

# Red Mountain Mining Ltd and Controlled Entities



## Interim Consolidated Financial Report For the Half-Year Ended 31 December 2012

These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2012 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the Corporations Act 2001.

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# Director's Report

The Directors of Red Mountain Mining Ltd present their Report together with the financial statements of the consolidated entity, being Red Mountain Mining Ltd ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2012 and the Independent Auditor's Review Report thereon.

## Director details

The following persons were Directors of the Company during or since the end of the half-year:

- Mr Michael Wolley
- Mr Keith Rowe
- Mr Neil Warburton
- Mr Jon Dugdale became part-time Director on 1<sup>st</sup> November 2012, and became a full time Executive Director on 21 January 2013.

## Review of operations and financial results

The Group has recorded an operating loss of \$1.85m (2011: \$3.78m) and acquired new gold projects and copper gold tenements in the Philippines from Mindoro Resources Ltd ("Mindoro") and commencement of exploration activities, including drilling, on these projects.

## Financial Position

As of 31 December 2012, the Company had cash balances of \$3.25m (2011: \$5.83m) and net assets of \$16.88m (2011: \$5.64m).

## Commentary

As detailed in Note 5 of the financial statements, on 30 October 2012, the Company formally completed the acquisition of advanced gold projects and copper gold tenements in the Philippines. The acquisition included a 100% direct and indirect interest in the Batangas Gold Project, Luzon Island, and a 75% direct and indirect interest in tenements at the Tapani San Francisco copper-gold project, Mindanao Island, the Philippines. Transfer of certain tenements is subject to further restructure, to be completed within 12 months of closing.

This acquisition is consistent with the Company's strategy to unlock the potential of 'under-developed' gold and polymetallic projects in the Asian region.

The initial drilling program commenced on 5 August targeting high grade gold zones at the Archangel prospect within the Batangas Project. A total of 10 diamond drillholes were completed at Archangel for 1,793m of drilling. All 10 drillholes intersected gold mineralisation. The objectives of the program were met namely: i) to better define and structurally orient the higher grade zones for Mineral Resource estimation and ii) to extend the higher-grade zones at depth below the Mineral Resources.

In parallel with the Archangel drilling program, a review was conducted of available data at Lobo, Batangas, that highlighted potential for the discovery of additional high-grade gold mineralisation within the over 10 kilometre strike-length of epithermal vein-breccia structures that have been mapped at Lobo. Key initial targets are the West Drift lode structure at depth below the historic Lobo copper mine, and the South West Breccia (SWB) lode structure along strike from existing high grade resources at SWB. Subsequently a 10 drillhole program to test the West Drift epithermal lode structure was commenced on the 27 November 2012 and a trenching program was commenced at SWB and immediately to the south at Japanese Tunnel.

Two drillholes were completed at West Drift during the December 2012 quarter, LB-66 and LB-67, for a total of 415.5m. Both drillholes produced significant gold intercepts that confirmed a general trend of increasing gold grade with depth. The program has continued with the addition of a second drilling rig during Q1 2013.

In addition to the drilling program, a surface trenching and detailed (1m sample intervals) “channel” sampling program was initiated to define the surface expression of the Mineral Resources at SWB and extend the drilling target along strike to the southwest to Japanese Tunnel prospect. Significant high-grade results were announced on the 11 November 2012 from this program. Further trenching and channel sampling is planned for other identified structures at both Lobo and Archangel.

The Company’s near term strategy is to upgrade the JORC compliant Mineral Resources at Batangas and complete a scoping study to establish the viability of a gold development project by Q4 2013.

The Company also intends to continue to evaluate and where possible acquire majority interests in other mineral projects in the Asian region.

The Company is aware of the risks inherent in operating in foreign jurisdictions. It has been mindful to maintain the community and local government relations and environmental programs established by the team that have been transferred to the Company through the Philippines projects acquisition.

The Company has also maintained an experienced team of financial and technical advisors to assist the Company to meet its objectives.

As detailed in Note 5 and Note 7 to the financial statements, upon completion of the acquisition of key gold and copper-gold projects in the Philippines, the Company issued 100 million fully paid ordinary shares and 50 million performance shares in consideration for the advanced mineral assets. Conversion of the performance shares to ordinary shares is conditional upon certain milestones being met by 30 October 2013. Otherwise the performance shares will be cancelled.

Furthermore, Cygnet Capital Pty Ltd was issued with 10 million options as detailed in Note 10 to the financial report. These options were issued in accordance with the Lead Manager Mandate Agreement outlined in the Share Sale Agreement dated 24 July 2012.

Furthermore, Mr Zeffron Reeves was issued 5 million options as disclosed in Note 10 to the financial statements. These options were issued in consideration for professional services provided in relation to the acquisition of the Philippines properties.

