



December Quarter 2011 Report

DECEMBER QUARTER 2011 HIGHLIGHTS

- **Stage 2 underground drilling program commenced at Xinqu mine (Zhongqu project) with two rigs mobilised to site in late December.**
- **A total of 198.2 metres of drilling completed in 2 drillholes (out of a planned program of 2,430 metres in 15 holes) .**
- **Drilling has intersected brecciation and hematite alteration at and around the target zones. Assay results of core samples are pending.**
- **New structural and geological mapping of the Xinqu mine area and Zhongqu project has provided an invaluable understanding of the controls on mineralisation and assisted in drill hole planning.**
- **Planning is advanced for commencing work on the Diebu project after the Chinese New Year and as snow coverage recedes.**
- **Additional gold and base metal projects within China have been presented to the Company and are currently being assessed**
- **Senior management team strengthened with the appointment of Graeme Fraser as the China based Exploration Manager.**
- **The company has no debts and \$5.63 million in cash as at 31 December, 2011.**

Red Mountain Mining Limited (ASX: RMX) is a gold explorer that listed on the ASX in September 2011 with two prime projects in China. The Company's strategy is to unlock the potential of 'under-developed' mineral projects in China by introducing Australian mining methods and improving efficiencies to gain significant production and exploration upside.

The Company has binding acquisition agreements to acquire 51% of the Zhongqu project (operating gold mine and infrastructure) and 90% of the Diebu project (advanced exploration).

ZHONGQU PROJECT EXPLORATION

Red Mountain Mining has an acquisition agreement to acquire 51% of the Zhongqu project, located 259km southwest of the provincial capital of Lanzhou in the Gansu Province of China (Figure 1). Zhongqu includes the Xinqu underground operating gold mine with existing infrastructure (Figure 2).

Red Mountain Mining established site facilities and mobilised a Chinese based, Australian drilling contractor to complete the Stage I underground drilling program from the lowest working level (Level 6) of the Xinqu mine. This program was completed in September 2011 and obtained encouraging gold assay results that have been previously reported in detail to the market.

Consequently a follow up Stage II drilling program is currently being undertaken at Xinqu to extend and infill the intercepts as well as probe for the downplunge positions of Ore Bodies #1 and #3 (Figures 3-4) predicted from the structural geology review.



Figure 1. Zhongqu project location

Stage II Drilling Program

Red Mountain Mining plans to drill up to 15 holes for a total of 2,430 metres in the Xinqu mine, of which 198.2 metres had been completed in 2 holes by the end of December 2011 (Figure 4, Table 1). The Stage II drilling program follows the encouraging Stage I drilling results that intersected the main granodiorite associated shear zone with a best intersection of 31m at 4.61 g/t Au including 8m at 10.07 g/t Au, as well as additional mineralised limestone-hosted structures (highlights of Stage I drilling are summarised in Appendix 1).

The Stage II drilling program may be expanded, subject to results and models developed from geological studies, with additional holes to follow up encouraging drill intercepts.

Two underground diamond drill rigs were mobilised to site in late December 2011 after efforts by Red Mountain Mining’s China team to upgrade the pumping and dewatering system at the Xinqu gold mine. The Company now has two diamond drill rigs working continuously underground on Level 6 each drilling approximately 20-25 metres per day.



Figure 2 – Plan view of Zhongqu project showing main prospect locations within the granted Mining Lease

Stage II drilling at the Xinqu gold mine will allow Red Mountain Mining to test its understanding of the mineralisation models and move closer to establishing a JORC compliant resource within the project. Drill targets include the down plunge extension of Ore Body #3 which was the main producer at Xinqu as well as the down dip extension of Ore Body #1 that was mined early in the history of Xinqu at the upper levels (Figures 3 and 4).

Table 1. Drill holes completed (assays awaited for all)				
Drillhole	Target	Total depth	Completed	Comment
XQ6L019	140.4 m	140.4 m	Completed	NSI and probably clipped top of Ore Body #3
XQ6L020	230 m	57.8 m	In progress by end December	Widespread, discontinuous brecciation and hematitic alteration intersected.
XQ6L021	124 m	0 m	Setting up by rig 2 in chamber 200-1	Drilling not commenced.

