Red Mountain Mining Ltd

ACN 119 568 106

Annual Report
30 June 2011

Red Mountain Mining Ltd ACN 119 568 106

Contents

Red Mountain Mining Ltd ACN 119 568 106

Corporate Directory

Directors
M B Wolley
Chairman

N F Warburton

B Zhou

K B Rowe

Secretary
D J Kelly

Auditor
Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
Spectrum Offices
100 Railway Road
Subiaco WA 6008

Bankers
National Australia Bank
1232 Hay St
West Perth WA 6005

Principal registered office in Australia
Unit 2
2 Richardson Street
West Perth WA 6005

Your directors present their report on the Consolidated Entity ("Group") consisting of Red Mountain Mining Ltd ("RMX" or "Company") and the entities it controlled at the end of, or during, the financial year ended 30 June 2011.

Directors

The following persons were directors of Red Mountain Mining Ltd for the full financial year and up to the date of this report, unless otherwise stated:

M B Wolley *Non-executive chairman* (appointed 4 April 2011)
N F Warburton *Non-executive director*
B Zhou *Non-executive director*
K B Rowe *Executive director*

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of sourcing and evaluating suitable properties for prospective purchase in China and establishing an experienced exploration management team.

Review of operations

A summary of consolidated revenues and results is set out below:

	2011 $	2010 $
Revenue	9,722	196
Loss before income tax expense	(1,617,692)	(628,165)
Income tax expense	-	-
Loss attributable to members of Red Mountain Mining Ltd	(1,617,692)	(628,165)

Financial Position

During the financial year the Group had a net increase in contributed equity of $2,165,183 net of share issue costs (from $1,974,665 to $4,139,848) as a result of a placement of 6,000,000 ordinary shares to sophisticated investors at 10 cents, a placement of 9,375,000 ordinary shares to sophisticated investors at 16 cents and 138,151 shares at 20 cents were issued to capital raising consultant on cancellation of previously issued options.

At the end of the financial year the Company had net cash balances of $446,894 (2010: $145,561) and net assets of $48,010 (2010 net liabilities: $338,652).

Total liabilities (being trade and other creditors) amounted to $529,380 (2010: $496,008).

Commentary

The Company is seeking to establish itself as an operating gold producer in China through strategic joint ventures. The Company is focused on acquiring advanced gold projects and underperforming mining operations in China which can be upgraded using modern Australian mining methods or converted into producing assets through advanced exploration techniques and modern mine designs.

Review of operations (continued)

Consistent with the Company's focus it has two binding Framework Agreements in place with Lingbao Xuanrui Mineral Resources Company Limited (Xuanrui). The first agreement is to acquire 51% of the operating gold mine and infrastructure at Zhongqu, which is 100% owned by Xuanrui and two individuals. The infrastructure includes an operating CIL gold plant with 400,000 tonne per annum capacity. The plant is currently operating below this capacity because of suboptimal mine production. The second agreement is to acquire 90% of three granted exploration licences at Diebu, which Xuanrui has the right to acquire 100% from existing owners. Diebu is an advanced exploration project. Both projects are located in the endowed gold producing Qinling Belt in Gansu Province in western China.

Xuanrui is a private mainland Chinese company which is a contributor to the development of minerals in Gansu province. Xuanrui have been nominated by the Bureau of Land and Resources in Diebu county in Gansu as a significant party which enables the company to preferentially acquire additional licences adjacent to its existing operations. By partnering with Xuanrui, Red Mountain Mining Ltd is positioned to expand the mining and exploration tenement licences in these areas and to deploy its objective of building a significant portfolio of gold assets.

At Zhongqu, Red Mountain Mining Ltd has initiated a near-term strategy to undertake exploration activities to bring the current Chinese gold mineralisation estimate into JORC compliance, and to expand the existing mineralisation through underground exploration using modern Australian exploration methodologies. The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Company has completed an initial 2,300m underground diamond drilling programme which started on 5 May 2011 and is funded by pre-IPO monies. Results released in September 2011 from this drilling, indicate gold resources extend below the lowest level of the operating mine. Following this successful drilling programme, the Company intends to undertake a further drilling programme commencing in October. The company will also commence an initial pre-feasibility study for the development and mining of the mineralisation using modern mechanised mining techniques at Zhongqu with a view to significantly increasing the mining production rates and more fully utilise the existing gold plant production capacity.

At Diebu, the Company has an Exploration Target estimate range of between 400,000 to 550,000 tonnes at 3.5 to 4.5 grams per tonne of gold. The potential quantity and grade of the Exploration Targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Company's intention is to utilise modern Australian exploration practices to focus on determining a JORC Code Mineral Resource. Assuming a Resource determination, the Company intends to undertake additional exploration and mineralisation studies and more fully evaluate the scale of the any gold mineralisation present at Diebu and its production potential.

Red Mountain Mining Ltd's strategy for long term growth includes expansion of existing gold mineralisation to JORC Resources by extensive drilling programmes within the JORC standards. The Company also intends to continue to evaluate and where possible acquire majority interests in other

Review of operations (continued)

gold projects including operating mines located in Qinling precinct including the provinces of Shaanxi, Gansu and Sichuan.

The Company is aware of the risks inherent in operating in foreign jurisdictions and has been mindful to develop strong relationships with its Chinese partners and to maintain an experienced team of advisors to assist the Company to meet its objectives.

Significant changes in the state of affairs

During November and December 2010 the company secured $2.1m in seed funding in order to commence underground diamond drilling, fund the IPO process and for general working capital.

Other than those matters shown above, no significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Matters subsequent to the end of the financial year

On 4 July 2011 the Company's prospectus was signed off by the Directors.

On 13 July 2011 the Company entered into an initial public offering which was aimed to obtain official listing on the Australian Stock Exchange by issuing 40,000,000 shares to raise a gross total of $8,000,000 in capital in order to advance the transactions with Xuanrui as described above, to further enhance the Group's ability to raise funds in future years to advance its strategic and operational plan, and to increase the tradability of the equity instruments of the Company.

On 12th August 2011 the Group advanced USD2 million to an Hong Kong trust account to satisfy its obligation under the Deibu Framework Agreement to be held in escrow until such time as certain regulatory and other conditions has been met with Lingbao Xuanrui. The Group is working with Xuanrui to achieve these conditions.

On 30 August 2011 the Company issued 10,000,000 unlisted options to brokers as lead manager options at a price of 20 cent per option with expiry date on 30 June 2014.

On 30 August 2011 the Company issued 909,110 unlisted options to Directors at a price of 25 cent per option with expiry date on 31 July 2014.

On 30 August 2011 the Company issued 909,110 unlisted options to Directors at a price of 35 cent per option with expiry date on 31 July 2016.

On 30 August 2011 the Company was admitted to the Official List of ASX Limited.

On 1 September 2011 the Company was listed on the Australian Stock Exchange.

On 2 September 2011 the Company appointed Andrew Richards as Chief Executive Officer.

