IRON MOUNTAIN
mining limited

ABN 62 112 914 459

CIRCULAR TO SHAREHOLDERS

including
NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Annual General Meeting of Iron Mountain Mining Limited to be held at the offices of Lawton Gillon, Level 11, 16 St Georges Terrace, Perth, Western Australia on the 21st day of November 2007 commencing at 11:00 am (WST).

This document should be read in its entirety. If after reading this Circular to Shareholders, you have any questions or doubts as to how you should vote, you should contact your stockbroker, solicitor, accountant or professional adviser.

Corporate Directory

Directors	Simon Christopher England LLB(Hons) BCom GAICD Chairman Keith Whitehouse BSc MAusIMM, CPGeo Managing Director John Adrian Watts BSc (Hons Geol) FAusIMM, CP Geo, C.Eng Director David Zohar BSc DipEd Director
Company Secretaries	David Zohar BSc DipEd Susanne Gweneth Waters
Head Office	Level 7, 231 Adelaide Terrace, PERTH, WESTERN AUSTRALIA 6000 Phone: (08) 9225 6475 Fax: (08) 9225 6474 Website: ironmountainmining.com.au
Registered Office	Level 11, 16 St Georges Terrace, PERTH, WESTERN AUSTRALIA 6000
Auditors	BDO Kendalls Audit and Assurance (WA) Pty Ltd Level 8, 256 St Georges Terrace, PERTH, WESTERN AUSTRALIA 6000
Solicitors	Lawton Gillon Level 11, 16 St Georges Terrace, PERTH, WESTERN AUSTRALIA 6000
Share Registry	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace, PERTH, WESTERN AUSTRALIA 6000
ASX Code	IRM

Notice of Annual General Meeting

NOTICE IS GIVEN THAT a General Meeting of the Company will be held at the offices of Lawton Gillon, Level 11, 16 St Georges Terrace, Perth, Western Australia on the 21st day of November 2007 commencing at 11:00 am WST.

Information on the proposals to which the resolutions set out below relate is contained in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.

AGENDA

Accounts and Reports

To receive and consider the balance sheet, profit and loss statement, and the reports of the directors and of the auditors for the year ended 30 June 2007.

ORDINARY BUSINESS

1. Resolution 1 - Remuneration Report

To consider and, if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

"To adopt the Remuneration Report, which forms part of the Directors' Report, for the year ended 30 June 2007."

The vote on this resolution is advisory only and does not bind the directors or the Company.

2. Resolution 2 - Re-election of Director – John Adrian Watts

To consider and, if thought fit, pass with or without amendment the following resolution as an ordinary resolution:

"That John Adrian Watts, who retires by rotation in accordance with the Company's constitution, and being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."

3. Resolution 3 - Enter into transaction with Red River Resources Limited

To consider and, if thought fit, pass with or without amendment the following resolution as an ordinary resolution

"That for the purposes of Listing Rule 10.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approves the entry into an agreement with Red River Resources Limited ("Red River Resources") relating to Exploration Licences 47/1309, 47/1707, 08/1350, 70/2437, 70/2443 and 70/2728 on the terms set out the Explanatory Memorandum."

Voting Exclusion

For the purposes of ASX Listing Rule 10.1 in relation to Resolution 1, the Company will disregard any votes cast by Iron Mountain and any associate of Iron Mountain. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Resolution 4 – Appointment of Replacement Auditor

To consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

"That for the purposes of section 327B of the Corporations Act and for all other purposes, BDO Kendalls Audit & Assurance (WA) Pty Ltd (ABN 79 112 284 787) of 128 Hay Street, Subiaco, Western Australia 6008 (have been nominated by a member of the Company and consented in writing to act in the capacity of auditor) be appointed as auditor of the Company in accordance with section 327B (1) of the Corporations Act."

Notice of Annual General Meeting

"Snap-Shot" Time

The Corporations Act permits the Company to specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting.

