.12 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

11. DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 4 July 2011

.....
Signed for and on behalf of
Red Mountain Mining Ltd by
Mr Keith Rowe

12. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

AFSL	Australian Financial Services Licence.
Applicant	a person who submits a valid Application Form pursuant to this Prospectus.
Application	a valid application made on an Application Form to subscribe for Shares pursuant to this Prospectus.
Application Form	the Application Form attached to this Prospectus.
ASIC	the Australian Securities and Investments Commission.
ASX	the ASX Limited ACN 008 624 691.
Board	the Board of Directors.
China or PRC	the Peoples Republic of China.
Closing Date	the closing date for receipt of Application Forms under this Prospectus, estimated to be 5.00pm WST on 5 August 2011 or an amended time as set by the Board.
Company or Red Mountain Mining	Red Mountain Mining Ltd ABN 40 119 568 106 and, where the context requires, its subsidiaries.
Constitution	the constitution of the Company.
Corporations Act	the Corporations Act 2001 (Cth).
Diebu Framework Agreement	means the Framework Agreement for the Diebu Project between Red Mountain Mining (Hong Kong) Holdings Limited, Lingbao Xuanrui Mineral Resources Company Limited and Gansu Xuanrui RMM Co. Limited executed on 1 May 2010 as amended and as summarised in section 8.
Director	a director of the Company.
Independent Geologist	Corvidale Pty Ltd as trustee for Ravensgate Unit Trust trading as Ravensgate.
JORC Code	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
Lead Manager or Cygnet	Cygnet Capital Pty Ltd ACN 103 488 606.
Listing Rules	the listing rules of the ASX.
Offer	an invitation made in this Prospectus to subscribe for Shares.
Official List	the official list of the ASX.

Opening Date	12 July 2011
Project	a project in which the Company has an interest.
Prospectus	this Prospectus and includes the electronic prospectus.
Share	a fully paid ordinary Share in the Company.
Shareholder	the registered holder of Shares in the Company.
Share Registry	Computershare Investor Services Pty Limited.
WST	Western Standard Time, Perth, Western Australia.
Xanrui	Lingbao Xuanrui Mineral Resources Co Limited
Zhongqu Framework Agreement	means the Framework Agreement for the Zhongqu Project between Red Mountain Mining (Hong Kong) Holdings Limited, Lingbao Xuanrui Mineral Resources Company Limited, Mr Meng Fanrui and Ms Ma Xianting executed on 1 May 2011 as amended and as summarised in section 8.
$, A$ or Dollars	Australian dollars unless otherwise stated.
US$	United States dollars.

Red Mountain Mining Limited
ABN 40 119 658 106

Registry Use Only

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Broker Code

Adviser Code

A **I/we apply for**

Number of Shares in Red Mountain Mining Limited at A$0.20 per Share or such lesser number of Shares which may be allocated to me/us

B **I/we lodge full Application Money**

A$.

C **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D **Enter your postal address - Include State and Postcode**

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

E **Enter your contact details**

Contact Name

Telephone Number - Business Hours / After Hours

( )

F **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Payment details – Please note that funds are unable to be directly debited from your bank account

G

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

Make your cheque or bank draft payable to Red Mountain Mining Limited - Share Offer Account

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

RMX IPO

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How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 shares must be in multiples of 1,000 shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHESS

Red Mountain Mining Limited (the Company) will apply to the ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Securities Exchange Limited. In CHESS, the company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to Red Mountain Mining Limited - Share Offer Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Red Mountain Mining Limited is upon and subject to the terms of the prospectus and the Constitution of Red Mountain Mining Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited Perth by no later than 5pm AWST on 5 August 2011. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 850 505.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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Red Mountain Mining Limited
ABN 40 119 658 106

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Joint Applicant 3 or Account Designation

D **Enter your postal address - Include State and Postcode**

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( )

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Holder Identification Number (HIN)

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Red Mountain Mining Limited

Suite 2, 2 Richardson Street

West Perth Western Australia 6005

Web: www.redmm.com.au

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