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Information on directors

Michael Wolley ***Non-Executive Chairman, BE, MM, MAICD***

Michael Wolley was appointed as Non-Executive Chairman for Red Mountain Mining Ltd in April 2011.
Michael has a depth of experience in the resources and industrial sectors in both Australia and internationally. Michael was recently Managing Director of a junior gold development business, Golden Iron Resources, and prior to that was Chief Operating Officer for Lynas Corporation, an ASX 100 company that is a vertically integrated mining and minerals business with mining and processing facilities in Western Australia and downstream processing in Malaysia. Prior to Lynas Corporation, Michael held senior executive roles with industrial and construction services businesses across Asia Pacific including the position of Managing Director Asia Pacific for a refrigeration and climate control business and as President BlueScope Steel China. Prior to joining BlueScope Steel Michael was General Manger Operations for Dexion, a business servicing the logistics industry across Asia Pacific. He began his career with Mobil Oil Australia and over a 15 year period held senior roles in engineering, production and planning across Australia and New Zealand.

Michael holds a first class honours degree in Chemical and Materials Engineering from Auckland University and a Masters of Management from Macquarie Graduate School of Management. Michael is a Member of the Australian Institute of Company Directors.

Keith Rowe ***Executive Director, B App Sci (Pt), Grad Dip (Mt), MAICD***

Keith Rowe is a Consultant to mining operations in the development, delivery and management of occupational health and safety systems, and prior to accepting the Executive role at Red Mountain Mining Ltd was Senior Safety Advisor to Ausdrill Ltd. He has over 20 years' experience in the mining industry and has delivered safety programmes at over 40 mine sites throughout Australia.

Keith's involvement with China began with a university study tour in 1977. He has broad experience as a business manager in a variety of fields and in recent years he has developed business interests in China. He brings valuable experience to the Board in dealing with Chinese affairs and mining safety systems.

Keith is a founding Director of the Finding Sydney Foundation which managed the successful search for the HMAS *Sydney II* which was sunk off the Western Australian Coast in 1941 and located in 2008, and received the Gold Swan Award at the 2010 Western Australia Citizen of the Year Awards.
Keith qualified as a physiotherapist at Curtin University and has a B.App.Sci (PT) and Grad.Dip (Manip. Th.) and is a Member of the Australian Institute of Company Directors.

Information on directors (continued)

Neil Warburton Non-Executive Director, MAusIMM, FAICD

Neil Warburton is Chief Executive Officer of Barminco, Australia's largest domestic underground mining contractor with operations in Australia and Africa. Barminco mines (under contract) over 800,000 oz of gold per annum in Australia alone. Neil has successfully guided and grown the company with annual revenues having more than doubled during his tenure. Before joining Barminco he was Managing Director of Coolgardie Gold NL.

Neil is also a non executive director of Australian Mines Limited (22 April 2003 to current), a company publicly listed on the ASX. Neil has over 30 years' experience in gold and base metal mining.

Neil is a Member of the Australian Institute of Mining and Metalurgy and is a Fellow of the Australian Institute of Company Directors

Bo Zhou *Non Executive Director, BSc, PhD, MBA, MAusIMM*

Bo Zhou is currently Managing Director of Qzcorp Pty Ltd, a resource consultancy business, and is General Manager China Operations for Griffin Mining Ltd, a UK listed company with operations in China.

Over the last 16 years Bo has worked on various resource projects covering many projects in China in both senior geological and management banking roles. Bo previously worked as Managing Director of Sinovus Mining Ltd and as General Manager for Guangxi Golden Tiger Mining Joint Venture, a Sino-Australian Joint Venture gold company focused in Guangxi, China. He has also worked as Senior Geologist for Silk Road Resources and as an exploration geologist and programme manager for Turnbull and Partners (Mr Malcolm Turnbull's mining ventures in China in the 1990s).

Bo holds a Bachelor of Science degree in geology from the Peking University and a PhD in exploration geology from the University of Sydney. He also has an MBA from the Australian Graduate School of Management. He is a member of the Australian Institute of Mining and Metallurgy.

Desmond Kelly *Company Secretary, B Comm, CPA, MAICD*

Desmond Kelly is a commerce graduate from the University of Western Australia and is a member of CPA Australia and the Australian Institute of Company Directors. Desmond has over 35 years' experience in the mining industry and accounting profession. He has been an accountant in public practice and currently is consulting to various companies as a company secretary and management consultant. He has held the positions of Director, Managing Director and Company Secretary with a number of public listed mining and industrial companies.

Directors' interests in shares and options
As at the date of this report the interests of the Directors in the shares and options of the Company were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
MB Wolley	-	-	-	-
N F Warburton	125,000	6,540,625	923,500	3,774,375
B Zhou	625,000	1,793,750	859,860	1,076,250
K B Rowe	312,500	5,040,625	672,360	3,024,375

Directors' Remuneration
Please refer to the Remuneration Report on page 8 to 13 for information relating to the directors' remuneration for the financial year.

Meetings of directors
The number of meetings of the Company's Board of Directors and of each Board Committee held duri financial year ended 30 June 2011 and the number of meetings attended by each director were:

	Held	**Attended**
M Wolley	4	4
N F Warburton	13	11
B Zhou	13	8
K B Rowe	13	13

Held – denoted the number of meetings held during the time the director held office or was a member of the committee during the year.

Insurance of officers
The Company has agreed to pay a Premium for a policy covering the Insurance of Officers.

Shares options
There are currently 19,446,558 unlisted options on issue with a strike price of 20 cents per share of which 17,728,125 have an expiry dates of 30 June 2014 and 1,718,433 an expiry date of 12 September 2013. In addition, there are 909,110 unlisted options exercisable at 25 cents per share with expiry date 31 July 2014 and 909,110 unlisted options exercisable at 35 cents per cent with expiry date 31 July 2016.

Dividends
No dividends were paid to members during the financial period and the directors do not recommend the payment of a dividend.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Remuneration Report

The Directors of Red Mountain Mining Ltd ('the Group') present the Remuneration Report prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.
The remuneration report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration

b. Details of remuneration

c. Service agreements

d. Share-based remuneration

e. Other information.

(a) Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- motivating senior executives to pursue the long-term growth and success of the Company; and
- demonstrating a clear relationship between senior executives' performance and remuneration.
- attracting and retaining senior executives and directors; and
- not paying excessive remuneration.

Red Mountain Mining Ltd has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.
The Company believes it is not of a size to justify having a Remuneration Committee and that it has Board processes in place which raise the issues which would otherwise be considered by a committee.
The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being annual salary; and
- Short term incentives, being employee share schemes and bonuses.

Executive directors' remuneration has been structured to reflect short and long-term performance objectives appropriate to the Company's circumstances and goals.
Executive directors' and senior executives' remuneration packages involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.

Remuneration Report (continued)

Non-executive directors' remuneration have been formulated with regard to the following guidelines:

Non-executive directors will be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives;

Non-executive directors will not be provided with retirement benefits other than superannuation.

No director is involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2011	2010	2009	2008	2007
EPS (cents)	(5.18)	(1.59)	(0.76)	(4.32)	(0.48)
Dividends (cents per share)	-	-	-	-	-
Net profit/loss ($000)	(1,617,692)	(628,165)	(282,629)	(1,537,928)	(73,216)

(b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP') of Red Mountain Mining Ltd are shown in the table below:

Director and other Key Management Personnel Remuneration

Name	Short term employee benefits Cash salary and fees ($)	Share-based payments Options ($)	Total ($)	% of remuneration that is performance based
Executive directors				
K Rowe	95,863	40,000	135,863	-
Non-executive directors				
N Warburton	-	70,000	70,000	-
B Zhou	-	40,000	40,000	-
Non-executive chairman				
M Wolley	62,500	-	62,500	-
Other key management personnel				
D Kelly	57,658	-	57,658	-
2011 Total	**216,021**	**150,000**	**366,021**	**-**
2010 Total	298,000	-	298,000	-

Options were issued on 1 July 2011 in lieu of Director fees for the period ending 30 June 2011. All options expire on the earlier of their expiry date or termination of the individual's employment.

