



VARIATION TO MANAGING DIRECTOR'S EMPLOYMENT TERMS

Perth based Red Mountain Mining Limited advises that, following its annual performance review of Managing Director, Mr Jon Dugdale, the Company and Mr Dugdale have agreed to vary the terms and conditions of Mr Dugdale's employment effective as at 1 July 2014.

The amended terms are aligned with the Company's objectives of finalising the Definitive Feasibility Study and arranging firm financial arrangements for the development of the Batangas Gold project in the Philippines.

The material changes to the terms of Mr Dugdale existing employment agreement are:

- An increase of \$20,000 in base salary to \$260,000 per annum plus statutory superannuation (previously \$240,000 per annum plus statutory superannuation) following a reduction of \$60,000 in financial year 2013;
- Subject to compliance with the Corporations Law and the ASX Listing Rules (as applicable), eligibility to participate in the Company's Performance Rights Plan (**PRP**) (as approved by Shareholders on 18 November 2013, as amended or replaced from time to time), Short Term Incentive Plan (**STIP**) (permitting a performance based cash bonus of up to 40% of Annual Total Fixed Remuneration (TFR being base salary plus statutory superannuation)), as amended or replaced from time to time, and Long Term Incentive Plan (**LTIP**) (permitting up to 70% of Annual Total Fixed Remuneration (TFR being base salary and statutory superannuation, comprised of Performance Rights), as amended or replaced from time to time. The STIP and LTIP payments have various financial gateways that if not achieved will have the effect that Mr Dugdale will not receive any benefits; and
- An ability to terminate his employment with immediate effect within one month of a Prescribed Event* occurring. In these circumstances, provided any payment does not give rise to a breach of the Corporations Law or the ASX Listing Rules, Mr Dugdale will be entitled to payment of an amount equivalent to one year's base salary and statutory superannuation contributions. The payment shall be without prejudice to any rights which Mr Dugdale may have under any PRP, LTIP or STIP.

All other material terms and conditions of Mr Dugdale's employment as previously announced remain unchanged. The Company expects that Shareholder approval will be sought for the first three tranches of Performance Rights under the LTIP, on the terms and conditions detailed in Annexure A, at the Company's upcoming Annual General Meeting in November 2014.

*A Prescribed Event occurs if, without the consent of the Mr Dugdale, there is:

- (a) a material adverse change to his direct reporting line;
- (b) a demotion to a level below Managing Director of the Company;
- (c) a material change to his level of authority such as to lower his level of authority to a level below that commensurate with the position of Managing Director;
- (d) a reduction in his salary by greater than 25%; or
- (e) a relocation of his base location to anywhere outside of Perth, Western Australia.

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ANNEXURE A

The following performance hurdles will be implemented for the initial 3 years of the LTIP:

Tranche	Performance Hurdles	Comments
Tranche 1	Sufficient agreements in place to support financing for Batangas. Sufficient funding for the Batangas development has been secured	Attainment of the 2 performance hurdles are fundamental essentials to enable the construction of the Batangas project. Without all 2 in place, the project cannot be constructed.
Tranche 2	Production has commenced at Batangas: <ul style="list-style-type: none"> 50% to vest on ore production at Batangas; 50% to vest on first cash receipt of gold sales. 	Commencement of production from Batangas symbolises the completion of the transition of the Company from an exploration company to an operating mining company.
Tranche 3	For the financial year 1 July 2016 to 30 June 2017: <ul style="list-style-type: none"> Batangas actual production compared to approved budget Batangas operating costs compared to approved budget. A significant new gold discovery equal to or greater than South West Breccia	50% of Tranche 3 to be linked to Batangas performance against Board approved budget. Board approved budget will be the final operating budget approved by the Board for the financial year 1 July 2016 to 30 June 2017 (expected to be approved by the Board in May or June 2016). Sliding scale to apply where performance of 90% or less against the production and cost metrics will result in nil rights vesting. Attainment of 110% against budget will result in 100% of rights vesting. 50% of Tranche 3 will be tied to the discovery of a new gold orebody comparable to South West Breccia achieved by 30 June 2016.

LTIP Payment & Vesting Conditions

Tranche 1

- Grant Date:** 1 December 2014
- Number Granted:** Number of performance rights = (% Applicable x Annual Total Fixed Remuneration) / VWAP Price
- VWAP Price** = VWAP for 20 trading days prior to Grant Date
- Vesting Hurdle 1** – Attainment of all two (2) Performance Hurdles for Tranche 1
- Vesting Hurdle 2** – Still employed by the Company three (3) months after the date upon which the final Performance Hurdle for Tranche 1 is met

Tranche 2

- **Grant Date:** 1 December 2014
- **Number Granted:** Number of performance rights = (% Applicable x Annual Total Fixed Remuneration) / VWAP Price
- **VWAP Price** = VWAP for 20 trading days prior to Grant Date
- **Vesting Hurdle 1** – At the time of attainment of each of the two (2) Performance Hurdles for Tranche 2
- **Vesting Hurdle 2** – Still employed by the Company three (3) months after the date upon which each Performance Hurdle for Tranche 2 is met

Tranche 3

- **Grant Date:** 1 December 2014
- **Number Granted:** Number of performance rights = (% Applicable x Annual Total Fixed Remuneration) / VWAP Price
- **VWAP Price** = VWAP for 20 trading days prior to Grant Date
- **Vesting Hurdle 1** – 31 July 2017 when the results of the financial year performance against budget can be determined and attainment of three (3) Performance Hurdles for Tranche 3
- **Vesting Hurdle 2** – Still employed by the Company on 31 July 2017