



Corporate Governance Policies.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations. Explanations for Departures from Best Practice Recommendations

Notification of Departure:

The Company has not formally disclosed the functions reserved to the Board and those delegated to management.

Explanation for Departure:

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management.

Previously, due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

Notification of Departure:

The Board does not have a majority of independent Directors.

Explanation for Departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better

served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent directors as it deems appropriate.

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**Notification of Departure:**

The full Board carries out the role of a nomination committee in the Nomination Committee Charter formalised on 15 January 2007. The Board has not adopted a charter relevant to the specific functions of a nomination committee.

Explanation for Departure:

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Company's operations (ie, a company seeking to be listed on the ASX), where the Company's focus is on the retention of directors and senior executives.

Notification of Departure:

The Company established a formal code of conduct on 15 January 2007.

Explanation for Departure:

The Board considers that before the Code of Conduct was formalised and adopted, its business practices as led by the Board and key executives, were the equivalent of a code of conduct.

Notification of Departure:

The Company established a formal policy regarding trading in the Company's securities on 15 January 2007.

Explanation for Departure:

Although prior to 15 January 2007 there was no written policy, all directors, officers and employees of the Company understood when it is appropriate for trading in securities to occur (in line with the law relating to the prohibitions on insider trading, set out in the Corporations Act.). This has now been formalised.

Notification of Departure:

There is no separate Audit Committee.

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**Explanation for Departure:**

The Company's financial statements are prepared by the company secretary and reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate.

Notification of Departure:

The Company established written policies and procedures designed to ensure compliance with Listing Rule disclosure requirements and accountability for compliance on 15 January 2007.

Explanation for Departure:

Before adopting the written policy, the Company had in place informal procedures which it believes were sufficient for ensuring compliance with the Listing Rule disclosure requirements and accountability for compliance. The Board nominated the managing director and the company secretary as being responsible for all matters relating to disclosure.

Notification of Departure:

The Company established a formal shareholder communication strategy on 15 January 2007.

Explanation for Departure:

The Company established a formal Shareholder communication strategy to support active communication with its Shareholders once it is listed and it aims to actively promote shareholder involvement in the Company. It will achieve this by posting on its website, copies of all information which is lodged with the ASX. Shareholders with internet access will also be encouraged to provide their email addresses to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company will be available on request.

Notification of Departure:

Until 15 January 2007, the Company had only an informal risk oversight and management policy and internal compliance and control system.

Explanation for Departure:

The Board is aware of the various risks that affect the Company and its particular business and established a written policy on 15 January 2007. As the Company develops, the Board will further develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

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Notification of Departure:

The Company does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

Explanation for Departure:

Due to the recent history of the Company (it was registered on 14 February 2005), an evaluation of the Board has been carried out on a continuing and informal basis as part of the Company's preparations for the initial public offering and proposed listing on ASX. The Company will put in place a process for evaluating the Board, individual Directors and key executives once it has been listed and has had an opportunity to put into effect its business plan as disclosed in this Prospectus.

Explanation for departure:

The Company does not have a formal remuneration policy and has not established a separate remuneration committee.

Explanation for Departure:

The current remuneration of the Directors is disclosed in Section 9.7 of this Prospectus. Remuneration is currently in accordance with the general principals recommended by the ASX. Non-executive Directors receive a fixed fee for their services and do not receive performance based remuneration. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at 2 Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration.

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