(c) Service agreements

Subsequent to year end, remuneration and other terms of employment for the Executive Director and Chief Executive Officer were formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary	Term of agreement	Notice period
Keith Rowe	$218,000/annum	Full time. Remuneration to be reviewed on 30 June 2012 and every 12 after.	6 months written notice
Andrew Richards	$168,000/annum	10 days service per month. The days worked to be reviewed on a quarterly basis and if average is greater than 10 days/month during that period, then the additional days will be paid at $1,500 per day. Remuneration to be reviewed in 6 months time.	2 months written notice

(d) Share based remuneration

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

Options

Options granted over unissued shares

Details of options over ordinary shares in the Company that were granted as remuneration to each key management personnel are set out in the following table.

Name	Number granted	Grant date	Value per option at grant date ($)	Number vested	Number lapsed	Exercise price ($)	First exercise date	Last exercise date	% remuneration which is options
Keith Rowe	242,430	30/08/2011	0.075	242,430	-	0.25	30/08/2011	31 July 2014	18
Keith Rowe	242,430	30/08/2011	0.09	242,430	-	0.35	30/08/2011	31 July 2016	18
Neil Warburton	424,250	30/08/2011	0.075	424,250	-	0.25	30/08/2011	31 July 2014	100
Neil Warburton	424,250	30/08/2011	0.09	424,250	-	0.35	30/08/2011	31 July 2016	100
Bo Zhou	242,430	30/08/2011	0.075	242,430	-	0.25	30/08/2011	31 July 2014	100
Bo Zhou	242,430	30/08/2011	0.09	242,430	-	0.35	30/08/2011	31 July 2016	100

The options were provided in lieu of Director fees for the period ending 30 June 2011. All options expire on the earlier of their expiry date or termination of the individual's employment.

(e) Other information

Hedging of securities
In accordance with the Group's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director share plan.

Environmental regulations
The operations of the Group are not subject to any particular and significant environmental regulations under a law of the commonwealth or state. There have been no known significant breaches of any other environmental requirement.

Indemnities given and insurance premiums paid to officers and auditors
During the year, Red Mountain Mining Ltd paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.
Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.
The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnity any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Non-audit services
During the financial year the Group did not procure any non-audit services from their auditors.

Auditors' Independence Declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

This report is made in accordance with a resolution of the directors.

Keith Rowe
Director

Perth, Western Australia
29 September 2011

Chartered Accountants

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Red Mountain Mining Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

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

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 29 September 2011

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Locked Bag 18
Subiaco WA 6904
Australia

Phone: **(08) 6389 5222**
Fax: **(08) 6389 5255**
Email: mail@butlersettineri.com.au

Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA
Marius van der Merwe
CA

www.butlersettineri.com.au

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Red Mountain Mining Ltd and its controlled entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- Protection and enhancement of Shareholder value;
- Formulation, review and approval of the objectives and strategic direction of the Company;
- Approving all significant business transactions including acquisitions, divestments and capital expenditure;
- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- The identification of significant business risks and ensuring that such risks are adequately managed;
- The review and performance and remuneration of executive directors and key staff;
- The establishment and maintenance of appropriate ethical standards; and
- Evaluating and, where appropriate, adopting with or without modification, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board recognises the need for the Group to operate with the highest standards of behaviour and accountability. The aim of the Corporate Government Statement is to ensure that the Group is effectively directed and managed, that risks are identified, monitored and assessed and that appropriate disclosures are made.

Red Mountain Mining Ltd and its controlled entities

Corporate Governance Statement

Subject to the exceptions outlined below the Group has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations 2nd Edition" (ASX Principles) to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines. All of these practices have been put in place from April 2011 when the Company began preparation for its Listing on the Australian Securities Exchange.
Further information on the Group's corporate governance policies and practices can be found on Red Mountain Mining Ltd's website at http://www.redmm.com.au.

	ASX Corporate Governance Principle	**Company Comments**
1	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board has adopted a Corporate Governance Statement (set out on the Company's website) which discloses the specific responsibilities of the Board and provides that the Managing Director or Chief Executive Officer is responsible for running the affairs of the Company under delegated authority from the Board.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Chairperson and/or the Managing Director are responsible for reviewing the performance of each executive at least once every calendar year with reference to the terms of their employment contract.
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1.*	The Company has not as yet had a performance evaluation for senior executives due to its start up nature. The Corporate Governance Statement which is available on the Company's website discloses the specific responsibility of the Board. The Corporate Governance Statement also specifically outlines the role of the Company's Chairperson and Company Secretary as well as the Board Charter.

Corporate Governance Statement

	ASX Corporate Governance Principle	Company Comments
2	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	The Board takes the view that Mr Warburton is not independent in terms of the ASX Corporate Governance Council's discussion of independent status as he is a substantial shareholder. Mr Rowe as an executive director is not independent. Despite these relationships, the Board believes that Mr Warburton and Mr Rowe are able, and do make, quality and independent judgement in the best interests of the Company on all relevant issues before the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non executive Directors. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2.2	The chair should be an independent director	The current chair is Mr Wolley who is an independent director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The role of chief executive officer is currently being fulfilled by Mr Andrew Richards. The current chair is Mr Wolley.
2.4	The Board should establish a nomination committee.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Chairperson and/or the Managing Director are responsible for reviewing the performance of each executive at least once every calendar year with reference to the terms of their employment contract.

	ASX Corporate Governance Principle	Company Comments
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2.*	A description of the skills and experience of each of the current Directors is contained in the Directors'Report. Based on the Company's early stages of development and given the current size and structure of the Board, it has not fully complied with Principle 2 of the ASX Principles. However, it will seek to do so as it develops and the Board grows. To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairperson, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. The policy for the appointment of new directors is set out on the Corporate Governance Statement on the Company's website. Directors are appointed for a term of 3 years before rotation by retirement. Directors may seek shareholder approval for a further term. Due to the start up nature of the Company, not all Directors are considered Independent due to the Founding shareholdings and consulting nature of their services provided to the Company.
3	**Promote ethical and responsible decision making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company has adopted a Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct in employment. The Code of Conduct is set out in Appendix A of the Corporate Governance Statement on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable	The Board supports workplace diversity but considers that the Company is not of a size or maturity to justify a formal diversity policy. The Company has only recently been listed.

