ASX ANNOUNCEMENT **24 October 2019**

COMPANY STRATEGY UPDATE

Further to recent announcements, attached is a Chairman's Letter (**Chairman's Letter**) that has been dispatched to all shareholders, today, 24 October 2019.

The Chairman's Letter is designed to explain the Company's strategy relating to the potential acquisition of 100% of two Western Australian located projects, namely the Mt Mansbridge Rare Earths Project and the Mt Kokeby Kaolin/High Purity Alumina Project.

For and on behalf of the Board,

Mauro Piccini
Company Secretary

Dear Shareholder,

Company Strategy Update on Upcoming Acquisitions

As you may be aware, following months of negotiations, Red Mountain Mining Ltd (**RMX** or **Company**) has recently entered into arrangements whereby it holds the right to acquire 100% of two Western Australian located projects, namely the Mt Mansbridge Rare Earths Project and the Mt Kokeby Kaolin/High Purity Alumina Project.

The Board felt it was an appropriate juncture to explain to shareholders some of the rationale behind these initiatives:

Mt Mansbridge Rare Earths Project

*Rare earth elements (**REE**) are a group of metals with unique properties that tend to occur naturally together. Global demand for REEs has increased drastically over the last two decades. They are used extensively in modern vehicles. One of the fastest growing and high-value markets for rare earths is magnets, with rare earth element permanent magnets considered to be three times stronger than conventional magnets and only one-tenth of the size.*

China currently accounts for approximately 80% of global rare earths production however it accounts for almost 98% of global heavy rare earth production.

At a macro level, REEs are garnering a lot of attention. On 18th May 2018, the USA formally listed REE as a critical metal. Recent comments from US Secretary of State Mike Pompeo at the United Nations has highlighted that the United States is now on an accelerated path towards building out more reliable and sustainable supply chains. A key part of that process, as laid out by the Commerce Department's critical minerals strategy, is forming alliances with "friendly" suppliers.

We have also seen the ongoing reinvigoration of the historic Mountain Pass rare earths mine in the USA – further evidence of the rare earths market improvement, and diversification from China.

However, not all rare earth elements are created equal, and as far as Mt Mansbridge is concerned, one of the aspects we view as most interesting is that the work to date has identified the presence of xenotime. Xenotime is a Yttrium Phosphate REE mineral which hosts the heavy REE, Dysprosium. Dysprosium is essential for the Electric Vehicle industry as well as its use in lasers, wind turbines, nuclear reactors and other military applications making dysprosium a highly strategic mineral. There are very few significant projects globally that produce commercial quantities of Dysprosium.

As far as we are aware, Northern Minerals's Browns Range (ASX: NTU) is the only producer of Dysprosium in Western Australia and one of a few globally. The presence of xenotime mineralisation at Mt Mansbridge and its close proximity to REE producer Northern Minerals makes the project highly prospective for heavy rare earths.

Mt Kokeby Kaolin/HPA Project

This project is more advanced than Mt Mansbridge with significant historical work having been carried out, and some commercial production. Mt Kokeby's kaolin potential lends itself to two quite different markets, namely the kaolin industrial mineral market, and the High Purity Alumina market.

Industrial uses for kaolin are varied and include paper and paperboard, fiberglass, ceramics and paint. In 2018, the global industrial kaolin market was estimated to be worth US$5.4 billion, with estimates of CAGR growth out to 2025 of 8.8%. Estimates vary, but by way of comparison, the Lithium carbonate market is currently worth approximately US$3.0 billion per annum. Our initial investigations have suggested that there is good demand for high quality industrial kaolin, and we intend to swiftly investigate the possibility of establishing a low capex, DSO operation out of Mt Kokeby which is well placed infrastructure wise.

High Purity Alumina (HPA) is a high-grade form of non-metallic alumina, with a purity level of 99.99% ("the 4 9s") or above. It is used in the production of synthetic sapphire which is essential for LED lights, as well as in screens for smartphones and tablets. Importantly, HPA is also used in the coatings that separate the anode and cathode in Lithium-ion batteries. HPA-coated separators increase the battery's thermal stability, and improve impedance which allows for high power capability. The material can also improve battery life cycle and decrease self-discharge. Estimates have put the global HPA market to be worth US$4 billion by 2025.

Traditional production of HPA has effectively utilized aluminium metal as a feedstock. However, recent technological advancements mean that HPA can be produced from kaolin. Part of our due diligence on Mt Kokeby will include confirming that the kaolin present is amenable to the production of HPA.

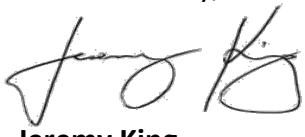
Overall, our view is that, together, the projects provide our shareholders with excellent leverage to specialty metals that are critical in the evolving new energy industry.

There is potential crossover and synergies between the projects as both have significant electric vehicle and lithium-ion battery applications. Underwriting this is the possibility of entry into the established and healthy industrial kaolin market. In addition, each of the projects is at different stages thereby ensuring regular newsflow to the equities market as the various project milestones are delivered.

Finally, all of this is located in the first class, stable mining-friendly jurisdiction of WA – it is difficult to overestimate the importance of this fact in the context of cultivating early stage mining projects.

I hope the above is helpful in explaining some of the thinking behind the Company's strategy. I thank those shareholders that have been patient. You can expect RMX will be very busy over the next 12 months as we look to close out the transactions, and progress RMX's new projects.

Yours sincerely,



Jeremy King
Chairman