Additional options issued from 1 July 2012 to 31 December 2012 are outlined as follows:

- 4 million options to Neil Warburton as part of Director’s remuneration package;
- 1 million options to Gloria Li under the Company’s Employee Share Option Plan.

### **Significant and subsequent events and transactions**

Subsequent to 31 December 2012, the Company issued 8,412,000 fully paid ordinary shares on 2 January 2013 and 100,000 fully paid ordinary shares on 7 January, in a placement raising net capital of \$1million.

New Indicated and Inferred Mineral Resource Estimates for the Archangel and Lobo SWB projects were released on the 30 January 2013. The Mineral Resources were estimated using a higher grade gold cut-off (0.85g/t Au) than previously applied and incorporated the results of fresh drilling by the Company at Archangel since August 2012, surface channel sampling at SWB, Lobo, and a revision and reinterpretation of all previous data. This resulted in a significantly increased grade with only modest reduction in ounces relative to the previous (Mindoro) Mineral Resource Estimates.

In line with the Company's objective to continue to upgrade the Mineral Resources at Batangas the West Drift drilling program has been accelerated since 31 December 2012 with the deployment of an additional diamond drill rig to test the entire 400m+ strike length of the West Drift high-grade gold target. To date a further 11 diamond drillholes have been completed (LB-68 to LB-78) for an additional 2,202.35m, taking the total program at West Drift to 13 diamond drillholes for 2,617.85m.

The Company notes the likely need to raise funds to continue exploration activities at current levels. In mitigation, this requirement is at the Company's election and will be subject to appropriate exploration success.

The Group's management believes that the Group is well positioned with the factors contributing to the Group's strong position being:

- Cash at hand to fund the current exploration program due to fundraising during the December 2012 quarter.
- Exploration and resource evaluation work continues to produce positive results at Batangas.
- The Company has no debt.

Overall, the Group is in a strong position in the current economic environment, and has sufficient capital and liquidity to service its operating activities. The Group's objectives and policies for managing capital, technical and commercial risks are described in its recent annual financial report.

Other than the above, the Directors are not aware of any significant and subsequent events since the end of the interim period.

# Director's Report

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 7 of this financial report and forms part of this Directors report.

Signed in accordance with a resolution of the Directors.



.....  
Keith Rowe  
Director

Dated this 15<sup>th</sup> day of March 2013



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15 March 2013

Red Mountain Mining Ltd  
The Board of Directors  
Level 1, 672 Murray Street  
WEST PERTH WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF  
RED MOUNTAIN MINING LTD**

As lead auditor for the review of Red Mountain Mining Ltd for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Red Mountain Mining Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'C Burton', with a stylized flourish at the end.

**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2012

|                                                                                                                     | Notes | 31 December<br>2012<br>\$ | 31 December<br>2011<br>\$ |
|---------------------------------------------------------------------------------------------------------------------|-------|---------------------------|---------------------------|
| <b>Revenue</b>                                                                                                      |       |                           |                           |
| Interest income                                                                                                     |       | 37,915                    | 81,768                    |
| Other income                                                                                                        |       | 38,630                    | 56,576                    |
| <b>Expenses</b>                                                                                                     |       |                           |                           |
| Impairment expenses                                                                                                 |       | (678,919)                 | -                         |
| Capital raising costs                                                                                               |       | -                         | (1,100,000)               |
| Consultancy fees                                                                                                    |       | (213,860)                 | (1,209,247)               |
| Depreciation expense                                                                                                | 3     | (5,873)                   | (918)                     |
| Employee benefits expenses                                                                                          |       | (563,390)                 | (114,832)                 |
| Share-based payment expenses                                                                                        | 10    | (19,506)                  | (789,069)                 |
| Legal fees                                                                                                          |       | (28,299)                  | (215,765)                 |
| Travelling expenses                                                                                                 |       | (82,630)                  | (89,176)                  |
| Other expenses                                                                                                      |       | (335,311)                 | (383,374)                 |
| <b>Loss for the period from continuing operations</b>                                                               |       | <b>(1,851,243)</b>        | <b>(3,764,037)</b>        |
| <b>Loss for the period attributable to the owners of Red Mountain Mining Ltd</b>                                    |       | <b>(1,851,243)</b>        | <b>(3,764,037)</b>        |
| <b>Other comprehensive loss:</b>                                                                                    |       |                           |                           |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                                |       |                           |                           |
| Exchange differences on translating foreign operations                                                              |       | (56,472)                  | (12,134)                  |
| <i>Items that cannot be subsequently reclassified to profit or loss</i>                                             |       | -                         | -                         |
| <b>Other comprehensive loss for the period</b>                                                                      |       | <b>(56,472)</b>           | <b>(12,134)</b>           |
| <b>Total loss and other comprehensive loss for the period attributable to the owners of Red Mountain Mining Ltd</b> |       | <b>(1,907,715)</b>        | <b>(3,766,171)</b>        |
| <b>Earnings per share</b>                                                                                           |       |                           |                           |
| Basic and diluted loss per share (cents)                                                                            | 6     | <b>(0.02)</b>             | <b>(5.32)</b>             |

The accompanying notes form part of these financial statements.