	ASX Corporate Governance Principle	Company Comments
	objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company at its early stages of operation rather than focussing on gender and other diversity factors.
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company has not yet set the measurable objectives however these will be considered by the Board during its current term. In addition, the Board will review progress against any objectives identified on an annual basis.
3.4	The Board should establish a nomination committee. Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Due to the Company's size and start up nature it currently has no women in its organizational structure and has not established a Nomination Committee.
3.5	Companies should provide the information indicated in the *Guide to reporting on Principle 3.*	Due to its start up nature the Board has not yet set • measurable objectives, or • reported progress against those objectives.
4	**Safeguard integrity in financial reporting**	
4.1 4.2 4.3	The board should establish an audit committee. The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members. The audit committee should have a formal charter.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems.
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4.*	When the Company has grown to a sufficient size to warrant it, the Board will establish an audit and risk committee to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

	ASX Corporate Governance Principle	Company Comments
5	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure compliance with ASX Listing Rule continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in *Guide to reporting on Principle 5.*	A summary of this policy is set out in the Company's Corporate Governance statement on the web site.
6	**Respect the rights of shareholders**	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Board is committed to open and accessible communication with holders of the Company's shares and other securities. Disclosure of information and other communication will be made as appropriate by mail or email.
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6.*	The Company's website will also be used to provide additional relevant information to security holders.
7	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has adopted polices for the management of business risks and a summary of these policies is available on the Company's website.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	It is the responsibility of the Chief Executive Officer (or equivalent) to create, maintain and implement risk management and internal control policies for the Company, subject to review by the Board. The Board will review the effectiveness of implementation of the risk management system and internal control system at least annually.

	ASX Corporate Governance Principle	Company Comments
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Company has a continuous disclosure program in place designed to ensure compliance with ASX Listing Rule continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position. The Board has received assurance from the chief executive officer.
7.4	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Chief Executive Officer (or equivalent) is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.
8	**Remunerate fairly and responsibly**	
8.1 8.2	The board should establish a remuneration committee. The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company and considers it more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board will distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives. The Company's Constitution also provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by shareholders in general meeting.

	ASX Corporate Governance Principle	Company Comments
8.4	Companies should provide the information indicated in the *Guide to reporting on Principle 8.*	When the Company has grown to a sufficient size to warrant it, the Board will establish a remuneration committee for the purposes of reviewing and approving the executive remuneration policy. The remuneration committee shall comprise at least three directors, with a majority of those directors being independent non-executive directors. As at the date of this statement, there are no schemes for retirement benefits for non-executive Directors.

In relation to the above, the Directors believe that, notwithstanding the Company's departures from the ASX Principles 2.1, 2.4, 3.2, 3.3, 4.1, 4.2, 4.3, 8.1 and 8.2 the Board has implemented suitable practices and procedures with respect to corporate governance, considering the size of the Board and the size and maturity of the Company. The Board wishes to acknowledge that nothing has come to its attention that would lead it to conclude that its current practices and procedures are not appropriate for an organisation of the size and maturity of the Company.

Appendix A – Code of Conduct

Introduction

1. This Code of Conduct sets out the standards which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, the Company's shareholders and the broader community.

Responsibilities to shareholders

2. The Company aims:

2.1 to increase shareholder value within an appropriate framework which safeguards the rights and interests of shareholders; and

2.2 to comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

Responsibilities to clients, employees, suppliers, creditors, customers and consumers

3. The Company will comply with all legislative and common law requirements which affect its business.

Employment practices

4. The Company will employ the best available staff with skills required to carry out the role for which they are employed. The Company will ensure a safe workplace and maintain proper occupational health and safety practices.

Responsibility to the community

5. The Company will recognise, consider and respect environmental, native title and cultural heritage issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

Responsibility to the individual

6. The Company recognises and respects the rights of individuals and will comply with the applicable laws regarding privacy and confidential information.

Obligations relative to fair trading and dealing

7. The Company will deal with others in a way that is fair and will not engage in deceptive practices business courtesies, bribes, facilitation payments, inducements and commissions

8. Corrupt practices are unacceptable to the Company. It is prohibited for the Company or its directors, managers or employees to directly or indirectly offer, pay, solicit or accept bribes or any other corrupt arrangements.

Conflicts of interest

9. The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairperson in the case of a Board member, the Managing Director or Chief Executive Officer (or equivalent) in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.

Compliance with the Code of Conduct

10. Any breach of compliance with this Code of Conduct is to be reported directly to the Chairperson.

Periodic review of Code

11. The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff. Suggestions for improvements or amendments to this Code of Conduct can be made at any time to the Chairperson.

Red Mountain Mining Ltd and its controlled entities

Financial report – 30 June 2011

Contents

Page

This financial report covers the Consolidated Entity consisting of Red Mountain Mining Ltd and its controlled entities.

This financial report is presented in Australian dollars.

Red Mountain Mining Ltd is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Red Mountain Mining Ltd
Unit 2, 2 Richardson Street
West Perth WA 6005

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' Report, which is not part of this Financial Report.

The financial report was authorised for issue by the directors on 29 September 2011. The Company has the power to amend and reissue the financial report.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	Notes	**2011** **$**	2010 $
Revenue	5	**9,722**	196
Professional fees		**(91,392)**	(59,764)
Consultancy costs		**(710,694)**	(407,429)
Depreciation		**(802)**	-
Employee costs		**(4,755)**	-
Exploration consulting costs		**(474,352)**	-
Legal fees		**(166,708)**	(48,657)
Travel costs		**(32,336)**	(15,161)
Interest paid		**(7,545)**	(13,151)
Net foreign exchange gains/(losses)		**14,096**	(68,022)
Other expenses		**(152,926)**	(16,177)
Loss before income tax		**(1,617,692)**	(628,165)
Income tax expense	6	**-**	-
Loss for the year attributable to members of Red Mountain Mining Ltd		**(1,617,692)**	(628,165)
Other comprehensive income:			
Exchange differences on translation of foreign controlled entities		**(133,199)**	63,794
Total comprehensive income for the year attributable to members of Red Mountain Mining Ltd		**(1,750,891)**	(564,371)
		Cents	Cents
Basic and diluted loss per share	22	**(5.18)**	(1.59)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2011

	Notes	2011 $	2010 $
Current assets			
Cash and cash equivalents	7	**446,894**	**145,561**
Trade and other receivables	8	**126,275**	**11,795**
Total current assets		**573,169**	**157,356**
Non-current assets			
Property, plant and equipment	9	**4,221**	**-**
Total non-current assets		**4,221**	**-**
Total assets		**577,390**	**157,356**
Current liabilities			
Trade and other payables	10	**529,380**	**392,258**
Borrowings	11	**-**	**103,750**
Total current liabilities		**529,380**	**496,008**
Total liabilities		**529,380**	**496,008**
Net assets / (liabilities)		**48,010**	**(338,652)**
Equity			
Contributed equity	12	**4,139,848**	**1,974,665**
Reserves	13 (a)	**47,792**	**208,621**
Accumulated losses	13 (b)	**(4,139,630)**	**(2,521,938)**
Total equity/(deficiency)		**48,010**	**(338,652)**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the financial year ended 30 June 2011