The Company's directors have determined that all shares of the Company that are quoted on ASX at 11:00 am WST, 19 November 2007 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

PROXIES

Please note that:

(a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion is not specified each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

DATED: 12 October 2007

BY ORDER OF THE BOARD

David Zohar

Company Secretary

Iron Mountain Mining Limited

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at the offices of Lawton Gillon, Level 11, 16 St Georges Terrace, Perth, Western Australia on the 21st day of November 2007 commencing at 11:00 am WST.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to enable them to decide how to vote upon the resolution.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

RESOLUTION 3 - Enter Into Transaction With Red River Resources Limited

APPROVALS REQUIRED

1. David Zohar is a shareholder and director of the Company. David Zohar is a director of Red River Resources and as such in a person in a position of influence. ASX Listing Rules 10.1 provides that prior approval of shareholders is required for a Company to enter into a transaction with a person in a position of influence; and
2. The agreement entitles the Company to earn an interest in a number of Exploration Licences or Exploration Licence Applications currently held by Red River Resources. The tenements concerned are Exploration Licences 47/1309, 08/1350, 70/2437, 70/2443 and 70/2728 and Exploration Licence Applications 47/1707.
3. The agreement is conditional upon a number of conditions precedent – namely:
   (a) the approval of the shareholders of the Company;
   (b) the approval of the shareholders of Red River Resources.
4. The general terms of the Agreement are:
   (a) the Company reimbursing Red River Resources up to a maximum of $50,000 for costs incurred by Red River in conducting exploration on the tenements, such sum to be paid within 7 days of the agreement becoming unconditional;
   (b) the Company may earn a 25 per cent interest in the tenements by expending $50,000 referred to at (a) above and by expending $1,250,000 on exploration on the tenements over a period of 2 years commencing on date the agreement becomes unconditional;
   (c) after the Company has earned its initial interest of 25 per cent in the tenements, it may earn a further 24 per cent interest in the tenements by conducting further exploration on the tenements in the sum of $1,500,000;
   (d) after the Company has earned its initial interest of 49 per cent in the tenements, it may earn a further 21 per cent interest in the tenements by conducting further exploration on the tenements in the sum of $2,000,000;
   (e) if the Company elects to earn the interest referred to at (c) above, it must do so prior to 24 May 2012;
   (f) the Company will be responsible for maintaining the tenements in good standing;
   (g) the Company may withdraw from the agreement at any time provided however if the Company withdraws prior to expending $1,250,000 on the tenements, it shall not have earned any interest in the tenements and it may only withdraw from the agreement if it has conducted exploration on the tenements in an amount not less than the minimum expenditure required on the tenements during the first term of the tenements; and
   (h) the manager of the joint venture will be as agreed between the parties provided however while any party has an interest in excess of 50 per cent in the tenements, that party will be entitled to manage the joint venture unless that party is a non contributing party in which case the party with the largest contributing interest shall manage the joint venture.

Explanatory Memorandum

RESOLUTION 4 – Appointment of Replacement Auditor

Following a merger on 2 April 2007, BDO's audit practice is now carried on through BDO Kendalls Audit & Assurance (WA) Pty Ltd. Accordingly, pursuant to section 329 (5) of the Corporations Act, BDO has applied to ASIC for consent to resign as auditor of the Company, with effect from the date of the AGM. Subject to ASIC consenting to the resignation and BDO submitting a resignation to the Company, it is proposed that the Company appoint BDO Kendalls Audit & Assurance (WA) Pty Ltd as auditor of the Company. Pursuant to section 328B (1) of the Corporations Act, a member of the Company has nominated BDO Kendalls Audit & Assurance (WA) Pty Ltd to be the Company's auditor.

Independent expert's report

An independent report on the transaction has been prepared by Mr Malcolm Castle, Consulting Geologist. Malcolm Castle concludes that the transaction is fair and reasonable to the holders of the Company's ordinary securities. The report of Mr Castle in its entirety is attached to this Explanatory Memorandum.

GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

"ASX"	means Australian Securities Exchange Limited (ABN 98 008 624 691).
"Board"	means board of Directors.
"Company"	means Iron Mountain Mining Limited (ABN 62 112 914 459).
"Corporations Act"	means the Corporations Act 2001 (Cth) and all regulations made pursuant to such legislation, as amended from time to time.
"Director"	means a director of the Company.
"Red River Resources"	means Red River Resources Limited (ABN 35 100 796 754).
"Listing Rules"	means Listing Rules of ASX, as amended or replaced from time to time, except to the extent of any waiver by ASX.
"Shareholder"	means a member of the Company, as defined in the constitution of the Company.
"Shares"	means ordinary fully paid shares in the capital of the Company.
"WST"	means Western Standard Time.

PROXY FORM

PLEASE RETURN BOTH PAGES

1 SHAREHOLDER »

Name, address and daytime telephone number of shareholder of Iron Mountain Mining Limited.

Name .....

Address .....

.....

Daytime phone no. .....

2 APPOINTS »

If you appoint the Chairman as your proxy, but do not wish to direct your proxy how to vote on a Resolution, you must place a mark in the box below headed "Proxy's Discretion" in respect of that Resolution. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If you appoint the Chairman as your proxy, but do not mark any box, the Chairman will be unable to exercise your proxy vote.