# Consolidated Statement of Financial Position

As at 31 December 2012

|                                      | Notes | 31 December<br>2012<br>\$ | 30 June<br>2012<br>\$   |
|--------------------------------------|-------|---------------------------|-------------------------|
| <b>Assets</b>                        |       |                           |                         |
| <b>Current</b>                       |       |                           |                         |
| Cash and cash equivalents            |       | 3,251,510                 | 4,380,150               |
| Trade and other receivables          |       | 172,010                   | 144,784                 |
| <b>Total current assets</b>          |       | <u>3,423,520</u>          | <u>4,524,934</u>        |
| <b>Non-current</b>                   |       |                           |                         |
| Plant and equipment                  | 3     | 33,713                    | 31,371                  |
| Exploration & evaluation expenditure | 4     | 15,216,850                | -                       |
| <b>Total non-current assets</b>      |       | <u>15,250,563</u>         | <u>31,371</u>           |
| <b>Total assets</b>                  |       | <u>18,674,083</u>         | <u>4,556,305</u>        |
| <b>Liabilities</b>                   |       |                           |                         |
| <b>Current</b>                       |       |                           |                         |
| Trade and other payables             |       | 1,540,858                 | 258,490                 |
| Provisions                           |       | 27,255                    | 21,545                  |
| <b>Total current liabilities</b>     |       | <u>1,568,113</u>          | <u>280,035</u>          |
| <b>Non-current</b>                   |       |                           |                         |
| Retirement benefits                  |       | 230,797                   | -                       |
| <b>Total non-current liabilities</b> |       | <u>230,797</u>            | <u>-</u>                |
| <b>Total liabilities</b>             |       | <u>1,798,910</u>          | <u>280,035</u>          |
| <b>Net assets</b>                    |       | <u><b>16,875,173</b></u>  | <u><b>4,276,270</b></u> |
| <b>Equity</b>                        |       |                           |                         |
| Contributed Equity                   | 7     | 25,408,460                | 11,657,848              |
| Reserves                             | 9 (a) | 2,636,067                 | 1,936,533               |
| Retained earnings                    | 9 (b) | (11,169,354)              | (9,318,111)             |
| <b>Total equity</b>                  |       | <u><b>16,875,173</b></u>  | <u><b>4,276,270</b></u> |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2012

|                                                                   | Share<br>capital<br>\$ | Share<br>option<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Total<br>equity<br>\$ |
|-------------------------------------------------------------------|------------------------|----------------------------------|-----------------------------|-----------------------------------------------------|-----------------------|
| <b>Balance at 1 July 2012</b>                                     | 11,657,848             | 2,038,272                        | (9,318,111)                 | (101,739)                                           | 4,276,270             |
| Loss for the period                                               | -                      | -                                | (1,851,243)                 |                                                     | (1,851,243)           |
| Other comprehensive loss                                          |                        |                                  |                             | (56,472)                                            | (56,472)              |
| Total comprehensive loss                                          |                        |                                  | (1,851,243)                 | (56,472)                                            | (1,907,715)           |
| Transactions with owners in<br>their capacity as owners:          |                        |                                  |                             |                                                     |                       |
| Contributions of equity, net<br>of transaction costs              | 13,750,612             |                                  | -                           | -                                                   | 13,750,612            |
| Issue of options to<br>employees and consultants                  | -                      | 756,006                          | -                           | -                                                   | 756,006               |
| Total transactions with<br>owners in their capacity as<br>owners: | 13,750,612             | 756,006                          | (1,851,243)                 | (56,472)                                            | 12,598,903            |
| <b>Balance at 31 December<br/>2012</b>                            | 25,408,460             | 2,794,278                        | (11,169,354)                | (158,211)                                           | 16,875,173            |