	Share Capital $	Accumulated Loss $	Foreign currency translation reserve $	Option Reserve $	Total $
Consolidated Group					
Balance at 1 July 2009	**1,663,635**	**(1,893,773)**	**(32,007)**	**-**	**(262,145)**
Total comprehensive income for the year	**-**	**(628,165)**	**63,794**	**-**	**(564,371)**
Transactions with owners in their capacity as owners:					
Contributions of equity	**311,030**	**-**	**-**	**176,834**	**487,864**
Balance at 30 June 2010	**1,974,665**	**(2,521,938)**	**31,787**	**176,834**	**(338,652)**
Total comprehensive income for the year	**-**	**(1,617,692)**	**(133,199)**	**-**	**(1,750,891)**
Transactions with owners in their capacity as owners:					
Contribution of equity	**2,165,183**	**-**	**-**	**(27,630)**	**2,137,553**
Balance at 30 June 2011	**4,139,848**	**(4,139,630)**	**(101,412)**	**149,204**	**48,010**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows
For the financial year ended 30 June 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Payments to suppliers (inclusive of goods and services tax)		**(1,610,521)**	**(157,562)**
Interest received		**9,722**	**196**
Interest paid		**(7,545)**	**(13,151)**
Net cash outflow from operating activities	21	**(1,608,344)**	**(170,517)**
Cash flows from investing activities			
Payment for property, plant and equipment		**(5,023)**	**-**
Net cash outflow from investing activities		**(5,023)**	**-**
Cash flows from financing activities			
Repayment of borrowings		**(103,750)**	**(25,720)**
Proceeds from issues of securities		**2,249,573**	**275,000**
Share issue costs		**(112,020)**	**(13,970)**
Net cash inflow from financing activities		**2,033,803**	**235,310**
Net increase in cash held		**420,436**	**64,793**
Cash at the beginning of the year		**145,561**	**84,997**
Net foreign exchange gains		**(119,103)**	**(4,229)**
Cash at the end of the year	7	**446,894**	**145,561**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report contains the financial statements of the consolidated entity consisting of Red Mountain Mining Ltd and its subsidiary.

(a) Basis of preparation of the financial report

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Accounting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

Historical cost convention
These financial statements have been prepared under the historical cost convention.

(b) Critical accounting judgments and the key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods. Refer to note 3 for further details.

(c) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Red Mountain Mining Ltd ("Company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the financial year then ended. Red Mountain Mining Ltd and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the financial statements
For the year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Director.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

Interest income
Interest revenue is recognised on a time proportionate basis using the effective interest method.

All revenue stated is net of goods and services tax ("GST").

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Note 1. Summary of Significant Accounting Policies (continued)

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(h) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(ii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost, using the effective interest method.

(j) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements
For the year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(k) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow.

(m) Foreign exchange

Both the functional and the presentation currency of Red Mountain Mining Limited is the Australian Dollar.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange of the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. Resulting exchange differences are brought to account in determining the result for the period.

The functional currency of Red Mountain Mining (Hong Kong) Holdings Ltd is the Hong Kong Dollar. The functional currency of Red Mountain Mining Consulting (Shenyang) Co Ltd is the Chinese Yuan.

At the reporting date the assets and liabilities of the overseas subsidiary are translated into presentation currency of Red Mountain Mining Limited at the rate of exchange ruling at balance date and the statement of comprehensive income are translated at the weighted average exchange rates for the period. Resulting exchange differences are recognised in equity.

(n) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Note 1. Summary of Significant Accounting Policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the profit or loss immediately.

(o) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	18.75% – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Notes to the financial statements
For the year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(q) Mineral exploration, evaluation and development expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest where we have the right of tenure. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to Mine Properties and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review for impairment is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(r) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to fund investment opportunities and develop or secure access to a producing mining asset.

Consistently with others in the industry, the Group and parent entity monitor capital on the basis of working capital requirements.

During 2011, the Group's strategy - which was unchanged from 2010 - was to maintain a current account balance sufficient to meet the Group's day to day expenses with the balance held in commercial paper investments or term deposits.

	2011 **$**	2010 $
Cash and cash equivalents	**446,894**	145,561
Trade and other receivables	**126,275**	11,795
Trade and other payables	**(529,380)**	(392,258)
Borrowings	**-**	(103,750)
Working capital position	**43,789**	(338,652)

Notes to the financial statements
For the year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(s) Changes in accounting policies

(i) Overall considerations
The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2010:

- Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2009-5
- Improvements to IFRSs- AASB 2010-03.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in notes (ii) to (iii). An overview of standards, amendments and interpretations to IFRSs and AASBs issued but not yet effective is given in note (iv).

(ii) Adoption of improvements to IFRSs 2009 – AASB 2009-5
The *Improvements to IFRSs 2009* (issued as AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*) made several minor amendments to IFRSs. The only amendment relevant to the Group relates to AASB 117 *Leases*. The amendment requires that leases of land are classified as finance or operating by applying the general principles of AASB 117. Prior to this amendment, AASB 117 generally required a lease of land to be classified as an operating lease. This change did not have a material impact on the Group's financial statements.

(iii) Adoption of Improvements to IFRSs 2010 - AASB 2010-3
The IASB has issued *Improvements to IFRS 2010* (2010 Improvements) which was issued in Australia as AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvement Project*. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of AASB 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The 2010 Improvements did not have a material impact on the Group's financial statements.

(iv) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Notes to the financial statements
For the year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

IFRS 9 / AASB 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 (AASB 139) *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

AASB 10 Consolidated Financial Statements (effective from 1 January 2013)

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This will not have a material impact on the Group's financial statements.

AASB 11 Joint Arrangements (effective from 1 January 2013)

AASB 11 replaces AASB 131 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.

AASB 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

AASB 12 includes all disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Notes to the financial statements
For the year ended 30 June 2011

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors. The Board identifies and evaluates financial risks in close co-operation with management and provides written principles for overall risk management.

(i) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, prudent oversight of future funding requirements and maintaining ongoing contact to facilitators of further funding.

It is the Group's policy to review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The remaining contractual maturities of the Group's financial liabilities are:

	2011	2010
	$	$
Three months or less	**529,380**	392,258
Greater than three months	**-**	103,750
	529,380	496,008

The Group funds its activities through capital raising in order to limit its liquidity risk.

(ii) Cash flow and fair value interest rate risk

As the Group's major assets are cash deposits held in fixed and variable interest rate deposits, the Consolidated Entity's income and operating cash flows are materially exposed to changes in market interest rates. The Consolidated Entity manages this risk by only investing in AAA rated institutions.

At balance date, the Group had the following exposure to Australian variable interest rate risk.

	2011	2010
	$	$
Financial assets		
Cash and cash equivalents	**446,894**	145,561

Notes to the financial statements
For the year ended 30 June 2011

Note 2. Financial risk management (continued)

At 30 June 2011, if interest rates had moved, as illustrated in the following table, with all other variables held constant, post-tax profit would have been affected as follows:

Judgments of reasonably possible movements:

	Higher/(Lower)	
	2011	2010
	$	$
Post tax profit		
+1.0% (100 basis points)	**4,469**	1,456
-1.0% (100 basis points)	**(4,469)**	(1,456)

The Group deals with financial institutions that have a AAA rating.

(iii) Market Risk

Price risk - The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is not exposed directly to commodity price risk.

(iv) Credit Risk

The Group's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The Group trades only with recognised, credit worthy third parties. The Group has no significant concentrations of credit risk.

(v) Currency risk

The Company's subsidiary is based in Hong Kong and its sustainability is dependent on the provision of cash from the parent entity. Cash funds in Hong Kong are held in Hong Kong dollars and US dollars thus the Company is exposed to diminution of cash balances through currency exchange risk.