If you appoint the Chairman as your proxy and place a mark in any box below headed "Proxy's Discretion", the Chairman intends to exercise your proxy to vote in favour of that Resolution.

Insert here the name of the person you wish to appoint as proxy; **shareholders cannot appoint themselves.**

Name of proxy – please print

.....

OR, if no person is named, the **Chairman** of the meeting to vote in accordance with the following directions or, if no directions have been given, as the Proxy (other than the Chairman) sees fit at the General Meeting of the Company to be held on **21 November 2007** commencing at **11:00 am** (WST) and at any adjournment thereof.

3 SIGNATURE OF SHAREHOLDER(S) »

All single or joint holders of shares must sign this form.

Signature | Signature | Signature

or in the case of a company

Date

The **COMMON SEAL** of the company is affixed in accordance with its constitution in the presence of:/Executed by the company by its duly authorised officers in accordance with sub-section 127(1) of the Corporations Act 2001:*

..... Signature of Director

..... Name of Director (Print)

..... Signature of Director/Secretary

..... Name of Director/Secretary (Print)

or signed by ..... under Power of Attorney on behalf of the company.

* delete as appropriate

This proxy form must be signed by the shareholder and, in the case of joint shareholders, by each of the joint shareholders. In the case of a corporation, this proxy form must be executed in accordance with section 127 of the Corporations Act 2001. In the case of a Sole Director/Secretary company, please indicate "Sole Director". If this proxy form is signed under Power of Attorney the original Power of Attorney (or a copy certified as a true copy by statutory declaration) must be forwarded with the proxy form.

Proxy Form

4 PROXY'S VOTING INSTRUCTIONS (OPTIONAL) »	FOR	AGAINST	ABSTAIN	PROXY'S DISCRETION
1. Remuneration report				
2. Re-election of director – John Adrian Watts				
3. Enter into transaction with Red River Resources Limited				
4. Appointment of replacement auditor				

If you wish to direct your proxy how to vote, place a mark on the appropriate box. If a mark is placed in a box, your total shareholding will be voted in that manner. You may, if you wish, split your voting direction by inserting the number of shares you wish to vote in the appropriate box. The direction will be invalid if a mark is made against more than one box for a particular item, or, if you have split your direction, if the total shareholding shown in "FOR", "AGAINST", "ABSTAIN" and "PROXY'S DISCRETION" boxes is more than your total shareholding on the share register. Each person who attends the meeting is entitled to one vote only on a show of hands. A person who holds proxies for more than one shareholder cannot vote on a show of hands if he or she holds proxies directing him or her to vote both for and against a resolution.

5 APPOINTMENT OF A SECOND PROXY (OPTIONAL)

If you want to appoint two proxies you may state here the percentage of your voting rights applicable to this proxy form. If you do not specify a particular percentage, each proxy is entitled to exercise 50% of your voting rights applicable to this proxy form.

A shareholder is entitled to appoint up to two persons (whether shareholders or not) to attend the meeting and vote as proxies. If you wish to appoint two proxies please either photocopy the proxy form or telephone Keith Whitehouse on + 618 9225 6475 to obtain a second form. Both forms should be completed with the nominated percentage of your voting rights on each form. Please return the proxy forms together.

_____ %

IMPORTANT INFORMATION

Deadline for Receipt of proxies To be effective, a completed proxy form together with the power of attorney (if any) under which it is signed, must be received by the Company at its registered office or Company office, Level 7, 231 Adelaide Terrace, Perth not less than 48 hours before the appointed time of the General Meeting ie. no later than 9:30 am WST on 19 November 2007.

Destination of Completed Proxy Form Once the Proxy Form is completed and all details checked by you, the form is to be sent or delivered to the Company's office at Level 7, 231 Adelaide Terrace, Perth WA 6000 or sent by facsimile to the registered office on + 618 9225 6474.

For Further Information If you need any further information about this form or attendance at the Company's General Meeting, please contact Ms Susanne Waters, Company Secretary on + 618 9225 6475.

Malcolm Castle
Consulting Geologist
P.O. Box 473, South Perth, WA 6951
Phone: 08 9368 4923
Fax: 08 9368 4932
Mobile: 04 1234 7511
Email: mjcastle@optusnet.com.au
ABN: 84 274 218 871

3 August 2007

The Directors
Iron Mountain Limited
16 St George's Terrace
Perth, WA, 6000

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE

WONGAN HILLS and KANINDA WELL PROJECTS, WESTERN AUSTRALIA

I have been requested by the Directors of Iron Mountain to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal to acquire additional project areas. Iron Mountain has entered into a Heads of Agreement (HOA) with Red River Resources Limited ("Red River") to allow Iron Mountain to explore for iron ore over the following areas in Western Australia:

- Miaree near Karratha in the Pilbara
- Wongan Hills, 130 kilometres north east of Perth.