  

|                                                                   | Share<br>capital<br>\$ | Share<br>option<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Total<br>equity<br>\$ |
|-------------------------------------------------------------------|------------------------|----------------------------------|-----------------------------|-----------------------------------------------------|-----------------------|
| <b>Balance at 1 July 2011</b>                                     | 4,139,848              | 149,204                          | (4,139,630)                 | (101,412)                                           | 48,010                |
| Loss for the period                                               | -                      | -                                | (3,764,037)                 | -                                                   | (3,764,037)           |
| Other comprehensive loss                                          | -                      | -                                | -                           | (12,134)                                            | (12,134)              |
| Total comprehensive loss                                          | -                      | -                                | (3,764,037)                 | (12,134)                                            | (3,776,171)           |
| Transaction with owners in<br>their capacity as owners:           |                        |                                  |                             |                                                     |                       |
| Contribution of equity ,<br>net of transactions costs             | 7,472,000              | -                                | -                           | -                                                   | 7,472,000             |
| Issue of options to<br>consultant and employees                   | -                      | 1,899,069                        | -                           | -                                                   | 1,899,069             |
| Total transactions with<br>owners in their capacity as<br>owners: | 7,472,000              | 1,899,069                        | -                           | -                                                   | 9,371,069             |
| <b>Balance at 31 December<br/>2011</b>                            | 11,611,848             | 2,048,273                        | (7,903,667)                 | (113,546)                                           | 5,642,908             |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

For the half-year ended 31 December 2012

|                                                                              | Notes | 31 December<br>2012 | 31 December<br>2011 |
|------------------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Operating activities</b>                                                  |       |                     |                     |
| Cash receipt from customers                                                  |       | 67,843              | -                   |
| Payments to employees and suppliers<br>(inclusive of goods and services tax) |       | (1,278,178)         | (2,168,200)         |
| Interest received                                                            |       | 51,783              | 81,678              |
| Interest paid                                                                |       | -                   | -                   |
| Net cash (outflow) from operating<br>activities                              |       | (1,158,552)         | (2,086,432)         |
| <b>Investing activities</b>                                                  |       |                     |                     |
| Cash received from acquisition                                               |       | 182,553             | -                   |
| Acquisition costs                                                            |       | (278,055)           | -                   |
| Payment for exploration properties                                           |       | (924,429)           | -                   |
| Net cash (outflow) from investing<br>activities                              |       | (1,019,931)         | -                   |
| <b>Financing activities</b>                                                  |       |                     |                     |
| Application funds received                                                   |       | 1,051,500           | 8,000,000           |
| Proceeds from issue of options                                               |       | -                   | 10,000              |
| Interest paid                                                                |       | (8)                 | -                   |
| Share issue costs                                                            |       | -                   | (528,000)           |
| Net cash inflow from financing activities                                    |       | 1,051,492           | 7,482,000           |
| <b>Net Increase/(decrease) in cash held</b>                                  |       | (1,126,991)         | 5,395,568           |
| Net foreign exchange difference                                              |       | (1,649)             | (12,134)            |
| Cash at the beginning of period                                              |       | 4,380,150           | 446,894             |
| <b>Cash at the end of period</b>                                             |       | <u>3,251,510</u>    | <u>5,830,328</u>    |

The accompanying notes form part of these financial statements.

# Notes to the Interim Consolidated Financial Statements

## 1 BASIS OF PREPARATION

Red Mountain Mining Ltd (“the Company”) is domiciled in Australia.

The consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as (the “Group”).

For the purpose of preparing the consolidated financial report, the Group is a for profit entity.

The functional currency of each of the Group’s entities is the currency of the primary economic environment in which that entity operates.

The interim financial statements have been approved and authorised for issue by the board of Directors on 15 March 2013.

### Going concern

For the half year ended 31 December 2012, the Group recorded a loss of \$1,851,243 and had operating and investing cash outflows of \$2,178,483. At 31 December 2012, the cash balance was \$3,251,510.

The interim consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors have determined in order to continue to rapidly develop the newly acquired Philippines’ assets; the Group is likely to require raising capital in the next 12 months.

Although these conditions indicate the existence of a material uncertainty in relation to the going concern basis of this financial report, the Directors are confident that funding activities within the next 12 months will be successful and therefore the financial report has been prepared on a going concern basis.

### a) Statement of compliance

The interim consolidated financial statements (“the interim financial statements”) of the Group are for the six months ended 31 December 2012 and are presented in Australian dollar (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2012 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the Corporations Act 2001.

b) Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are consistent with those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2012.

*New policies, revised or amending Accounting Standards and Interpretations adopted*

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarify about the nature of items presented as other comprehensive income and the related tax presentation.

The Group's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

*Retirement liabilities*

The Company's subsidiary, MRL Gold Inc , has a provision for unfunded defined retirement benefit plan covering all of its regular employees in the Philippines. Under the provisions of the plan, the normal retirement age is 60 but employees with at least 5 years of service can avail of early retirement. The most recent actuarial valuation of the retirement benefit plan for the year ended 31 December 2012.

c) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **2 SEGMENT REPORTING**

The Consolidated Group has identified its reportable operating segments based on the internal reports that are reviewed and used by the chief operating decision makers. The chief operating decision makers, who

are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors ("Board").

The Group segments are structured as corporate in Australia and exploration in the Philippines.