The Group's subsidiary is based in China and its sustainability is dependent on the provision of cash from its parent entity. Cash funds in China are held in Chinese Yuan and US dollars thus the Group is exposed to diminution of cash balances through currency exchange risk.

(vi) Fair value of financial assets and financial liabilities

The carrying value approximates the fair value of the financial assets and financial liabilities.

Notes to the financial statements
For the year ended 30 June 2011

Note 3. Critical accounting estimates and judgments

(i) Significant accounting judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(ii) Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out in note 1(q). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, the Directors conclude that the Group is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

(iii) Principles of going concern

The Consolidated Entity recorded a loss of $1,617,692 (2010: 628,165) for the year ended 30 June 2011 and had a net asset position of $48,010 (2010: ($338,652)). The directors reviewed the working capital requirements of the company for a relevant period of two years from the date of the directors' report, and determined that because of a successful initial public offering, listing and capital raising, the Group will be able to continue to pay its debts as and when they fall due.

Note 4. Segment information

Activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on these criteria, management has determined that the Group has one operating segment being mineral exploration in China. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	2011	2010
	$	$
Note 5. Revenue		
Other revenue		
Interest received	**9,722**	196
	9,722	196

Notes to the financial statements
For the year ended 30 June 2011

	2011 $	2010 $

Note 6. Income tax

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	**(1,617,692)**	(748,165)
Tax at the Australian tax rate of 30%	**(485,308)**	(224,449)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Legal fees	30,162	-
Other	98,085	24,400
Difference in tax rates	80,251	20,027
	(276,810)	(180,022)
Current year tax assets not recognised	**276,810**	180,022
Income tax expense	-	-

(c) The estimated potential deferred tax benefits not brought to account at 30%

Revenue losses - Australia	**552,032**	256,567
Temporary differences - Australia	**100,289**	118,944
Temporary differences – Overseas	**204,039**	204,039

The potential future income tax benefit will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
(ii) the Company continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

No deferred tax assets have been recognised due to the fact that it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

The franking account balance at year end was nil.

Note 7. Current assets – Cash assets

Cash at bank and on hand	**446,894**	145,561

Notes to the financial statements
For the year ended 30 June 2011

	2011 $	2010 $
Note 8. Current assets – Receivables		
Other receivables	**126,275**	11,795
Note 9. Non Current assets – Property, Plant and Equipment		
Plant and equipment at cost	**5,023**	-
Less accumulated depreciation	**(802)**	-
Total plant and equipment	**4,221**	-
Note 10. Current liabilities – Payables		
Trade and other creditors	**529,380**	392,258
Note 11. Current liabilities – Borrowings		
Loan from related party	-	103,750

There are $10,000 of unused credit facilities.

Note 12. Contributed equity

	Notes	Parent entity 2011 Shares	2011 $	2010 Shares	2010 $
(a) Share capital					
Ordinary shares fully paid	12(b)	**39,060,026**	**4,139,848**	**41,275,000**	**1,974,665**

(b) Movements in ordinary share capital

Date	Details	Notes	Shares No.	Issue price $	$
1 July 2009	**Balance**		**38,025,000**		**1,663,635**
15 September 2009	Placement to consultant	(d)(i)	500,000	0.10	50,000
24 December 2009	Placement to seed capitalist	(d)(ii)	750,000	0.10	75,000
14 January 2010	Placement to sophisticated investors	(d)(iii)	300,000	0.10	30,000
10 March 2010	Placement to sophisticated investors	(d)(iv)	1,700,000	0.10	170,000
	Share issue expenses				(13,970)
30 June 2010			**41,275,000**		**1,974,665**
15 November 2010	Placement to sophisticated investors	(d)(v)	6,000,000	0.10	600,000
4 March 2011	Consolidation	(d)(vi)	(17,728,125)	-	-
5 March 2011	New share issues post consolidation	(d)(vii)	9,375,000	0.16	1,500,000
31 March 2011	Issue of options for consideration	(d)(viii)	-	-	163,621
22 June 2011	Issue of shares in lieu of services	(d)(ix)	138,151	0.20	27,630
	Share issue expenses		-		(126,068)
30 June 2011			**39,060,026**		**4,139,848**

Notes to the financial statements
For the year ended 30 June 2011

Note 12. Contributed equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Effective 1 July 1998, the corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

(d) Ordinary share issues

i) On 15 September 2009 a placement of 500,000 ordinary shares was made to a consultant for services.
ii) On 24 December 2009 a placement of 750,000 ordinary shares was made to a seed capitalist.
iii) On 14 January 2010 a placement of 300,000 ordinary shares was made to sophisticated investors.
iv) On 10 March 2010 a placement of 1,700,000 ordinary shares was made to sophisticated investors.
v) On 15 November 2010 a placement of 6,000,000 ordinary shares was made to sophisticated investors.
vi) On 4 March 2011 the Company restructured its share capital and options on issue with a consolidation whereby share and option holders received 1 new share or option for every 1.6 share or option held before consolidation. As part of this consolidation process it was resolved to convert certain options as described into ordinary shares.
vii) On 5 March 2011 a placement of 9,375,000 ordinary shares was made to sophisticated investors.
viii) On 31 March 2011 the Company issued 17,728,125 options to participating shareholders at a price of 1 cent per option to increase working capital. These options carry a strike price of 20 cents per ordinary share and have a three and a half year term.
ix) On 22 June 2011, 138,151 shares were issued to capital raising consultant on cancellation of previously issued options.

	Notes	Parent entity 2011 Options	2011 $	2010 Options	2010 $
(e) Options					
Ordinary shares fully paid	12(f)	**19,446,558**	**149,204**	**3,000,000**	**176,834**

(f) Movement in options on issue

Date	Details	Notes	Options No.	$
1 July 2009	**Balance**		**-**	**-**
14 September 2009	Issue of options		3,000,000	176,834
30 June 2010			**3,000,000**	**176,834**
31 March 2011	Net of consolidation/expiry of options		(1,281,567)	(27,630)
31 March 2011	Issue of options		17,728,125	-
30 June 2011			**19,446,558**	**149,204**

Notes to the financial statements
For the year ended 30 June 2011

Note 13. Reserves and Accumulated Losses

(a)Reserves

	2011 $	2010 $
Shares-based payments reserve	**149,204**	176,834
Foreign currency translation reserve	**(101,412)**	31,787
Accumulated reserves at the end of the financial year	**47,792**	208,621

Movements:		
Shares-based payments reserve		
Balance at beginning of year	**176,834**	-
Option expense	**-**	176,834
Converted to ordinary shares during the year	**(27,630)**	-
Balance at the end of the financial year	**149,204**	176,834

Movements:		
Foreign currency translation reserve		
Balance at beginning of year	**31,787**	(32,007)
Exchange differences on translation of foreign operation	**(133,199)**	63,794
Balance at the end of the financial year	**(101,412)**	31,787

(b)Accumulated losses

Accumulated losses at the beginning of the financial period	**(2,521,938)**	(1,893,773)
Net loss attributable to members of Red Mountain Mining Ltd	**(1,617,692)**	(628,165)
Accumulated losses at the end of the financial year	**(4,139,630)**	(2,521,938)

(c) Nature and purpose of reserve

(i) Share-based payments reserve

The share-based payment reserve is used to recognize the value of equity benefits provided to either employees or directors as remuneration or to suppliers as payment for products and services.

