

Red Mountain Mining Ltd and Controlled Entities



Interim Consolidated Financial Report For the Half-Year Ended 31 December 2014

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 2014 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 2014 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 Neil Warburton
- Mr Michael Wolley
- Mr Jon Dugdale

Review of operations and financial results

The Group has recorded an operating loss of \$0.46m for the half year ended 31 December 2014 (2013: \$1.36m) and continued with exploration activities, including drilling, on the gold projects and copper gold tenements in the Philippines.

Financial position

As of 31 December 2014, the Company had cash balances of \$0.53m (30 June 2014: \$1.72m) and net assets of \$22.45m (30 June 2014: \$19.79m).

Commentary

During the 6 months to 31 December 2014, the Company made significant progress towards its dual milestones of completing the Definitive Feasibility Study (DFS) and permitting for the proposed Batangas Gold Project mine development and the discovery of additional high-grade resources.

The DFS is approximately 50% complete. An interim DFS financial model update for the initial project, producing 100,000oz of gold over 5.2 years of mining and processing, was released on 20 November 2014 and updated 23 January 2015 (gold price A\$1,600/oz; US\$1,290/oz). This model indicates strong operating cash flow of A\$67 million, free cash flow of A\$45 million, including repayment of Capex of A\$18.4 million; low pre-tax operating costs (US\$703/oz Au; A\$873/oz Au); a debt funded Internal Rate of Return (IRR) of 65% and a Net Present Value (NPV, 8%) A\$28.5 million.

Final permitting has been significantly advanced through endorsement of the Company's Social Development Management Plan (SDMP) and endorsement from all of the 10 potentially affected Barangay (township) Councils for the Batangas Gold Project development and production plan (Declaration of Mining Project Feasibility (DMPF)). The next step is Lobo Municipal Council endorsement prior to the DMPF proceeding to the central Mines and Geosciences Bureau (MGB) for final processing and approval.

The Environmental Impact Statement (EIS) is being assessed by the Environmental Management Bureau prior to further consultation then expected grant of an Environmental Compliance Certificate (ECC).

Director's Report

During the period, the Company continued exploration activities to define additional gold, silver and copper minerals.

Exploration included high grade silver-copper drilling results from the Camo lode, Lobo Prospect, including LB 119: 5.5m @ 200 g/t Ag, 0.25 g/t Au, 0.65% Cu, 1.25% Pb from 27.5m (released 2 October 2014).

New high-grade gold trenching results were also achieved from the limestone covered southern extensions of South West Breccia (SWB) epithermal vein system, including Trench 32a: 2.5m @ 14.1 g/t Au including 0.5m @ 38.9 g/t Au (released 12 December 2014) and Trench 34: 3.5m @ 25.9 g/t gold (Au) including 1.5m @ 56.8 g/t Au and 0.5m @ 145 g/t Au (released 2 February 2015). These new, high grade gold results are from extensions of a 20 metre strike length of outcropping lode that has been excavated to the southwest and to the northeast of previous trenching, immediately before the lode is interpreted to continue under limestone cover to the southwest and to the northeast. Drilling will be planned to test the potential high-grade lode extensions under the limestone.

A Strategic Funding Partnership Agreement with London based Bluebird Merchant Ventures Ltd (BMVL) to fund the DFS, permitting and initial development, was signed on 23 December 2014. The Agreement is for two stages of funding, totalling US\$5.5m (approximately A\$6.7m), to earn BMVL up to 50% of the wholly owned subsidiary, Red Mountain Mining Singapore Ltd (RMMS), holder of the Philippines Projects. Stage 1, US\$1m, will fund the DFS, final permitting and reserve definition exploration drilling. Stage 2, US\$4.5m, is subject to completion of the DFS and final mine permitting, and is planned to fund the initial development of the project.

The Company's near term strategy is to complete the DFS and final permitting and then arrange financing to commence development of the mine. Exploration of near term, high grade targets will also continue, with the objective of defining additional resources for incorporation into the DFS mining inventory (reserve) schedule.

The Company is aware of the risks inherent in operating in foreign jurisdictions. It has been mindful to maintain close community and local government relations and a sound track record of environmental, health and safety programs.