#### Half-year ended 31 December 2012

|                               | Corporate          | Exploration       | Eliminations        | Total              |
|-------------------------------|--------------------|-------------------|---------------------|--------------------|
|                               | \$                 | \$                | \$                  | \$                 |
| Revenue                       | 18,850             | 19,065            |                     | 37,915             |
| Other income                  | 38,538             | 92                |                     | 38,630             |
| Depreciation                  | (4,277)            | (1,596)           |                     | (5,873)            |
| Employee Costs                | (437,119)          | (145,777)         |                     | (582,896)          |
| Consulting fees               | (194,170)          | (19,690)          |                     | (213,860)          |
| Impairment loss               | (678,919)          | -                 |                     | (678,919)          |
| Other expenditures            | (403,929)          | (42,311)          | -                   | (446,240)          |
| <b>Loss before income tax</b> | <b>(1,661,026)</b> | <b>(190,217)</b>  |                     | <b>(1,851,243)</b> |
| <b>Total assets</b>           | <b>36,561,383</b>  | <b>18,700,360</b> | <b>(36,587,660)</b> | <b>18,674,083</b>  |
| <b>Total liabilities</b>      | <b>1,239,697</b>   | <b>19,108,941</b> | <b>(18,549,728)</b> | <b>1,798,910</b>   |

The Company only had one operating segment at the end of the financial year 30 June 2012.

#### Half-year ended 31 December 2011

|                               | Exploration        |
|-------------------------------|--------------------|
|                               | \$                 |
| Revenue                       | 81,768             |
| Other income                  | 56,576             |
| Depreciation                  | (918)              |
| Employee Costs                | (114,832)          |
| Consulting fees               | (1,209,247)        |
| Capital raising expenditures  | (1,100,000)        |
| Share-based payment           | (789,069)          |
| Other expenditures            | (688,315)          |
| <b>Loss before income tax</b> | <b>(3,764,037)</b> |
| <b>Total assets</b>           | <b>5,908,801</b>   |
| <b>Total liabilities</b>      | <b>265,893</b>     |

### 3 PLANT AND EQUIPMENT

The following tables show the movements in plant and equipment

|                                            | Plant and equipment<br>\$ | Total<br>\$   |
|--------------------------------------------|---------------------------|---------------|
| <b>Carrying amount</b>                     |                           |               |
| Balance at 1 July 2012                     | 31,371                    | 31,371        |
| Additions                                  | 8,215                     | 8,215         |
| Depreciation                               | (5,873)                   | (5,873)       |
| <b>Balance at 31 December 2012</b>         | <b>33,713</b>             | <b>33,713</b> |
| <b>Carrying amount at 31 December 2012</b> | <b>33,713</b>             | <b>33,713</b> |

|                                        | Plant and equipment<br>\$ | Total<br>\$   |
|----------------------------------------|---------------------------|---------------|
| <b>Carrying amount</b>                 |                           |               |
| Balance at 1 July 2011                 | 4,221                     | 4,221         |
| Additions                              | 31,069                    | 31,069        |
| Depreciation                           | (3,919)                   | (3,919)       |
| <b>Balance at 30 June 2012</b>         | <b>31,371</b>             | <b>31,371</b> |
| <b>Carrying amount at 30 June 2012</b> | <b>31,371</b>             | <b>31,371</b> |

#### 4 EXPLORATION AND EVALUATION EXPENDITURES

|                                                           | Exploration<br>and evaluation<br>expenditures<br>\$ | Total<br>\$       |
|-----------------------------------------------------------|-----------------------------------------------------|-------------------|
| <b>Carrying amount</b>                                    |                                                     |                   |
| Balance at 1 July 2012                                    | -                                                   | -                 |
| Acquisition                                               | 14,765,167                                          | 14,765,167        |
| Additions                                                 | 503,699                                             | 503,699           |
| Exchange differences on translating foreign<br>operations | (52,016)                                            | (52,016)          |
| Depreciation                                              | -                                                   | -                 |
| <b>Balance at 31 December 2012</b>                        | <b>15,216,850</b>                                   | <b>15,216,850</b> |
| <b>Carrying amount at 31 December 2012</b>                | <b>15,216,850</b>                                   | <b>15,216,850</b> |

The Company did not have Exploration and evaluation expenditures as of 30 June 2012.

#### 5 ACQUISITION OF EXPLORATION AND EVALUATION ASSETS

On 24 July 2012, the Company signed a binding Share Sale Agreement (“SSA”) with Mindoro Resources Limited (“Mindoro”) to acquire Mindoro’s gold and copper gold assets in the Philippines in consideration for 100,000,000 fully paid ordinary shares and 50,000,000 performance shares. On 30 October 2012, upon the completion of the acquisition, the Company, via subsidiaries, obtained a 100% interest in the Batangas Project and a 75% interest in the Tapan San Francisco Project. Transfer of certain tenements is subject to further restructure, to be completed within 12 months of closing.