The first drill rig was mobilised underground to drill chamber 204-2 in late December to commence follow up and partial infill drilling of the mineralisation intersected at the sheared granodiorite contact in drillholes XQ6L 013 to XQ6L017 (Figure 6, Appendix 1).

A second drill rig commenced work from chamber 200-1 on Christmas Day targeting both the #3 and #1 Ore Bodies. Additional underground drill chambers are being prepared for drilling planned after Chinese New Year in February.

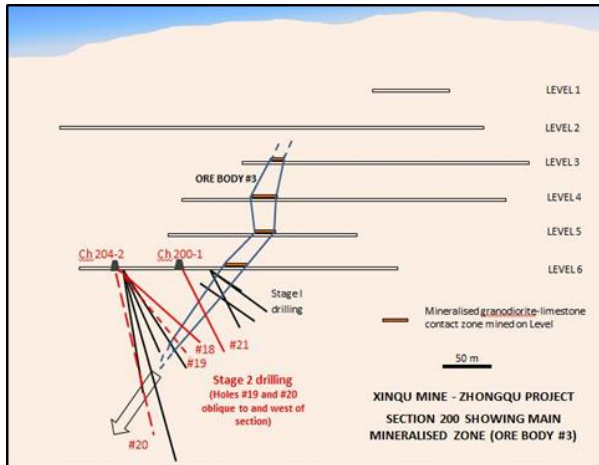


Figure 3. Section 200 through Xinqu mine showing some of the Stage II program holes to be drilled from the 6 Level to target the down dip extension of the main gold mineralised zone (Ore Body #3).

