

18 September 2014

Dear Optionholder

## Notice to Optionholders of Rights Issue

We write to you as the registered holder of Red Mountain Mining Limited (**Red Mountain or Company**) options as at today's date. As announced on 15 September 2014, the Directors of Red Mountain have resolved to offer a pro-rata renounceable rights issue of approximately 169,670,665 shares (**New Shares**), on the basis of two New Shares for every nine Shares held on the Record Date at an issue price of \$0.008 per New Share, with one free attaching Option exercisable at \$0.012 each on or before 31 March 2016 for every two New Shares subscribed for (**New Options**) under the Prospectus to raise approximately \$1,357,365 before costs (**Rights Issue or Offer**). New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

The Offer is underwritten by Patersons Securities Limited (**Underwriter or Patersons**) to the extent of 169,670,665 New Shares and 84,835,333 New Options, being the number that would be issued under the Offer based on the number of Shares on issue on the date of lodgement of the Prospectus. The underwriting does not extend to any additional Shares issued prior to the Record Date, including as a result of the exercise of any options on issue. In consideration, Patersons or its nominees will be entitled to a \$40,000 corporate advisory fee and a \$81,441 underwriting fee (being 6% of the Underwritten Amount). In addition, the Company must issue 56,556,888 Options, each on the same terms as the New Options, to the Underwriter or its nominees.

The funds raised from the Rights Issue are intended to be used for:

- a) Further exploration, including drilling of high priority targets on the Batangas Gold Project.
- b) Completion of the Batangas Gold Project's Definitive Feasibility Study and final permitting.
- c) General working capital.
- d) Payment of the costs of the rights issue process, including underwriting fee.

Participation in the Rights Issue is available to Red Mountain shareholders registered on the record date of 25 September 2014 (**Record Date**) and who reside in Australia or New Zealand (**Eligible Shareholders**).

The Rights Issue is being made pursuant to a prospectus which was lodged with the Australian Securities and Investments Commission and the ASX on 18 September 2014 (**Prospectus**). The Prospectus is available at the Company's website: [www.redmm.com.au](http://www.redmm.com.au) or on the ASX website (company announcements section, ASX code: RMX) at [www.asx.com.au](http://www.asx.com.au).

In addition to the Offer, the following two offers are being made under the Prospectus:

- a) up to 37,480,000 options on the same terms as New Options, free attaching to the Shares issued as part of the placement announced on 15 September 2014; and
- b) the options to the sub-underwriters as noted above.

Following completion of the Offer and the other offers noted above, the Company will have issued approximately 169,670,665 New Shares and 84,835,333 New Options, together with 56,556,888 Underwriter Options, resulting in total Shares on issue of approximately 933,188,659 and total options to acquire Shares on issue of approximately 291,711,698.

Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 29 September 2014. Entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

**Key Dates:**

The current proposed timetable for the Rights Issue is as follows\*:

Event	
Lodgement of Prospectus with the ASIC	18 September 2014
Lodgement of Prospectus & Appendix 3B with ASX	18 September 2014
Notice sent to Optionholders	18 September 2014
Notice sent to Shareholders	19 September 2014
Ex date (date from which Shares trade on ASX without the entitlement to participate in the Offer) and Rights Trading commences	23 September 2014
Record Date for determining Entitlements	25 September 2014
Prospectus despatched to Shareholders	29 September 2014
Last Day of Rights Trading	1 October 2014
Closing Date	9 October 2014
ASX notified of under subscriptions	13 October 2014
Issue date	16 October 2014
Deferred settlement trading ends	16 October 2014
New Securities commence normal trading on ASX	17 October 2014

\* Dates subject to change and indicative only. The Company reserves the right to amend this timetable, including, subject to the Corporations Act 2001 (Cth) and the Listing Rules of ASX, to extend the Closing Date.

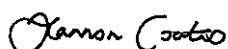
**Under the terms of the options you currently hold, there is no entitlement to participate in the Rights Issue unless you exercise your options, and are entered onto the register as a Shareholder on or before the Record Date.**

If you wish to participate in the Rights Issue, it will be necessary for you to exercise all or part of your options. Accordingly, you should complete a Notice of Exercise of Options (**Notice**) and lodge the Notice with the Company, together with your payment for the number of shares you wish to take up. If payment for the exercise of options is not received prior to 5.00pm WST on 25 September 2014 (**Record Date**), you will not be able to participate in the Rights Issue.

If you do not wish to participate in the Rights Issue (in respect of your options), you do not need to take any action. Before deciding whether to exercise any or all of your options, you should consider the terms of the Rights Issue carefully. If in any doubt, consult with your professional adviser. Each New Share allotted as a result of the exercise of an option will rank pari-passu with all other ordinary shares of the Company on issue.

If you have any queries in relation to the Rights Issue, please do not hesitate to contact Shannon Coates, the Company Secretary on (08) 9226 5668.

Yours faithfully



Shannon Coates  
Company Secretary