The transaction is not a business combination as the Company's acquired assets did not meet the definition of a business as defined in the Australian Accounting Standards. The substance and intent was for the Company to acquire the exploration and evaluation assets in the Philippines for the purpose of building the Company's resource base in line with the Company's strategy. Therefore, this transaction has been accounted for under AASB2 Share Based Payments.

Pursuant to the SSA, the Company issued 10,000,000 options to Cygnet Capital and 5,000,000 options to Zeffron Reeves subsequent to the completion of the acquisition.

The fair value of the assets acquired at the date of acquisition and share based payments are outlined as follows:

|                                                | <b>30 October 2012</b> |
|------------------------------------------------|------------------------|
|                                                | <b>\$</b>              |
| <b>Consideration</b>                           |                        |
| Ordinary shares issued to vendor               | 13,750,612             |
| Share-based payments issued to consultants (*) | 736,500                |
| Acquisition related costs (**)                 | 278,055                |
| <b>Total consideration</b>                     | <b>14,765,167</b>      |
| <br><b>Value of assets acquired</b>            |                        |
| Cash and cash equivalents                      | 182,553                |
| Other receivables                              | 46,702                 |
| Exploration and evaluation expenditures (***)  | 14,794,556             |
| Fixed assets                                   | 7,027                  |
| Trade and other payables                       | (154,410)              |
| Provisions                                     | (111,261)              |
| <b>Fair value of asset acquired</b>            | <b>14,765,167</b>      |

\* The details of share-based payments are referred to notes 10.

\*\* The Company had incurred acquisition related costs of \$278,055 since July 2012.

\*\*\* The fair value of exploration and evaluation expenditures was calculated on the basis of independent valuation report and acquisition adjustments.

## **6 EARNINGS PER SHARE**

|                                      | <b>6 months to 31<br/>December 2012</b> | <b>6 months to 31<br/>December 2011</b> |
|--------------------------------------|-----------------------------------------|-----------------------------------------|
|                                      | <b>\$</b>                               | <b>\$</b>                               |
| Earnings used to calculate basic EPS | (1,851,243)                             | (3,764,037)                             |
|                                      | <b>(1,851,243)</b>                      | <b>(3,764,037)</b>                      |



|                                                                                | No.                | No.               |
|--------------------------------------------------------------------------------|--------------------|-------------------|
| Weighted average number of shares used in calculating basic earnings per share | 112,326,005        | 70,754,015        |
|                                                                                | <b>112,326,005</b> | <b>70,754,015</b> |

The effect of the options and performance shares on issue is deemed to be non-dilutive.

## 7 SHARE CAPITAL

|                                                                  | 6 months to<br>31 December 2012<br>\$ | Year to<br>30 June 2012<br>\$ |
|------------------------------------------------------------------|---------------------------------------|-------------------------------|
| <b>179,060,026 (2011: 79,060,026) fully paid ordinary shares</b> |                                       |                               |
| At the beginning of the reporting period                         | 11,657,848                            | 4,139,848                     |
| Shares issued during the year                                    | 13,750,612                            | 8,000,000                     |
| Share issue costs                                                | -                                     | (482,000)                     |
|                                                                  | <b>25,408,460</b>                     | <b>11,657,848</b>             |

|                                           | No.                | No.               |
|-------------------------------------------|--------------------|-------------------|
| <b>Ordinary Shares</b>                    |                    |                   |
| At the beginning of the reporting period  | 79,060,026         | 39,060,026        |
| Shares issued during the year             | 100,000,000        | 40,000,000        |
| <b>At the end of the reporting period</b> | <b>179,060,026</b> | <b>79,060,026</b> |

On 30 October 2012, 100,000,000 Shares were issued to Mindoro in exchange for its gold and copper gold assets in the Philippines. Mindoro intends to make an in specie distribution of the 100,000,000 shares on a pro rata basis after 12 months of the sale.

The 100,000,000 shares are escrowed for 12 months until 31 October 2013.

Furthermore, 50,000,000 performance shares were issued to Mindoro on 30 October 2012 as a result of the completion of acquisition. The performance shares are voluntarily escrowed up to 12 months from vesting. Pursuant to the SSA, the performance shares will be converted to ordinary shares upon achievement of milestones on or before 12 months after Settlement. In the event the vesting conditions are not met by 30 October 2013, the 50,000,000 performance shares will be cancelled. Due to the conditions, the performance shares have not been accounted as contributed equity for this reporting period.