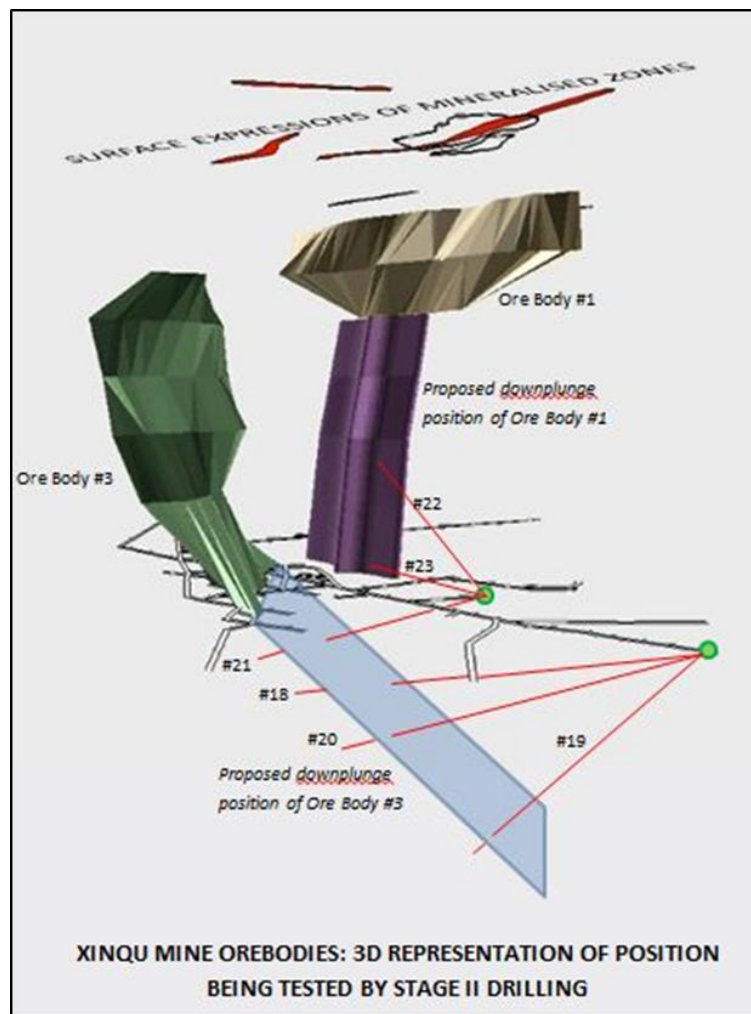


Figure 4: Oblique 3D section (looking NE) of mapped and modelled ore bodies #1 and #3 which were mined at Xinqu mine. The red lines show the traces of the initial drillholes numbered 18 to 23 testing Ore Body #3 below Level 6 (in blue) and the proposed extension of Ore Body #1 above Level 6 (in purple).

The first holes are planned to test the western and down dip extensions of the sheared granodiorite-limestone contact that has been mined as Ore Body #3 at Xinqu (Figures 3 and 4). The subsequent drill holes will also test for limestone hosted structures identified in drilling and mapped at surface including downplunge extensions of Ore Body #1 above Level 6. Ore Body #1 has been mapped at surface within open pit excavations and only partially mined previously from underground in the upper levels (Figure 4).

Limited drilling to the end of December has encountered only minor brecciation and hematitic alteration in Hole 19 which is considered to have passed over the best developed Ore Body #3 mineralisation and drilled into a compressive, lower grade zone of the granodiorite-associated structure. However, Hole 20 has encountered significant if discontinuous widths of such alteration. While this style of alteration is no guarantee of elevated gold mineralisation assays are awaited from sampling of these intercepts.

Drill assay results will be provided as core logging is completed and samples are submitted to the SGS assay laboratory in Tianjin for analysis. The first results should be returned in February after the Chinese New Year.

Notwithstanding that much of China closes down over the period leading up to the Chinese New Year on 23 January 2012, Red Mountain Mining's geological team and two underground drill rigs have continued operating at the Xinqu Mine in order to complete the Stage II drilling program. As at January 24, 982.5 metres had been drilled with four holes completed (Holes 18 to 22) and another two in progress (Holes 24 and 28).

The initial Stage II drilling program is expected to be completed in late February 2012. Once complete, the size and dimensions of the gold mineralisation encountered in both drilling programs will be modelled, as the first step of bringing the mineralisation into a JORC compliant resource. Further drilling of the Xinqu underground gold mineralisation is anticipated subject to successful Stage II results.

Mapping and structural analysis

A structural geology study was undertaken by Crescent Minerals Pty Ltd of both underground and surface mineralisation at the Xinqu gold mine. The purpose of this analysis was to develop a better understanding of the controls on gold mineralisation. Whilst the final report is near completion, the initial findings have assisted the Company in developing underground and surface drill targets.

In particular, the interpretation of the setting and controls on the main ore bodies has suggested repetitions of Ore Bodies #1 and #3 within constraining structures (Figure 5) while relogging and reinterpretation of the Stage I drill holes has identified a gold mineralised zone intersected in drill holes XQ6L013 - XQ6L017 up to 200 metres below the 6 Level and appearing to strengthen at depth and to the west (Figure 4). The first drill holes of the Stage II programme aim to test the potential of the zone to the west of XQ6L014 that intersected 31m at 4.61 g/t Au and confirm continuity below this horizon.

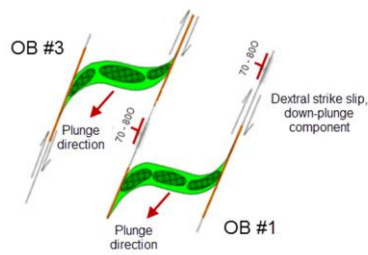


Figure 5. Sketch in plan view of the orientation of the ore zones at Xinqu mine and their broad structural controls