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

Competent Person Statement

The information in this report relating to Exploration Results is based on information compiled by Mr Jon Dugdale who is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient exploration experience which is relevant to the various styles of mineralisation under consideration to qualify as a Competent Person as defined in 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Dugdale is a full time employee and Managing Director of Red Mountain Mining Ltd. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement.

Director's Report

Cautionary Statement

The production targets referred to in this report were first released to ASX on 20 November 2014 and updated on 23 January 2015. They are preliminary and there is no certainty that the production targets or the forecast financial information derived from the production targets will be realised. Other than as noted in this announcement, all material assumptions underpinning production targets or forecast financial information derived from production targets continue to apply and have not materially changed.

Corporate

During the period, following receipt of valid option exercise notices and cleared funds the Company issued 30,017 fully paid ordinary shares following the exercise of 30,017 options. A further 1,610,000 fully paid ordinary shares and 1,722,036 options, exercisable at \$0.012 on or before 31 March 2016, were issued in lieu of cash consideration for services provided to the Company.

On 17 September 2014, 74,960,000 fully paid ordinary shares were issued at \$0.008 (0.8 cent) per share via a placement to raise approximately \$626,376 (before costs). Pursuant to the terms of the placement, subscribers were issued on 24 October 2014 a free attaching listed option, exercisable at \$0.012 each on or before 31 March 2016 for every two shares issued under the placement.

On 24 October 2014, the Company issued 56,402,833 fully paid ordinary shares at an issue price of \$0.006 (0.6 cent) per share to raise approximately \$338,417 through a placement. On 20 November 2014 56,402,833 options, exercisable at \$0.012 each on or before 31 March 2016, were issued to the October placement subscribers and following shareholder approval at the Company's Annual General Meeting, 37,800,000 Performance Rights, convertible to fully paid ordinary shares at various milestones were issued to Managing Director Jon Dugdale and a further 14,050,500 Performance Rights were issued to Geoff Boswell, Philippines country manager of the Company.

Significant and subsequent events and transactions

In addition to the capital raising of \$245,300 (announced 23 December 2014), the Company raised a further \$445,922 (before costs) through the issue of 111,480,728 new shares, at an issue price of \$0.004 (0.4 cent) per share (New Shares); with 55,740,364 free attaching new options, exercisable at \$0.006 (0.6 cent) each on or before 30 June 2016 (New RMXOD Options) and 55,740,364 free attaching new options, exercisable at \$0.012 (1.2 cent) each on or before 31 March 2016 (New RMXO Options), pursuant to its recent pro-rata non-renounceable Rights Issue, the Prospectus for which was lodged with ASIC and released on ASX on 6 January 2015 (Rights Issue). Both the RMXO and RMXOD Options classes are now listed and tradeable on the ASX (released 11 February 2015).

On 11 March 2015, the Company announced it had placed shortfall from the Rights Issue and undertaken a further placement on the same terms as the Rights Issue to raise \$660,000 before costs via the issue of a total of 165,000,000 shares, 82,500,000 RMXO Options and 82,500,000 RMXOD Options.

Director's Report

Overall, the Group is in a sound 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.

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.



.....
Neil Warburton
Non-Executive Chairman

Perth, Western Australia

Dated this 12th day of March 2015

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

As lead auditor for the review of Red Mountain Mining Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, 12 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