Under the terms of the HOA, Iron Mountain can earn an interest of up to 70% for a total expenditure of $4.75 million.

The present status of the tenement listed in this report is based on information provided by Iron Mountain and their independent consulting geologist as well as a search of the DOIR database. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("The Valmin Code") 2005, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), and the rules and guidelines issued by such bodies as ASIC and ASX Limited (ASX), which pertain to Independent Expert Reports. Where Mineral Resources have been referred to in this Report, the classifications are consistent with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA), effective December 2004, unless otherwise specified

Sources of Information

I have based this review on information provided by the title holders relating to exploration work on the properties, along with technical reports by independent consultants, previous tenement holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity

and completeness of the technical data upon which this Report is based. Where and if appropriate, consent has been obtained to quote data and opinions expressed in unpublished reports prepared on the properties concerned by other professionals.

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenement holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to Iron Mountain, along with a written request to identify any material errors or omissions prior to lodgement.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM,

Malcolm Castle has over 40 years experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specialises in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

Mr. Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr. Castle is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), Member of the Society for Metallurgy and Mining Engineering (MSME) and has the appropriate relevant qualifications, experience, competence and independence to be considered as a "Qualified Person" as defined in the National Instrument 43–101, Canada as well as an "Expert" and "Competent Person" under the Australian Valmin and JORC Codes, respectively and under National Instrument 43-101 in Canada.

Independence

I am not, nor intend to be a director, officer or other direct employee of Iron Mountain and have no material interest in the Projects or Iron Mountain. The relationship with Iron Mountain is solely one of professional association between client aagreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

Malcolm Castle

B.Sc.(Hons) MAusIMM, MSME

GCertAppFin (Sec)

SUMMARY OF VALUATION

Based on an assessment of the factors involved I estimate the value of the various components of the project area to be in the range AU$2.0 million and AU$8.2 million with a preferred value of **AU$4.7 million**.

This value applies to 100% of the project tenements

The consideration for the purchase is $50,000 to be paid within 7 days of shareholders giving approval to the transaction and the spending of $1,250,000 over a period of 2 years to earn an initial 25% interest. This interest may be increased to 49% by the expenditure of a further $1,500,000 over a period of approximately 5 years and may be further increased to 70% by the expenditure of a further $2,000,000. Full details of the consideration for the purchase are set out in the Heads of Agreement between Iron Mountain Mining Ltd and Red River Resources Ltd dated 24 May 2007.

Based on the forecast value of $1.5 million for 25% of the projects and the implied expenditure by Iron Mountain of $50,000 initial payment and $1,250,000 expenditure the proposed agreement is considered to be fair and reasonable to Iron Mountain shareholders. Details of the opinion are included later in this report.

PROJECT SUMMARY

Miaree

The Miaree Magnetite Trend occurs within the Kaninda East (EL47/1309) and Kaninda West (EL/08/1350) Exploration Licences and comprises approximately 30 kilometres strike length of Cleaverville Formation, a geological unit rich in magnetite. This is the same formation that hosts the Cape Lambert magnetite deposit, approximately 60 kilometres to the east. The aeromagnetic field strength at Miaree is similar to that at Cape Lambert. Published magnetite grades at Cape Lambert are in the range 40-45% and based on the geophysical similarity, magnetite grades over the Miaree Magnetite Trend are inferred to be similar.

Modelling of the aeromagnetic data supplied by Red River, suggests that the Miaree Magnetite Trend has potential to host a very large magnetite resource. The area is adjacent to the North West Coastal Highway, near to the coast and the Dampier to Bunbury gas pipeline.

Iron Mountain considers the recent field work by Red River to be significant. It has outlined zones of hematite enrichment, in the Cleaverville Formation,. Samples from these zones have been submitted by Red River for analysis.

Wongan Hills

The distribution of aeromagnetic highs, in the Wongan Hills area is indicative of banded iron formation. The area is inferred, by Red River, to hold good potential for the discovery of Direct Ship Ore. The project area is located adjacent to a railway line.

COMMERCIAL OPPORTUNITY FOR MAGNETITE CONCENTRATES

Typically iron ore deposits containing magnetite need significant up-grading before they can be used to make iron either via the blast furnace or via a direct reduction route. The ore generally has a Fe content of between 25 – 35%, and needs to be upgraded to 66% plus Fe product.