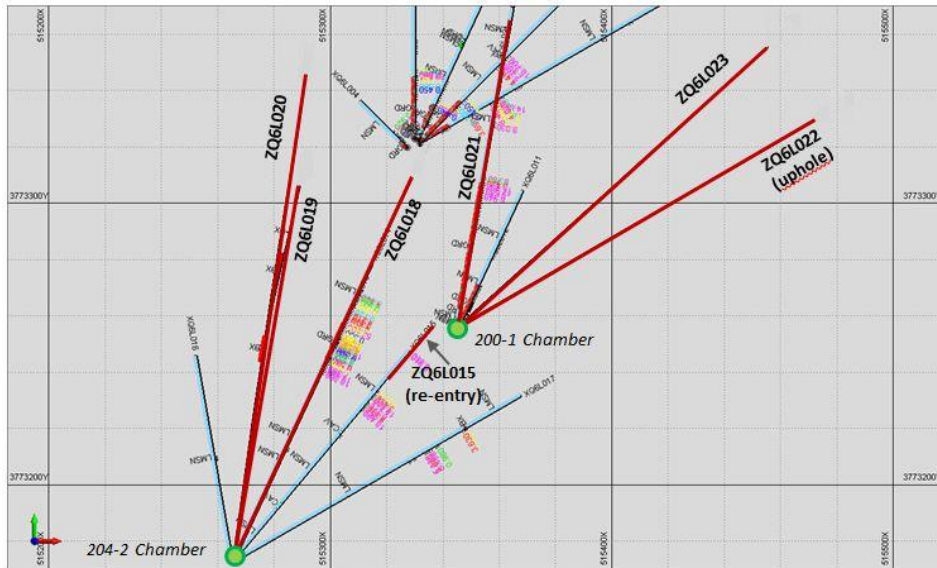


Figure 6. Plan view of holes drilled during Stage 1. The mineralisation is seen to widen and strengthen to the west and will be tested by Stage II drilling denoted by the red trace lines (ZQ6L018 – ZQ6L023). All holes shown are downhole and target Ore Body #3, except ZQ6L022 and ZQ6L023 which are upholes targeting Ore Body #1

Following completion of Stage II drilling the gold mineralisation encountered in both drilling programs will be modelled, as the first step of bringing the mineralisation into a JORC compliant resource for the Xinqu mine. Exploration and due diligence of the neighbouring Zhongqu prospect will commence later once weather conditions permit.

Additional growth opportunities

In addition to operational work being undertaken at the Company's Zhongqu Project's Xinqu gold mine, additional resource projects within China are being investigated. This review and due diligence process has highlighted some potential project acquisitions that fit Red Mountain Mining's strategic focus, and are currently being evaluated.

Appointment of Exploration Manager

Mr Graeme Fraser was appointed Exploration Manager and commenced on 23 January 2012. This appointment is an important development in the execution of Red Mountain Mining's strategy of identifying underdeveloped Chinese mining and advanced exploration projects, and introducing Australian mining techniques to maximise value.

Graeme lives in Lanzhou, Gansu Province, PRC, and has extensive experience as an exploration and production geologist in China where he has worked since 2005. He was Exploration Manager for Eldorado Gold's Tianjanshan mine project in Qinghai, and Senior Geologist at Dragon Mountain Gold's Lixian Gold project in Gansu.

Graeme brings strong leadership skills and extensive experience in exploration and mining in Australia and China. Graeme's addition to Red Mountain Mining's senior executive team will provide a strong impetus to the Company's development through exploration and project generation.

Appendix 1. Highlights of RMM Stage I drilling at XinQu mine, Zhongqu project			
Hole No.	From	To	Intersection
XQ6L 002	22m	26m	4m at 5.71 g/t Au
XQ6L 005	40m	47m	7m at 5.70 g/t Au
XQ6L 009	37m	43m	6m at 4.21 g/t Au
XQ6L 010	48m 75m 79m	56m 77m 84m	8m at 7.65 g/t Au 2m at 5.07 g/t Au 5m at 5.31 g/t Au
XQ6L 013	183.5m	192.5m	9m at 5.59 g/t Au
XQ6L 014	95m <i>Including:</i> 95m 118m 134m	126m 99m 126m 135m	31m at 4.61 g/t Au 4m at 9.51 g/t Au, and 8m at 10.07 g/t Au 1m at 4.62 g/t Au
XQ6L 015	107.5m <i>Including:</i> 107.5m 116m	121.8m 113.5m 119m	14.3m at 4.50 g/ Au 6m at 7.14 g/t Au, and 3m at 6.27 g/t Au
XQ6L 017	120m	124.5m	4.5m at 6.33 g/t Au

