



Chairman's Address

Tuesday 27 November 2012

AUSTRALIA'S RESOURCES SECTOR URGED TO 'RE-ENGAGE' WITH ASIAN REGION

Red Mountain Mining Limited's strategy is to unlock the potential of 'under-developed' gold and polymetallic projects in the greater Asian region by introducing Australian mining and processing methods and improving efficiencies to gain significant production and exploration upside.

I believe it is timely for Australia's resources sector to reassess and preferably reinvigorate its footprint of involvement in Asia's mineral opportunities, especially "mining friendly" countries such as the Philippines.

It is fair to say that 20 years ago, Australia's international mineral overtures were primarily Asian focused, if somewhat of relatively small scale. Since then, in line with building the scope and diversity of our domestic mineral exploration and mining future, we have tended to direct our international mining forays into the African continent, Latin America, selected North American ventures and of late, even dabbling more in Europe and destinations such as Mongolia.

However, there are significant market and economic indicators emerging that point to not only the future strength of the Asian economic corridor but within that, the opportunity for Australia's reputable exploration and mining practices to be exported at renewed levels into our under-explored northern regional neighbours.

Four key market developments here and globally may precipitate a re-awakening of Australia's resources links within the increasingly affluent demographic of the China-Asia corridor:

- US President Obama's decision to prioritise the Asia Pacific for that country's future global political, military and economic aspirations;
- The recently released Australian Government's "Australia In the Asian Century" White Paper, which cites mining and resource related sectors as a primary opportunity as the region's continued economic development would drive demand for energy and mineral resources;

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- The current negotiations for a new Trans Pacific Partnership (a proposed regional free-trade agreement being negotiated by Australia, the US, Asia Pacific nations, Canada, Mexico and Vietnam);
- The elevation earlier this month of Xi Jinping to the position of General Secretary of China's ruling Communist Party with a clear mandate for economic reform.

One of the principal areas of change to attract foreign investment has been made by the Philippines itself – changes that warranted Red Mountain's move into the country.

The Philippines Government has this year proposed a new mining regulations under Executive Order 79, creating a foreign investment climate for Australian resources plays that is not only superior within the Asian footprint but comparable to or better than other well trod international mining jurisdictions, some of which are under severe resource nationalism pressures. Several major Australian run projects have already advanced to production in the Philippines, such as CGA Mining's Masbate gold project, OceanaGold Corporation's Didipio copper-gold project, Medusa Mining's Co-O gold project and Red 5's Siana gold project.

Under the proposed new Philippines mining regime, existing tenements and licensing contracts, such as held by Red Mountain Mining, will be fully honoured. In addition, foreign tenement and mining lease ownership provisions and approval processes have become very clear and transparent, whilst maintaining clearly defined protected areas for tourism and the environment, for example specific Island Ecosystems.

For Australia's resources sector, the opportunities afforded by such changes can be ranked against what the Government estimates is the potential for \$12 billion worth of minerals investment over the next four years.

The Philippines' mineral reserves are huge and estimated to be worth around \$850 billion. The country can already claim fame to being the world's second largest nickel producer, fifteenth largest gold producer and twenty sixth largest copper producer. The country has developed a well-trained, experienced mining culture and workforce.

Admittedly, its mineral development has suffered in modern times from non-government organisations (NGO's) based anti-mining interests, conflicting state and regional mining laws, taxation, royalty, mineral agreement and revenue sharing uncertainty.

However, the new protocols, once approved, we believe, will over time address those historic impediments in a geographical location well placed to service resource hungry China and neighbouring developing countries.

Neil Warburton

Executive Chairman and Acting CEO