This has three detrimental affects on the viability of any project designed to develop a magnetite deposit for production of a concentrate that can be further processed.

The quantity of material to be mined can be significantly more than for the equivalent hematite resource which will be mined with Fe levels at 60% plus. This obviously adds to the delivered cost of the ore.

There is an unavoidable need to include a beneficiation plant at the minesite in the project. It is believed that there are no beneficiation plants anywhere in the world that are set up to take other producers raw magnetite ore. All magnetite beneficiation plants currently operating or in the planning/construction phase have been planned around the knowledge of the chemistry and size of resource where they are located. This beneficiation plant requirement again adds to the production costs of the magnetite concentrate both by an increase in the capital requirement and by adding to operating costs.

The process of beneficiation of magnetite involves the ore being ground to a very fine size. This makes the material unsuitable as a direct feed to any commercial ironmaking process without some form of prior agglomeration. Such agglomeration is generally via a process to produce fired pellets suitable for blast furnace ironmaking and/or direct reduction. The later use also has a requirement for higher purity Fe material which generally is no problem with the starter material being magnetite. The DR quality pellet demands a premium in the market. Again, pellet plants are generally set up local to the raw material resource and are dedicated to the processing of that resource. Some relief is now possibly available with some Chinese steelmakers installing pellet plants at their steelworks. However, here again these pellet plants have generally been designed around a known and tied supply by virtue of the Chinese steel companies taking a large equity position with the holder of the ore deposit.

However, the benefit of magnetite is that the grade can be easily enhanced and the typical magnetite concentrate is usually sold at a much higher grade than hematite. The only impurity is normally silica and the contaminants of alumina and phosphorus which usually are serious contaminants in hematite are missing. Magnetite also has an advantage that in pelletising and sintering the oxidation to hematite is exothermic and a typical magnetite pellet plant operates at less than half the energy consumption of a hematite pellet plant.

The need for a beneficiation plant and in some way an associated pellet plant means that development of a magnetite resource is very capital intensive and generally is only financially viable when the resource is large enough to warrant the capital outlay.

VALUE OF FE CONCENTRATES

For the sake of completeness the price of Fe ore which is available from published sources has been reviewed to determine the likely sale price of the concentrates. This is for indicative purposes only – and the prices are likely to individually determined. The reported price of Hamersley fines in 2005 was $US0.6172/Fe unit to which was added a further 19% in 2006 to $US0.734/Fe unit (Morgan Stanley Report). On the basis that the sinter fines (BF grade) concentrates can be sold for this price and that the DR grade concentrates can be sold at a 3% premium to this then the possible selling price FOB port at an exchange rate of $A1.0= $US0.78 is:

BF Grade - $A 60.20/t concentrate at 64% Fe – FOB selling port.

DR grade - $A 65.89/t concentrate at 70%Fe – FOB selling port

MINERAL ASSETS VALUATION METHODOLOGY

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment.
Pre-development projects	A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles.
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels.
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.

The fair market value, of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.
- When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account.
- The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

REGULATORY AUTHORITIES

Mineral asset valuations are governed by the VALMIN code and ASIC Practice Note 43 in Australia and by the CIMVAL code, NI43-101 and TSXV Appendix 3G in Canada

THE VALMIN CODE

The four main requirements of the VALMIN Code are

Transparency. The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality. This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence. The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

(a) the purpose of the Valuation;

(b) the development status of the Mineral or Petroleum Assets;

(c) the amount and reliability of relevant information;

(d) the risks involved in the venture; and

(e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Practice Note 43

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

(a) the discounted cash flow method;

(b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

(a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or

(b) the current market value differs materially from that derived by the chosen method.

METHODS OF VALUING EXPLORATION TENEMENTS

When valuing an exploration tenement the estimate is attempting to arrive at a value that reflects:

- The potential of the tenement to yield newly discovered zones of mineralisation.
- The potential of the tenement at the valuation date to yield a mineable ore reserve
- In line with what the tenement will be judged to be worth when assessed by the market.

The Fair Market Value of Exploration Properties and Advanced Exploration Properties can be determined by several general approaches: Geoscience Factor; Cost; Market; or Income. For properties without mineral reserves, the income (DCF) approach is not appropriate and the following approaches are used by the geologist to establish value for exploration and advanced exploration areas:

- Ranked and weighted geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought. **(Geoscience Factor Method)**. The method focuses on the potential of the property to yield newly discovered zones of mineralisation leading to a mineable ore reserve. This method is commonly used in Australia but is not acceptable to the TSX Venture Exchange.