| | Notes | 31 December 2014 \$ | 31 December 2013 \$ |
|---|-------|---------------------------|---------------------------|
| Revenue | | | |
| Interest income | | 22,977 | 38,908 |
| Net foreign exchange gain | | 526,379 | 33,734 |
| Expenses | | | |
| Professional fees | | (144,993) | (136,387) |
| Consultancy costs | | (141,202) | (350,026) |
| Depreciation expense | | (25,771) | (17,493) |
| Employee benefits expenses | | (257,915) | (245,393) |
| Share based payment expenses | | (147,037) | - |
| Legal fees | | (41,058) | (24,916) |
| Travelling expenses | | (12,678) | (15,853) |
| Finance costs | | (45) | (18) |
| Net foreign exchange loss | | - | - |
| Loss on disposal of assets | | - | (445) |
| Impairment expense | | - | (435,584) |
| Other expenses | | (233,979) | (204,293) |
| Loss before income tax | | (455,322) | (1,357,766) |
| Income tax expense | | - | (2,918) |
| Net loss for the period | | (455,322) | (1,360,684) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | 1,882,093 | 318,197 |
| Other comprehensive income for the period | | 1,882,093 | 318,197 |
| Total comprehensive income/(loss) for the period (net of tax) | | 1,426,771 | (1,042,487) |
| Profit/(loss) attributable to: | | | |
| Members of the parent entity | | (818,073) | (1,380,560) |
| Non-controlling interest | | 362,751 | 19,876 |
| | | (455,322) | (1,360,684) |
| Total comprehensive profit/(loss) attributable to: | | | |
| Members of the parent entity | | 1,508,300 | (1,373,734) |
| Non-controlling interest | | (81,259) | 331,247 |
| | | 1,426,771 | (1,042,487) |
| Basic and diluted loss per share attributable to members of Red Mountain Mining Ltd | | Cents (0.11) | Cents (0.33) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

| | Notes | 31 December 2014 \$ | 30 June 2014 \$ |
|---|-------|---------------------------|-----------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | 527,923 | 1,719,452 |
| Trade and other receivables | | 287,858 | 356,426 |
| Total current assets | | 815,781 | 2,075,878 |
| Non-current | | | |
| Plant and equipment | 3 | 62,484 | 78,816 |
| Exploration & evaluation expenditure | 4 | 22,306,720 | 18,457,991 |
| Total non-current assets | | 22,369,204 | 18,536,807 |
| Total assets | | 23,184,985 | 20,612,685 |
| Liabilities | | | |
| Current | | | |
| Trade and other payables | | 464,634 | 599,722 |
| Provisions | | 127,964 | 93,662 |
| Current tax liability | | 20,084 | 17,804 |
| Total current liabilities | | 612,682 | 711,188 |
| Non-current | | | |
| Provisions | | 126,840 | 112,437 |
| Total non-current liabilities | | 126,840 | 112,437 |
| Total liabilities | | 739,522 | 823,625 |
| Net assets | | 22,445,463 | 19,789,060 |
| Equity | | | |
| Contributed equity | 6 | 33,067,306 | 31,990,012 |
| Reserves | 9 | 5,765,192 | 3,286,481 |
| Accumulated losses | 10 | (16,585,072) | (15,766,999) |
| Capital & reserves attributable to the owners of Red Mountain Mining Ltd | | 22,247,426 | 19,509,494 |
| Non-controlling interest | | 198,037 | 279,566 |
| Total equity | | 22,445,463 | 19,789,060 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

| | Contributed equity | Accumulated losses | Foreign currency translation reserve | Share-based payment reserve | Other reserves | Total | Non-controlling interest | Total |
|---|--------------------|---------------------|--------------------------------------|-----------------------------|----------------|-------------------|--------------------------|-------------------|
| Balance at 1 July 2014 | 31,990,012 | (15,766,999) | 208,415 | 3,036,658 | 41,408 | 19,509,494 | 279,566 | 19,789,060 |
| Profit/(Loss) for the period | - | (818,073) | - | - | - | (818,073) | 362,751 | (455,322) |
| Other comprehensive income | - | - | 2,326,373 | - | - | 2,326,373 | (444,280) | 1,882,093 |
| Total comprehensive loss for the period | - | (818,073) | 2,326,373 | - | - | 1,508,300 | (81,259) | 1,426,771 |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Contributions of equity, net of transaction costs | 1,077,294 | - | - | 147,037 | 5,301 | 1,229,632 | - | 1,229,632 |
| Balance at 31 December 2014 | 33,067,306 | (16,585,072) | 2,534,788 | 3,183,695 | 46,709 | 22,247,426 | 198,037 | 22,445,463 |