## 8 OPTIONS

|                                                        | 6 months to<br>31 December 2012<br>\$ | Year to<br>30 June 2012<br>\$ |
|--------------------------------------------------------|---------------------------------------|-------------------------------|
| <b>58,287,474 (2011: 38,287,474)</b><br><b>options</b> |                                       |                               |
| At the beginning of the reporting period               | 2,038,272                             | 149,204                       |
| Options issued during the year                         | 756,006                               | 1,889,068                     |
|                                                        | <b>2,794,278</b>                      | <b>2,038,272</b>              |
|                                                        | <b>No.</b>                            | <b>No.</b>                    |
| At the beginning of the reporting period               | 38,287,474                            | 19,446,558                    |
| Options issued during the year                         | 20,000,000                            | 18,840,916                    |
| <b>At the end of the reporting period</b>              | <b>58,287,474</b>                     | <b>38,287,474</b>             |

The numbers of options granted during the reporting period are set out in the following table.

| Name            | No. of options | Grant date | Vesting date                               | Underlying Security spot price (\$) | Exercise price (\$) | Expiry date |
|-----------------|----------------|------------|--------------------------------------------|-------------------------------------|---------------------|-------------|
| Neil Warburton  | 2,000,000      | 04/09/2012 | Subject to vesting conditions <sup>1</sup> | 0.105                               | 0.25                | 01/07/2014  |
| Neil Warburton  | 2,000,000      | 04/09/2012 | 03/04/2016 <sup>2</sup>                    | 0.105                               | 0.50                | 01/07/2016  |
| Cygnnet Capital | 10,000,000     | 30/10/2012 | 30/10/2012                                 | 0.089                               | 0.20                | 15/09/2016  |
| Zeffron Reeves  | 5,000,000      | 30/10/2012 | 30/10/2012                                 | 0.089                               | 0.20                | 15/09/2016  |
| Gloria Li       | 250,000        | 30/10/2012 | 30/06/2013                                 | 0.089                               | 0.20                | 30/10/2017  |
| Gloria Li       | 250,000        | 30/10/2012 | 30/06/2014                                 | 0.089                               | 0.20                | 30/10/2017  |
| Gloria Li       | 250,000        | 30/10/2012 | 30/06/2015                                 | 0.089                               | 0.20                | 30/10/2017  |
| Gloria Li       | 250,000        | 30/10/2012 | 30/06/2016                                 | 0.089                               | 0.20                | 30/10/2017  |

1. The options will best if and when the trading price of the Company's shares is 20 cents or greater (on a pre-consolidation basis) or at or above an equivalent post-consolidation price for more than 30 consecutive trading days on which the shares in the Company trade.
2. The options will vest on Mr Neil Warburton completing 4 years continuous service as a Director or Chief Executive Officer of the Company from his commencement date of 3 April 2012.
3. The options will vest annually in four equal tranches of 250,000 each, with the first tranche vest on 30 June 2013, the second tranche to vest on 30 June 2014, the third tranche to vest on 30 June 2015, and the fourth tranche to vest on 30 June 2016.
4. Refer to note 10 for the fair value of options issued.

## 9 RESERVES AND RETAINED EARNINGS

### (a) Reserves

|                                          | 6 months to<br>31 December 2012 | Year to<br>30 June 2012 |
|------------------------------------------|---------------------------------|-------------------------|
|                                          | \$                              | \$                      |
| At the beginning of the reporting period | 1,936,533                       | 149,204                 |
| Share based payment reserve              | 756,006                         | 1,889,068               |
| Foreign currency translated reserve      | (56,472)                        | (101,739)               |
|                                          | <b>2,636,067</b>                | <b>1,936,533</b>        |

### (b) Retained earnings

|                                                     | 6 months to<br>31 December 2012 | Year to<br>30 June 2012 |
|-----------------------------------------------------|---------------------------------|-------------------------|
|                                                     | \$                              | \$                      |
| At the beginning of the reporting period            | (9,318,111)                     | (4,139,630)             |
| Net loss attributable to members of the Company     | (1,851,243)                     | (5,178,481)             |
| Accumulated loss at the end of the reporting period | <b>(11,169,354)</b>             | <b>(9,318,111)</b>      |

## 10 SHARE-BASED PAYMENTS

The Company provides benefits to directors and employees in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve Board and shareholder goal congruence.

4,000,000 options were issued to Neil Warburton as part of his director's remuneration package.

10,000,000 options were granted to Cygnet Capital in consideration for successful introduction fees upon completion of the Mindoro's acquisition.

5,000,000 options were granted to Zeffron Reeves in consideration for professional services provided in relation to the Mindoro's acquisition.

1,000,000 options were provided to Gloria Li under the company's Employee Share Option Plan (ESOP).

|                              | 6 months to<br>31 December 2012 |
|------------------------------|---------------------------------|
|                              | \$                              |
| Share-based payment reserve  |                                 |
| Director's incentive options | 13,664                          |
| ESOP                         | 5,842                           |
| Consultant options           | 736,500                         |
|                              | <b>756,006</b>                  |

The share-based payment to consultants of \$736,500 was attributed to the total consideration of the acquisition disclosed in note 5.