- Results and costs of historic exploration and the program and cost of future exploration, if warranted **(Appraised Value Method)**. The method focuses on historical exploration costs and the potential to build on past results to enhance existing mineralisation and to yield a mineable ore reserve. Enhancement factors are commonly used in Australia but are not acceptable to the TSX Venture Exchange that requires a modified version of the method.
- Prior transactions for the property and recent arm's-length transactions for comparable properties, **(Comparable Transaction)**. The method seeks to compare prices paid in recent sales of mineral assets, often on a dollar per ounce basis, and is based on a database of published information. It is acceptable in Australia and to the TSX Venture Exchange.

There is a large element of subjectivity involved in arriving at a value of a tenement no matter which method is selected. It is obvious that the geologist must be aware of all valuation methods and actual transactions taking place in the industry in general to ensure that value estimates are realistic.

In the preparation of a tenement valuation, a geologist must give consideration to a range of technical issues as well as make a judgment about the "market". Key technical issues that need to be taken into account include:

- Geological setting of the property and style of mineralisation.
- Results of exploration activities on the tenement - usually data from soil mapping, trenching, mapping and drilling.
- Interpretation of geophysical data and remotely sensed information.
- Evidence of mineralisation on adjacent properties.
- Proximity to existing infrastructure and production facilities to the property.

In addition to these technical issues the geologist has to take particular note of the market's demand for the type of property being valued. An adjustment of the technical value of a mineral tenement should only be made if the technical and market values are obviously out of phase with each other.

A. GEOSCIENCE FACTOR METHOD

The Geoscience Factor Method determines a base dollar value per unit area (Base Acquisition Cost – BAC), which is dependent on the tenement type, to arrive at an overall property value which is upgraded by various elements of perceived prospectivity. The method is based on four main characteristics of mineral properties: location; inclusion of valuable mineralization; inclusion of geophysical and/or geochemical targets; and inclusion of favourable geological lithologies and structures.

The subcategories are prioritized and assigned relative value factors. Factors are generally expressed as a range of values to reflect the uncertainties in estimation. The four factors are multiplied together to provide the Technical Factor.

The Base acquisition cost represents the minimum reasonable exploration budget a tenement holder would be prepared to commit for a new tenement and should be determined on a case by case basis. This will include costs of researching and applying for the tenement and government charges and exploration commitments over the first year of tenure. Experience in Australia and overseas and a review of the requirements set out in regulations and legislature suggests that the following ranges are appropriate.

Tenement Type	Expenditure per square kilometre (BAC)
Exploration License and equivalents	$300 to $350
Prospecting License and equivalents	$4,000 to $4,500
Mining Lease and equivalents	$10,000 to $12,500

The technical value of each mineral tenement is determined by applying the appropriate technical Factor to the BAC. Property value is calculated by totaling the values of the tenements in the project area. The value of a property is ultimately influenced by additional, subjective factors to arrive at a fair market value; the expertise of geologists and engineers, commodity markets, financial markets, stock markets, mineral property markets, metal prices and political and economic conditions which vary with time.

Geoscientific Rating Criteria - simplified

Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1				Unfavourable lithology
0.5			Extensive previous exploration with poor results - no encouragement	Generally favourable lithologies on 25% of the lease area
0.9			Extensive previous exploration with encouraging results - regional targets	Generally favourable lithology on 50% of the lease area
1	No known Mineralization in District	No known Mineralization	No targets outlined	Generally favourable lithology on 70% of the lease area
2	Several old workings in District	Several old workings on leases	Several well defined surface targets	Generally favourable lithology with structures throughout the lease area
3.5	Historical production >200,000 oz	Historical production >100,000 oz		
5	Historical production >1 million oz	Historical Production >500,000 oz	Several ore grade Drill intersections	

A major disadvantage of the method is that the degree of dependence of the property value on the assumed basic value of each tenement. Large properties would tend to have very high values and very small properties would tend to have very low values, which may not reflect the real exploration potential. This is allowed for to some extent by the Geological Factor.

The preferred method of accounting for prospectivity is to subdivide tenements into blocks based on geological signatures and value each separately. This assists in accounting for large tracts of land with little or no potential surrounding prospective areas.

B. APPRAISED VALUE METHOD (MULTIPLE OF EXPLORATION EXPENDITURE)

The method is a cost approach to valuation and a basic tenet is that an exploration property is worth 'meaningful past exploration expenditures plus warranted future costs'. The latter represent a reasonable budget to advance the property to the next decision stage as determined by a prudent and responsible explorationist, i.e. a seasoned exploration geologist. The appraised value may have to be adjusted to market value if the local market for properties is elevated or depressed.