| | Contributed equity | Accumulated losses | Foreign currency translation reserve | Share-based payment reserve | Other reserves | Total | Non-controlling interest | Total |
|---|--------------------|---------------------|--------------------------------------|-----------------------------|----------------|--------------------|--------------------------|--------------------|
| Balance at 1 July 2013 | 26,913,277 | (13,529,043) | 562,601 | 2,932,797 | - | 16,879,632 | 83,387 | 16,963,019 |
| Loss for the period | - | (1,380,560) | - | - | - | (1,380,560) | 19,876 | (1,360,684) |
| Other comprehensive income | - | - | 6,826 | - | - | 6,826 | 311,371 | 318,197 |
| Total comprehensive loss for the period | - | (1,380,560) | 6,826 | - | - | (1,373,734) | 331,247 | (1,042,478) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Contributions of equity, net of transaction costs | 2,162,753 | - | - | - | - | 2,162,753 | - | 2,162,753 |
| Balance at 31 December 2013 | 29,076,030 | (14,909,603) | 569,427 | 2,932,797 | - | 17,668,651 | 414,634 | 18,083,285 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

| | Notes | 31 December 2014 | 31 December 2013 |
|--|-------|-----------------------|-----------------------|
| Operating activities | | | |
| Cash receipt from customers | | 21,931 | 67,396 |
| Payments to employees and suppliers (inclusive of goods and services tax) | | (692,339) | (964,569) |
| Interest received | | 8,947 | 8,511 |
| Interest paid | | (45) | (18) |
| Net cash (outflow) from operating activities | | <u>(661,506)</u> | <u>(888,680)</u> |
| Investing activities | | | |
| Payment for property, plant and equipment | | (3,406) | (12,049) |
| Payment for exploration properties | | (1,617,680) | (1,232,072) |
| Net cash (outflow) from investing activities | | <u>(1,621,086)</u> | <u>(1,244,121)</u> |
| Financing activities | | | |
| Proceeds from issue of shares | | 1,040,182 | 2,210,330 |
| Share issue costs | | (31,035) | (164,947) |
| Net cash inflow from financing activities | | <u>1,009,147</u> | <u>2,045,383</u> |
| Net Increase/(decrease) in cash held | | (1,273,445) | (87,418) |
| Net foreign exchange difference | | 81,916 | 17,685 |
| Cash at the beginning of period | | <u>1,719,452</u> | <u>991,235</u> |
| Cash at the end of period | | <u>527,923</u> | <u>921,502</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 2014 comprised 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 12th of March 2015.

Going concern

For the half year ended 31 December 2014, the Group recorded a loss of \$455,322 and had operating and investing cash outflows of \$2,282,592. Net proceeds from issue of securities after costs totalled \$1,009,147. At 31 December 2014, the cash balance was \$527,923.

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 Philippines’ assets, the Group is likely to require raising capital in the next 12 months.

This condition indicates 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 and accordingly no adjustments have been made to the interim consolidated financial statements relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

In the event that the Group does not raise the additional funding referred to above, there is uncertainty whether the Group will continue as a going concern in the future and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the interim consolidated financial statements.

a) Statement of compliance

The interim consolidated financial statements (“the interim financial statements”) of the Group are for the six months ended 31 December 2014 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 2014 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 2014.

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 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

Impact of standards issued but not effective

From 1 July 2015, the Group is required to adopt Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2015. The Group has reviewed the impact of these Standards and Interpretations and are continuing to assess whether they will have a significant effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

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 2014

| | Corporate | Exploration | Eliminations | Total |
|-------------------------------------|-------------------|-------------------|---------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | 19,170 | 3,807 | - | 22,977 |
| Other income | 1,239 | 525,140 | - | 526,379 |
| Depreciation | (6,703) | (19,068) | - | (25,771) |
| Employee Costs | (209,595) | (48,320) | - | (257,915) |
| Consulting fees | (74,699) | (67,924) | - | (142,623) |
| Share based payment | (147,037) | - | - | (147,037) |
| Other expenditures | (346,696) | (84,636) | - | (431,332) |
| Gain/(Loss) after income tax | (764,321) | 308,999 | - | (455,322) |
| Total assets | 40,161,502 | 24,867,228 | (41,843,745) | 23,184,985 |
| Total liabilities | 179,750 | 25,561,919 | (25,002,147) | 739,522 |