For further information please visit www.redmm.com.au or contact:

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About Red Mountain Mining

Red Mountain Mining is a gold explorer incorporated in Australia in May 2006 and which listed on the ASX in September 2011 with two prime projects in China (ASX: RMX). The Company's strategy is to unlock the potential of 'under-developed' gold projects in China by introducing Australian mining methods and improving efficiencies to gain significant production and exploration upside. It has spent more than five years examining potential project acquisitions in China.

The Company has binding acquisition agreements to acquire 51% of the **Zhongqu project** (operating gold mine and infrastructure) and 90% of the **Diebu project** (advanced exploration).

The **Zhongqu project** is an operational gold mine with substantial exploration potential. The project has been operational since 2002 using labour intensive manual underground mining methods. Covering 7.19km² on a granted Mining Lease, the project has a modern gold treatment plant with 400,000 tpa capacity.

Zhongqu has a Chinese classified non-JORC compliant gold mineralisation details of which are provided in Red Mountain Mining's prospectus of 4 July 2011. A further Exploration Target estimate exists with an estimated range of 400,000 to 550,000 tonnes at 7.0 to 9.5 g/t of gold¹. Red Mountain Mining has commenced a second round of drilling as another step in bringing the underground gold mineralisation into JORC compliance.

The **Diebu project** has an exploration target of between 400,000 to 550,000 tonnes at 3.5 to 4.5 g/t of gold¹. The Company obtained encouraging results from its first comprehensive examination of Diebu in 2008. Mineralisation occurs irregularly over 6km but has not yet 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.

Competent Person Statement

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Andrew Richards, who is a member of The Australasian Institute of Mining and Metallurgy. He is a full time employee of Arc Resources Pty Ltd which is providing consulting services to Red Mountain Mining Ltd.

Andrew Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Andrew Richards consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

¹The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to date to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

RED MOUNTAIN MINING LIMITED

ABN

40 119 568 106

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for		
(a) exploration & evaluation	(905)	(1201)
(b) development	0	0
(c) production	0	0
(d) administration	(567)	(1038)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	62	81
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other (provide details if material)	0	0
	(1410)	(2158)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	0	0
(b) equity investments	0	0
(c) other fixed assets	0	0
1.9 Proceeds from sale of:		
(a) prospects	0	0
(b) equity investments	0	0
(c) other fixed assets	0	0
1.10 Loans to other entities	0	0
1.11 Loans repaid by other entities	0	0
1.12 Other (provide details if material)	0	0
	0	0
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(1410)	(2158)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1410)	(2158)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1	7482
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	0
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other (provide details if material)	0	0
	Net financing cash flows	1	7482
Net increase (decrease) in cash held		(1409)	5324
1.20	Cash at beginning of quarter/year to date	7197	447
1.21	Exchange rate adjustments to item 1.20	68	85
1.22	Cash at end of quarter	5856	5856

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	40
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	27	6

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1247
4.2 Development	
4.3 Production	
4.4 Administration	448
Total	1695

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2819	2658
5.2 Deposits at call	3037	4539
5.3 Bank overdraft	0	0
5.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.22)	5856	7197

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

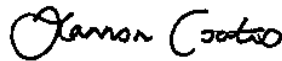
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	79,060,026	64,546,875	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	38,287,474	-	Exercise price \$0.20 \$0.20 \$0.25 \$0.35	Expiry date 12/09/2013 30/06/2014 31/07/2014 31/07/2016
7.8 Issued during quarter	7,022,696	-	\$0.25 (3,511,348) \$0.35 (3,511,348)	31/07/2014 31/07/2016
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	-	-
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



30 January 2012

Sign here: Date:
(Company secretary)

Print name: SHANNON COATES
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Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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