(ii) Foreign currency translation reserve

Exchange differences arising from translation of the foreign controlled entities are taken to the foreign currency translation reserve, as prescribed in note 1(m). The reserve is recognised in the profit and loss when the net investment is disposed of.

Note 14. Key management personnel disclosures

(a) Directors

The following persons were directors of Red Mountain Mining Ltd during the financial year:

M Wolley
N F Warburton
B Zhou
K B Rowe

Notes to the financial statements
For the year ended 30 June 2011

Note 14. Key management personnel disclosures (continued)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Name	Position	Employer
DJ Kelly	Company Secretary	Mosman Management Pty Ltd

(c) Key management personnel compensation

All payments to key management personnel have been accrued only. No cash payments have been made since May 2008.

Short Term Benefits.	2011 $	2010 $
Name		
N Warburton	**70,000**	120,000
K Rowe	**135,863**	100,000
B Zhou	**40,000**	48,000
M Wolley	**62,500**	-
D J Kelly	**57,658**	30,000
Total	**366,021**	298,000

(d) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Options were provided in lieu of Director fees for the period ending 30 June 2011. All options expire on the earlier of their expiry date or termination of the individual's employment.

Share holdings

The numbers of shares in the Company held during the financial year by each director of Red Mountain Mining Ltd and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011 Name	Balance at the start of the period	Received during the year on the exercise of options	Other changes during the period	Balance at the end of the year
Directors of Red Mountain Mining Ltd				
N F Warburton	10,065,000	-	(3,774,375)	6,290,625
B Zhou	3,870,000	-	(1,451,250)	2,418,750
K B Rowe	8,565,000	-	(3,211,875)	5,353,125
Other key management personnel of the group				
D J Kelly	1,000,000	-	(375,000)	625,000

Notes to the financial statements
For the year ended 30 June 2011

Note 14. Key management personnel disclosures (continued)

2010 Name	Balance at the start of the period	Received during the year on the exercise of options	Other changes during the period	Balance at the end of the year
Directors of Red Mountain Mining Ltd				
N F Warburton	10,065,000	-	-	10,065,000
B Zhou	3,870,000	-	-	3,870,000
K B Rowe	8,065,000	-	500,000	8,565,000
Other key management personnel of the group				
D J Kelly	1,000,000	-	-	1,000,000

(e) Loans to key management personnel

There are no loans made to directors or other key management personnel of Red Mountain Mining Ltd or the consolidated entity.

(f) Other transactions with key management personnel

Directors of Red Mountain Mining Ltd

During 2008, Mr Warburton advanced the company a sum of $100,000. This was repaid during the 2011 year. The loan had an interest rate of 11.25% and was provided on normal commercial terms and conditions. During 2011 $7,466 in interest was paid to Mr. Warburton.

	2011 **$**	2010 $
Note 15. Remuneration of auditors		
During the year the following services were paid to the auditors of the Group:		
Assurance services		
Audit services		
Audit and review of financial report		
- parent entity auditors	**7,500**	8,000
- controlled entities auditors	**3,765**	1,684

Note 16. Contingent liabilities

The Group has no contingent liabilities at 30 June 2011.

Note 17. Commitments for expenditure

Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 11 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	**137,000**	-
later than one year but not later than five years	-	-
later than five years	-	-
	137,000	-

Notes to the financial statements
For the year ended 30 June 2011

The Group has no other commitments for expenditure at 30 June 2011.

Note 18. Related parties

Directors and specified executives

Disclosures relating to directors and other key management personnel are set out in Note 14.

Wholly-owned group

The wholly-owned group consists of Red Mountain Mining Ltd and its wholly-owned subsidiary: Red Mountain Mining (Hong Kong) Holdings Ltd as described in Note 19.

Aggregate amounts receivable from Red Mountain Mining (Hong Kong) Holdings Ltd at balance date:

	Parent	
	2011	2010
	$	$
Non-current receivables	**2,244,914**	1,489,855
Less: Provision for non-recovery	**(2,244,914)**	(1,489,855)
	-	-

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following note.

Note 19. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %
Red Mountain Mining (Hong Kong) Holdings Ltd	Hong Kong	Ordinary	100
Red Mountain Mining Consulting (Shenyang) Co Ltd	People's Republic of China	Ordinary	100

Note 20. Events occurring after reporting date

On 4 July 2011 the Company's prospectus was signed off by the Directors.

On 13 July 2011 the Company entered into an initial public offering which is aimed to obtain official listing on the Australian Stock Exchange to enhance the ability of the Company by issuing 40,000,000 shares to raise a total of $8,000,000 in capital in order to advance the transaction with Xuanrui as described above, to further enhance the Group's ability to raise funds in future years to advance its strategic and operational plan, and to increase the tradability of the equity instruments of the Company.

On 12th August 2011 the Group advanced USD2 million to an Hong Kong trust account to satisfy its obligation under the Deibu Framework Agreement to be held in escrow until such time as certain regulatory and other conditions has been met with Lingbao Xuanrui. The Group is working with Xuanrui to achieve these conditions.

On 30 August 2011 the Company issued 10,000,000 unlisted options to brokers as lead manager options at a price of 20 cent per option with expiry date on 30 June 2014.

Note 20. Events occurring after reporting date(continued)

On 30 August 2011 the Company issued 909,110 unlisted options to Directors at a price of 25 cent per option with expiry date on 31 July 2014.

On 30 August 2011 the Company issued 909,110 unlisted options to Directors at a price of 35 cent per option with expiry date on 31 July 2016.

On 30 August 2011 the Company was admitted to the Official List of ASX Limited.

On 1 September 2011 the Company was listed on the Australian Stock Exchange.

On 2 September 2011 the Company appointed Andrew Richards as Chief Executive Officer.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Note 21. Reconciliation of loss from ordinary activities after income tax to net cash outflow used in operating activities

	2011 $	2010 $
Operating loss after income tax	**(1,617,692)**	(628,165)
Depreciation	**802**	-
Share based payments	**-**	226,834
Net foreign exchange losses/(gains)	**(14,096)**	68,022
Change in operating assets and liabilities		
(Increase)/decrease in other receivables	**(114,480)**	(3,220)
Increase in trade creditors	**137,122**	166,011
Net cash used in operating activities	**(1,608,344)**	(170,518)

Note 22. Loss per share

	2011 Cents	2010 Cents
Basic and diluted loss per share	**(5.18)**	(1.59)

	2011 Number	2010 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share.	**31,204,984**	39,340,753
Losses used in calculating losses per share		
Net loss	**(1,617,692)**	(628,165)

Notes to the financial statements
For the year ended 30 June 2011

Note 23. Parent entity information

The following information relates to the parent entity, Red Mountain Mining Ltd, as at 30 June 2011. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Parent Entity	
	2011	2010
	$	$
Current assets	**458,665**	63,923
Non-current assets	**4,238**	17
Total assets	**462,903**	63,940
Current liabilities	**524,400**	484,691
Total liabilities	**524,400**	484,691
Contributed equity	**4,139,848**	1,974,665
Reserves	**149,204**	176,834
Accumulated losses	**(4,350,549)**	(2,572,250)
Total deficiency	**(61,497)**	(420,751)
Loss for the year	**(1,778,299)**	(600,074)
Other comprehensive income	**-**	-
Total comprehensive income for the year	**(1,778,299)**	(600,074)

The parent entity has no contingent liabilities or capital commitment as at 30 June 2011.