Half-year ended 31 December 2013

| | Corporate | Exploration | Eliminations | Total |
|---|-------------------|-------------------|---------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | 30,754 | 8,154 | - | 38,908 |
| Other income | (5,237) | 38,971 | - | 33,734 |
| Depreciation | (4,343) | (13,150) | - | (17,493) |
| Employee Costs | (195,939) | (49,454) | - | (245,393) |
| Consulting fees | (288,883) | (61,928) | - | (350,811) |
| Other expenditures | (315,679) | (68,366) | - | (384,045) |
| Impairment expense | - | (435,584) | - | (435,584) |
| Loss after income tax | (779,327) | (581,360) | - | (1,360,684) |
| Total assets as at 30 June 2014 | 39,668,670 | 21,062,548 | (40,118,533) | 20,612,685 |
| Total liabilities as at 30 June 2014 | 193,576 | 23,945,544 | (23,315,495) | 823,625 |

3 PLANT AND EQUIPMENT

The following tables show the movements in plant and equipment

| | 6 months to 31 December 2014 | Year to 30 June 2014 |
|--|---|---------------------------------|
| | \$ | \$ |
| Carrying amount at 1 July | 78,816 | 82,933 |
| Additions | 3,406 | 32,980 |
| Disposals/Write-offs | - | (925) |
| Depreciation | (25,771) | (37,670) |
| Exchange differences on translating foreign operations | 6,033 | 1,498 |
| Carrying amount at end of period | 62,484 | 78,816 |

4 EXPLORATION AND EVALUATION EXPENDITURES

The following tables show the movements in exploration and evaluation expenditures

| | 6 months to 31 December 2014 | Year to 30 June 2014 |
|--|---|---------------------------------|
| | \$ | \$ |
| Carrying amount at 1 July | 18,457,991 | 16,704,816 |
| Additions | 1,737,779 | 2,710,387 |
| Fair value of tenements disposed | - | (1,569,477) |
| Impairment expense | - | (297,811) |
| Exchange differences on translating foreign operations | 2,110,950 | 910,076 |
| Carrying amount at end of period | 22,306,720 | 18,457,991 |

5 LOSS PER SHARE

| | 6 months to 31 December 2014 | 6 months to 31 December 2013 |
|----------------------------------|---|---|
| | Cents | Cents |
| Basic and diluted loss per share | (0.11) | (0.33) |

| | 6 months to 31 December 2014 | 6 months to 31 December 2013 |
|--------------------------------------|---|---|
| | \$ | \$ |
| Earnings used to calculate basic EPS | (818,073) | (1,380,560) |

| | Number | Number |
|--|---------------|---------------|
| Weighted average number of shares used in calculating basic and diluted loss per share | 751,487,365 | 423,412,448 |

6 CONTRIBUTED EQUITY

| | 31 December 2014 \$ | 30 June 2014 \$ |
|--|------------------------|--------------------|
| 819,920,844 (June 2014: 686,947,994) fully paid ordinary shares | | |
| At the beginning of period | 31,990,012 | 26,913,277 |
| Shares issued during the period | 1,126,299 | 5,817,561 |
| Exercise of options | 1 | 44,714 |
| Conversion of performance shares | - | - |
| Cancellation of shares | - | (496,000) |
| Share issue costs | (49,006) | (289,540) |
| Balance at end of period | 33,067,306 | 31,990,012 |

The remaining \$33,220 raised from the December 2014 placement was received in January 2015 due to timing differences.

| | 31 December 2014 Number | 30 June 2013 Number |
|----------------------------------|----------------------------|------------------------|
| At the beginning of period | 686,917,994 | 247,897,026 |
| Shares issued during the period | 132,972,833 | 440,070,016 |
| Exercise of options | 30,017 | 2,980,951 |
| Conversion of performance shares | - | 1 |
| Cancellation of shares | - | (4,000,000) |
| Balance at end of period | 819,920,844 | 686,917,994 |