In this method a property is deemed to be worth what has been spent on it, with a premium if results are positive, or a discount if results are poor. Sometimes costs are adjusted for inflation, although, if applied indiscriminately to old costs, this can result in an overly large value bonus for inflation. Replacement costs to carry out the relevant work may be more appropriate in some cases.

The method is based upon the cost of conducting exploration on a current standard contract basis, which accounts for the effects of inflation. The purpose is to provide a standard basis for valuing historical work on large property positions where there is a wide range in historic costs for similar work completed. Costs, particularly for diamond drilling, are then factored for significance. Some allowance may also be made for drilling which provides useful geological data aiding target selection.

Suggested current unit rates for various exploration phases are included in the following table.

	Regional Geology $/km^2	Prospect Geology $/km^2	Regional Geophysics $/km^2	Project Geophysics $/km^2	Prospect Geophysics $/km^2	Regional geochemistry (Streams)	Soil sampling $/sample	Trenching $/m	RAB Drilling $/m	Aircore Drilling $/m	RC Drilling $/m	Diamond Drilling $/m
SUPERVISION	10	15	5	10	20	1	2	2	2	2	3	5
GEOLOGY	70	100	-	-	-	-	-	10	4	4	4	20
GEOCHEMISTRY	-	-	-	-	-	5	10	-	-	-	-	-
GEOPHYSICS	-	-	50	150	300	-	-	-	-	-	-	-
SITE ACCESS	-	-	-	-	-	-	1	2	-	-	-	-
EARTHMOVING	-	-	-	-	-	-	-	10	-	-	-	-
DRILLING	-	-	-	-	-	-	-		8	21	35	130
ANALYTICAL	50	100	-	-	-	20	33	4	4	6	12	15
COMPUTING	25	30	-	-	-	2	2	1	1	1	1	10
ENVIRONMENT	-	-	-	-	-	1	5	1	1	1	1	5
FIELD COSTS	25	50	-	20	50	-	1	2	2	2	2	10
OFFICE COSTS	20	25	5	20	50	1	1	1	1	1	1	10
TOTAL COSTS	**200**	**320**	**60**	**200**	**420**	**29**	**50**	**36**	**21**	**36**	**57**	**205**

In Australia, a premium or discount may be allocated to the relevant and effective Expenditure Base (represented by the past and future expenditure) through the use of the Prospectivity Enhancement Multiplier (PEM), a factor directly related to the success (or failure) of the exploration completed to date and to an assessment of the future prospects of the tenement(s). The multiples generally range from 0.5 to 3.0 with zero representing a complete write-off and values greater than 1 applying where exploration had successfully upgraded the property.

Typical Adjustment Factors The Prospectivity Enhancement Multipliers (P.E.M.) can range from 0.5 to 5 but is usually in the range 0.5 to 3.0. The average is ~1.8.	
x 0.5	Previous exploration indicates that the area has limited potential for a major discovery.
x 1.0	Existing data is sufficient to warrant further exploration. Further work is expected to define interesting targets.
x 1.5	Have direct evidence of an interesting target. Further work is warranted to evaluate the target.
x 2.0	The tenements contain a defined drill target with significant geochemical intersections.
x 2.5	Exploration is well advanced and limited infill drilling is likely to define a resource.
x 3.0	Have already found a substantial resource (that is likely to lead to a mine). Further exploration is likely to lead to an increase in the size and quality of the resource.

The principal shortcomings of this method are that there is no constant base from which to commence the valuation, as there is with the base cost used in the Geoscience Rating Method, and, secondly, there is no systematic approach taken in arriving at the exploration multiplier. A judgment is required, therefore, at both the start and end of the valuation. An estimate of unit costs for various stages of exploration (eg. acquisition, office studies, regional mapping and geochemistry, geophysics, trenching, RAB and drilling) could be used as an estimate, as a check on actual, stated expenditure.

In other words, what current budget would be required to accomplish the encouraging results presently available? This conceptual budget should be upgraded by the success of the exploration by the use of prospectivity multipliers. A pre-determined scale of unit rates and multipliers could be established as a guide as in the following example. These rates will, of course, vary from time to time and from place to place.

C. MARKET APPROACH METHOD (COMPARABLE TRANSACTION)

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

VALUATION OF RESOURCES BY COMPARABLE TRANSACTIONS

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percent of metal value.

With gold projects the method requires allocating a dollar value to resource ounces of gold in the ground. This may also apply to well established zones of mineralisation which have not formally been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances.