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 25 to 48 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2011 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

K B Rowe

Keith Rowe
Director

Perth, Western Australia
29 September 2011

INDEPENDENT AUDITOR REPORT
TO THE MEMBERS OF RED MOUNTAIN MINING LIMITED

Chartered Accountants

BUTLER SETTINERI

Report on the Financial Report

We have audited the accompanying financial report of Red Mountain Mining Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report which 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 financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report which gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Locked Bag 18
Subiaco WA 6904
Australia

Phone: **(08) 6389 5222**
Fax: **(08) 6389 5255**
Email: mail@butlersettineri.com.au

Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA
Marius van der Merwe
CA

Auditor's Opinion

In our opinion,

a) the financial report of Red Mountain Mining Limited is in accordance with the Corporations Act 2001 including:

   a) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the remuneration report included on pages 8 to 13 of the directors' report for the year ended 30 June 2011.

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Red Mountain Mining Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 29 September 2011

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 15 September 2011.

Substantial Shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of Shares
Neil Warburton	6,415,625
Keith Bowden Rowe	5,353,125

Voting Rights

Ordinary shares	On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote
Options	No voting rights

Distribution of equity security holders

		Ordinary shares
Holding	**Number of Holders**	**Shares**
1 – 1,000	-	-
1,001 – 5,000	2	7,311
5,001 – 10,000	68	672,040
10,001 – 100,000	279	13,726,083
1000,000 and over	128	64,654,592
	477	79,060,026

There were no holders of less than a marketable parcel of ordinary shares.

Distribution of equity security holders

Holding	Number of holders	20 cent Options Expiry 30 June 2014
10,001 – 100,000	11	652,500
100,000 and over	35	27,075,625
	46	27,728,125

Distribution of equity security holders

Holding	Number of Holders	20 Cent Options Expiry Date 12 September 2013
100,000 and over	2	1,718,433
	2	1,718,433

Distribution of equity security holders

Holding	Number of Holders	25 cent Options Expiry Date 31 July 2014
100,000 and over	3	909,110
	3	909,110

Distribution of equity security holders

Holding	Number of Holders	35 cent Options Expiry Date 31 July 2016
100,000 and over	3	909,110
	3	909,110

	Ordinary Shares	
Twenty largest shareholders	**Number Held**	**%of issued shares**
Michlange Pty Ltd	4,415,625	5.59
Mr Keith Bowden Rowe & Ms Lesley Ruth Rowe	4,415,625	5.59
National Nominess Limited	3,031,250	3.83
Lippo Securities Limited	2,151,949	2.72
Deck Chair Holdings Pty Ltd	2,000,000	2.53
HSBC Custody Nominees (Australia) Limited	2,000,000	2.53
Dr Ziad Jamal	1,999,955	2.53
QZCorp Australia Pty Ltd	1,793,750	2.27
Viv Mac Pty Limited (Vivienne MacMahon Super Fund)	1,500,000	1.90
Dr Paul Mark Halley	1,437,500	1.82
Michlange Pty Ltd (Warburton Super Fund)	1,250,000	1.58
National Nominees Limited	1,250,000	1.58
Mrs Susan Maree Mills	1,187,500	1.50
Australian Global Capital Pty Ltd	1,000,000	1.26
Ekirtson Nominees Pty Ltd	1,000,000	1.26
Viv Mac Pty Limited (Vivienne MacMahon Super Fund)	937,500	1.19
Vector Nominees Pty Ltd	900,000	1.14
Mr Julian Alfred Burnett	875,000	1.11
Mr Terrance McMahon & Mrs Beverley Anne McMahon (McMahon Super Fund)	875,000	1.11
Mr Jaswinder Singh Takhar	875,000	1.11
	34,895,654	44.14

There was no holder holding greater than 20% of 20 cent unlisted options expiring 30 June 2014.

	20 Cent Unlisted Options Expiring 12 September 2013	
Largest option holders	**Number Held**	**% of issued options**
Dominic Marinelli	1,145,622	66.67
Terrain Capital Limited	572,811	33.33
	1,718,433	100.00

	25 Cent Unlisted Options Expiring 31 July 2014	
Largest option holders	**Number Held**	**%of issued shares**
Mr Neil Warburton	424,250	46.67
Mr Keith Bowden Rowe	242,430	26.67
Mr Bo Zhou	242,430	26.66
	909,110	100.00

	35 Cent Unlisted Options Expiring 31 July 2016	
Largest option holders	**Number Held**	**%of issued shares**
Mr Neil Warburton	424,250	46.67
Mr Keith Bowden Rowe	242,430	26.67
Mr Bo Zhou	242,430	26.66
	909,110	100.00

The Following Securities and classified as Restricted Securities:

SHARES 24 MONTHS FROM DATE OF QUOTATION

Fully Paid Shares 14,513,151

UNLISTED OPTIONS EXPIRY 12/09/2013 @$0.20 ESCROWED 24 MONTHS FROM DATE OF QUOTATION

Unlisted Options 1,718,433

UNLISTED OPTIONS EXPIRY 30/06/2014 @$0.20 ESCROWED 12 MONTHS FROM DATE OF ISSUE (Issued date 31/03/2011)

Unlisted Options 9,300,000

UNLISTED OPTIONS EXPIRY 30/06/2014 @$0.20 ESCROWED 24 MONTHS FROM DATE OF QUOTATION

Unlisted Options 8,428,125

UNLISTED DIRECTORS OPTIONS EXPIRY 31/07/2014 @$0.25 ESCROWED 24 MONTHS FROM DATE OF QUOTATION

Unlisted Options 909,110

UNLISTED DIRECTORS OPTIONS EXPIRY 31/07/2016 @$0.35 ESCROWED 24 MONTHS FROM DATE OF QUOTATION

Unlisted Options 909,110

UNLISTED LEAD MANAGER OPTIONS EXPIRY 30/06/2014 @$0.20 ESCROWED 24 MONTHS FROM DATE OF QUOTATION

Unlisted Options 10,000,000

There is no current on market buy back.

Securities exchange

The Company is listed on the Australian Securities Exchange.

Tenements / Exploration Licences and Mining Licence

The following tenements are the subject of The Diebu and Zhongqu Option Agreements.

Part 1: Exploration Licence of No.3 Institute of Geological Survey of Gansu Mine Bureau

No.	Licence No.	Location Name.	Registered Holder.	Size.	Expiry Date.
1.	T62120090802036809	Qiaotou-Shari	**Third Brigade**	36.99Sq.km	25/08/2011
2.	T6212008020203273	Heba	Third Brigade	4.27Sq.km	12/02/2012
3.	T62120081002036800	Kama	Third Brigade	2.8Sq.km	07/10/2012

Part 2. Mining Licence of Lingbao Xuanrui Mineral Resources Company Limited

No.	Licence No.	Location Name.	Registered Holder.	Size.	Expiry Date.
1.	6200000710008	Zhongqu	Xuanrui	7.1907 Sq.km	08/01/2013