7 OPTIONS

| | 31 December 2014 \$ | 30 June 2014 \$ |
|---|------------------------|--------------------|
| 208,444,329 (June 2014: 112,839,477) options | | |
| At the beginning of period | 2,932,797 | 2,932,797 |
| Options issued during the period | - | - |
| Balance at end of period | 2,932,797 | 2,932,797 |
| | Number | Number |
| At the beginning of period | 112,839,477 | 113,196,544 |
| Options issued during the period | 95,634,869 | 169,768,490 |
| Options exercised during the period | (30,017) | (2,980,951) |
| Options expired/cancelled during the period | - | (167,144,606) |
| Balance at end of period | 208,444,329 | 112,839,477 |

The numbers of options on issue as at the reporting period are set out in the following table.

| | Unlisted options expire 31/03/2016 @ \$0.012 | Unlisted options expire 30/06/2016 @ \$0.03 | Unlisted options expire 15/09/2016 @ \$0.20 |
|----------------|--|---|---|
| No. of options | 95,604,869 | 97,839,460 | 15,000,000 |

8 PERFORMANCE SHARES

| | 31 December 2014 \$ | 30 June 2014 \$ |
|--|------------------------|--------------------|
| 79,850,500 (June 2014: 28,000,000) performance shares | | |
| At the beginning of period | 103,861 | - |
| Share based payments during the period | 147,037 | 103,861 |
| Balance at end of period | 250,898 | 103,861 |
| | Number | Number |
| At the beginning of period | 28,000,000 | - |
| Performance rights issued during the period* | 51,850,500 | 28,000,000 |
| Balance at end of period | 79,850,500 | 28,000,000 |

The following performance rights were issued during the period:

- 12,600,000 Performance Rights D;
- 12,600,000 Performance Rights E;
- 17,283,500 Performance Rights F;
- 4,683,500 Performance Rights G;
- 4,683,500 Performance Rights H.

* All 51,850,500 performance rights issued during the period have an expiry date on 1 December 2017 and have been valued at \$0.004 per right being the fair value on grant date.

9 RESERVES

| | | |
|--|-------------------------|---------------------|
| (a) Share-Based Payments Reserve | 31 December 2014 | 30 June 2014 |
| | \$ | \$ |
| At the beginning of the reporting period | 3,036,658 | 2,932,797 |
| Share based payments during the period | 147,037 | 103,861 |
| Balance at end of reporting period | 3,183,695 | 3,036,658 |
| (b) Foreign Currency Translation Reserve | 31 December 2014 | 30 June 2014 |
| | \$ | \$ |
| At the beginning of the reporting period | 208,415 | 562,601 |
| Exchange differences on translation of foreign operation | 2,326,373 | (354,186) |
| Balance at end of reporting period | 2,534,788 | 208,415 |
| (c) Other Reserves | 31 December 2014 | 30 June 2014 |
| | \$ | \$ |
| At the beginning of the reporting period | 41,408 | - |
| Pension revaluation in the Philippines | 5,301 | 41,408 |
| Balance at end of reporting period | 46,709 | 41,408 |

10 ACCUMULATED LOSSES

| | 31 December 2014 | 30 June 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| At the beginning of the reporting period | (15,766,999) | (13,529,043) |
| Net loss attributable to members of the Company | (818,073) | (2,237,956) |
| Balance at end of reporting period | <u>(16,585,072)</u> | <u>(15,766,999)</u> |

11 SHARE-BASED PAYMENTS

The Company provides benefits to directors and contractors of the Group 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.

No options were issued to the directors as part of their remuneration during the six months ended 31 December 2014 and total share-based payment expensed during the reporting period amounted to \$147,037 (refer to Note 8).

