6 January 2015

Dear Optionholder

**Notice to Optionholders of Rights Issue**

We write to you as the registered holder of Red Mountain Mining Limited (ACN 119 568 106) (**Red Mountain** or **Company**) options as at today's date. As announced on 23 December 2014 and 6 January 2015, the Directors of Red Mountain have resolved to offer a pro-rata non-renounceable rights issue of up to approximately 224,061,991 fully paid ordinary shares (**New Shares**), on the basis of one New Share for every four Shares held on the Record Date at an issue price of $0.004 (0.4c) per New Share, with one free attaching listed option exercisable at $0.012 (1.2c) each on or before 31 March 2016 (**RMXO**) and one free attaching option exercisable at $0.006 (0.6c) each on or before 30 June 2016 (**New 0.6c Option**) for every two New Shares subscribed for (together, **New Options**) under the Prospectus to raise approximately $896,248 before costs (**Rights Issue** or **Offer**). New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue. The Company intends to apply for quotation of the New Shares and New Options but notes that quotation of the New 0.6c Options will be subject to satisfaction of the ASX Listing Rules requirements (particularly in regards to spread).

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

a) selective exploration of near surface, high grade targets at Lobo;
b) general working capital; and
c) payment of the costs of the Rights Issue process.

Participation in the Rights Issue is available to Red Mountain shareholders registered on the record date at 5:00pm on 13 January 2015 (**Record Date**) and whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

The Rights Issue is being made pursuant to a prospectus which was lodged with the Australian Securities and Investments Commission and the ASX on 6 January 2015 (**Prospectus**). The Prospectus is available at the Company's website: www.redmm.com.au or on the ASX website (company announcements section, ASX code: RMX) at www.asx.com.au.

Following completion of the Offer, the Company will have issued approximately 224,061,991 New Shares and 112,030,995 RMXO and 112,030,995 New 0.6c Options, resulting in total Shares on issue of approximately 1,120,309,957 and total options to acquire Shares on issue of approximately 493,831,319.

**Eligible Shareholders will be mailed a copy of the Prospectus together with an Entitlement and Acceptance Form no later than 16 January 2015.** Entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

**Key Dates:**

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

| **Event** | |
|---|---|
| Lodgement of Prospectus with the ASIC | 6 January 2015 |
| Lodgement of Prospectus & Appendix 3B with ASX | 6 January 2015 |
| Notice sent to Optionholders | 6 January 2015 |

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| Notice sent to Shareholders | 7 January 2015 |
| Ex date (date from which Shares trade on ASX without the entitlement to participate in the Offer) | 9 January 2015 |
| Record Date for determining entitlements | 13 January 2015 |
| Prospectus despatched to Shareholders | 16 January 2015 |
| Closing Date | 28 January 2015 |
| ASX notified of under subscriptions | 29 January 2015 |
| Issue date | 2 February 2015 |
| Deferred settlement trading ends | 2 February 2015 |
| New Securities commence normal trading on ASX | 3 February 2015 |

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

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

If you wish to participate in the Rights Issue, it will be necessary for you to exercise all or part of your options. Accordingly, you should complete a Notice of Exercise of Options (**Notice**) and lodge the Notice with the Company, together with your payment for the number of shares you wish to take up. To ensure that your new shares are issued prior to the Record Date, the above Notice must be received by5.00pm WST no later than 8 January 2015. If received after this date, the issue of new shares prior to the Record Date cannot be assured. If you have not been entered on the Company's register of members on or before the Record Date, you will not be able to participate in the Rights Issue.

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

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

Yours faithfully

Shannon Coates
Company Secretary