The option values were calculated in accordance with AASB 2 by using the Black-Scholes pricing model by applying the assumptions set out below:

| Name           | No. of options | Fair Value per option (\$) | Underlying Security spot price (\$) | Exercise price (\$) | Option life (year) | Expected volatility | Expected Dividend | Risk-free interest rate |
|----------------|----------------|----------------------------|-------------------------------------|---------------------|--------------------|---------------------|-------------------|-------------------------|
| Neil Warburton | 2,000,000      | 0.023                      | 0.105                               | 0.25                | 1.82               | 85%                 | Nil               | 2.65%                   |
| Neil Warburton | 2,000,000      | 0.031                      | 0.105                               | 0.50                | 3.82               | 85%                 | Nil               | 2.43%                   |
| Gloria Li      | 250,000        | 0.0448                     | 0.089                               | 0.20                | 5.00               | 100%                | Nil               | 2.72%                   |
| Gloria Li      | 250,000        | 0.0482                     | 0.089                               | 0.20                | 5.00               | 100%                | Nil               | 2.72%                   |
| Gloria Li      | 250,000        | 0.0520                     | 0.089                               | 0.20                | 5.00               | 100%                | Nil               | 2.72%                   |
| Gloria Li      | 250,000        | 0.0551                     | 0.089                               | 0.20                | 5.00               | 100%                | Nil               | 2.72%                   |
| Cygnat Capital | 10,000,000     | 0.0491                     | 0.089                               | 0.20                | 3.88               | 100%                | Nil               | 2.59%                   |
| Zeffron Reeves | 5,000,000      | 0.0491                     | 0.089                               | 0.20                | 3.88               | 100%                | Nil               | 2.59%                   |

## 11 EVENTS SUBSEQUENT TO REPORTING DATE

On 2 January 2013, the Company issued 8,412,000 fully paid ordinary shares at an issue price of \$0.125 and 100,000 fully paid ordinary shares at an issue price of \$0.125 on 7 January 2013 to raise net capital of \$1m.

No other matter or circumstance has arisen subsequent to 31 December 2012 that has significantly affected or may significantly affect the operations or the state of affairs of the Group in future financial years.

## 12 DIVIDENDS

No dividends were paid in the six months ended 31 December 2012.

## 13 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

## 14 COMMITMENTS FOR EXPENDITURE

|                                                   | \$             |
|---------------------------------------------------|----------------|
| Within one year                                   | 133,651        |
| Later than one year but not later than five years | 95,109         |
|                                                   | <u>228,760</u> |

## 15 RELATED PARTIES

### Directors

Disclosures relating to Directors are set out in note 10.

On 1 November 2012, Jon Dugdale was appointed as a new part time Director at \$100,000 per annum salary plus superannuation. Subsequent to the reporting period, on 21 January 2013, Jon Dugdale became full time Executive Director of the Company. Full disclosure in relation to his full-time Executive roll will be disclosed in the annual report 30 June 2013.

### Wholly-owned group

The wholly owned group consists of Red Mountain Mining Limited and the following subsidiaries:

| Name                                             | Country of incorporation | Class of shares | Equity holding | Functional currency |
|--------------------------------------------------|--------------------------|-----------------|----------------|---------------------|
| Red Mountain Mining (Hong Kong) Holdings Limited | Hong Kong                | Ordinary        | 100%           | Hong Kong dollar    |
| Red Mountain Mining Consulting (Shenyang) Co Ltd | China                    | Ordinary        | 100%           | Chinese RMB         |
| Red Mountain Mining (Singapore) Pte Ltd          | Singapore                | Ordinary        | 100%           | Singapore dollar    |
| MRL Gold Inc.                                    | Philippines              | Ordinary        | 100%           | Philippine peso     |
| Egerton Gold Philippines Inc                     | Philippines              | Ordinary        | 100%           | Philippine peso     |

## Directors' Declaration

1. In the opinion of the Directors of Red Mountain Mining Ltd:
  - a. the consolidated financial statements and notes of Red Mountain Mining Ltd and its controlled entities are in accordance with the Corporations Act 2001, including
    - i. giving a true and fair view of the consolidated entities' financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
    - ii. complying with Accounting Standard AASB 134 Interim Financial Reporting; and
  - b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Director



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Keith Rowe

Dated this 15<sup>th</sup> day of March 2013



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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RED MOUNTAIN MINING LTD**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Red Mountain Mining Ltd, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Red Mountain Mining Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Red Mountain Mining Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red Mountain Mining Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that Red Mountain Mining Ltd incurred a net loss of \$1,851,243 and net cash outflows of \$1,126,991 during the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'C Burton', is written over the printed name.

**Chris Burton**  
Director

Perth, Western Australia  
Dated this 15<sup>th</sup> day of March 2013