As at the date of this report, the interests of the directors in shares and options of the Company were:

| | Ordinary shares | | Options over ordinary shares | | Performance Rights | |
|----------------|-----------------|------------|------------------------------|------------|--------------------|------------|
| | Direct | Indirect | Direct | Indirect | Direct | Indirect |
| Neil Warburton | 187,500 | 22,681,184 | 31,250 | 10,201,504 | - | 6,000,000 |
| Jon Dugdale | - | 7,290,250 | - | 1,295,550 | 12,000,000 | 37,800,000 |
| Michael Wolley | - | - | - | - | 4,000,000 | - |

12 EVENTS SUBSEQUENT TO REPORTING DATE

On 6 January 2015, the Company advised the terms of the proposed Rights Issue had been enhanced to include the issue of one new RMXOD option exercisable at \$0.006 each on or before 30 June 2016.

On 19 January 2015, after the completion of due diligence, an initial instalment of US\$50,000 in Stage 1 funding has been part paid and the remaining US\$950,000 is expected to be received in full within the first six months of 2015.

In addition to the capital raising of \$245,300 (announced 23 December 2014), the Company raised a further \$445,922 (before costs) through the issue of 111,480,599 new shares, at an issue price of \$0.004 (0.4 cent) per share (New Shares); with 55,740,285 free attaching new options, exercisable at \$0.006 (0.6 cent) each on or before 30 June 2016 (New RMXOD Options) and 55,740,285 free attaching new options, exercisable at \$0.012 (1.2 cent) each on or before 31 March 2016 (New RMXO Options), pursuant to its recent pro-rata non-renounceable Rights Issue, the Prospectus for which was lodged with ASIC and released on ASX on 6 January 2015 (Rights Issue). Both the RMXO and RMXOD Options classes are now listed and tradeable on the ASX (released 11 February 2015).

On 11 March 2015, the Company announced it had placed shortfall from the Rights Issue and undertaken a further placement on the same terms as the Rights Issue to raise \$660,000 before costs via the issue of a total of 165,000,000 shares, 82,500,000 RMXO Options and 82,500,000 RMXOD Options.

No other matter or circumstance has arisen subsequent to 31 December 2014 that has significantly affected or may significantly affect the operations or the state of affairs of the Group in future financial years.

13 DIVIDENDS

No dividends were paid in the six months ended 31 December 2014.

14 CONTINGENT LIABILITIES

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

15 COMMITMENTS FOR EXPENDITURE

| | |
|---|----------------|
| | \$ |
| Within one year | 135,162 |
| Later than one year but not later than five years | - |
| | <u>135,162</u> |

16 RELATED PARTIES

Directors

Disclosures relating to Directors are set out in note 11.

Full disclosure in relation to the Directors will be disclosed in the annual report 30 June 2015.

Wholly-owned group

The wholly owned group consists of Red Mountain Mining Ltd 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 | People's Republic of 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 | 40%* | Philippine peso |

* MRL Gold Inc. has an investment in Egerton Gold Philippines Inc. ("EGPI") that pertains to 40% ownership. MRL Gold Inc. has option on EGPI's 60% remaining issued and outstanding capital.

17 FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and liabilities.

The Directors consider that the carrying value of the financial assets and financial liabilities are recognised in the consolidated financial statements approximate their fair values. The Group does not measure any Level 1, 2 or 3 financial assets or liabilities at fair value.

| | 31 December 2014 | | 30 June 2014 | |
|------------------------------|------------------|----------------|------------------|------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash & cash equivalents | 527,923 | 527,923 | 1,719,452 | 1,719,452 |
| Trade & other receivables | 287,858 | 287,858 | 356,426 | 356,426 |
| | <u>815,781</u> | <u>815,781</u> | <u>2,075,878</u> | <u>2,075,878</u> |
| Financial Liabilities | | | | |
| Trade & other creditors | 464,634 | 464,634 | 599,722 | 599,722 |
| | <u>464,634</u> | <u>464,634</u> | <u>599,722</u> | <u>599,722</u> |

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 entity's financial position as at 31 December 2014 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:



Neil Warburton
Non-Executive Chairman

Perth, Western Australia
Dated this 12th day of March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Red Mountain Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Mountain Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 company 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 2014 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 Limited, 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 Limited, 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 Limited 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 2014 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 the ability of the consolidated entity to continue as a going concern is dependent upon the future successful capital raising. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity'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 at amounts stated in the consolidated statement of financial position.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, 12 March 2015