The dollar value must take into account a number of aspects of the resources including:

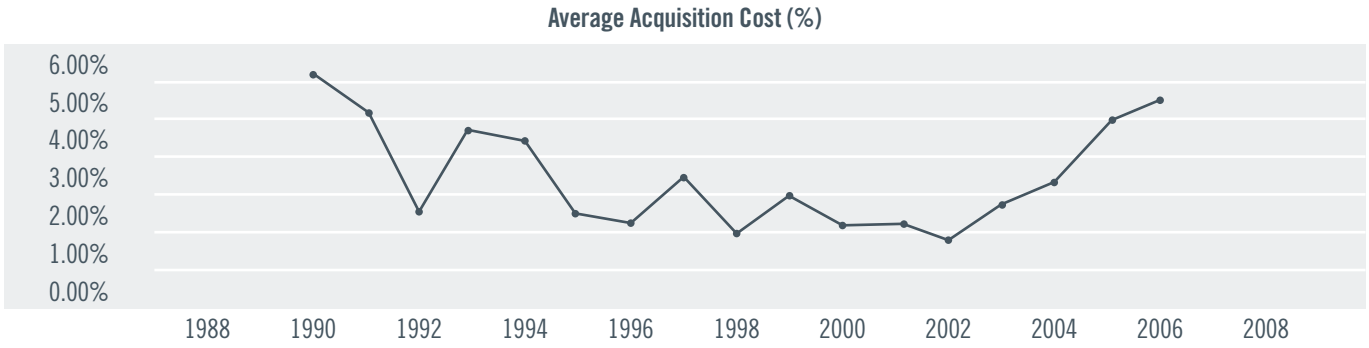
- The confidence in the resource estimation (the JORC Category).
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of toll treatment facilities, infrastructure, development and capital expenditure aspects

A similar approach can be taken with other metals including uranium or base metals sold on the spot market and benchmarks are similar to gold properties. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account.

Information on sales internationally has shown a pattern for 'Apparent Acquisition Cost' (AAC) as shown in the following table.

Dollar per Ounce for International Gold Sales (AUD)

AUD	Avg Au Price	No Sales	Min AAC	Max AAC	Mean AAC	Median AAC	AAC as %
1990	492	4	9	44	26	26	5.2%
1991	463	4	6	42	19	15	4.2%
1992	469	5	7	22	12	11	2.6%
1993	530	7	9	50	20	16	3.8%
1994	524	14	4	60	19	13	3.6%
1995	518	5	1	27	14	16	2.7%
1996	496	2	9	13	11	11	2.2%
1997	446	16	1	50	15	9	3.4%
1998	467	27	2	37	10	6	2.0%
1999	433	13	5	50	13	8	3.0%
2000	478	8	2	10	10	10	2.2%
2001	526	10	2	25	12	12	2.2%
2002	570	18	2	31	11	11	1.9%
2003	556				15	15	2.7%
2004	557				18	18	3.2%
2005	583				23	23	3.9%
2006	801				36	36	4.5%



The AAC for the period 1990 to 2006 for gold projects lies in the range of 2% to 5%.More recent information suggests that current sales are attracting AAC values equating to 3% to 5% of the gold price for the period 2003 to 2006. The data set does not differentiate between resource categories and it is implicit that this has been taken into account with risk related discounts.

APPLICATIONS OF DISCOUNTED CASH FLOW ANALYSIS

Discounted cash flow analysis is a forward-looking methodology which requires that forecasts be made with respect to technical and economic conditions which will prevail in the future. All predictions of the future are inherently uncertain, but the level of uncertainty will be materially reduced if adequate data are available from which to project future rates of production and future costs. The more comprehensive the available data, the more reliable will be the discounted cash flow valuation.

These observations suggest that the most definitive application of discounted cash flow analysis will be in the valuation of an existing mining operation with a well-defined mineable reserve, no potential for additional discoveries, and an established history of consistent production rates and cash costs, sufficient to permit the confident projection of future operating conditions.

One step removed from this is the property for which a favourable bankable feasibility study has been prepared. Almost invariably, such a feasibility study will use discounted cash flow techniques to assess the economic viability of the proposed development, based on the current reserve estimate, comprehensive engineering studies, detailed estimates of capital expenditure and operating cost, and rational projections of product revenues. In this instance, however, the resultant net present value at any selected discount rate may not, by itself, provide an accurate measure of the value of the property.

It is not uncommon for a mining company to commission a bankable feasibility study and commit to production from a new property as soon as a sufficient tonnage and grade of mineralization has been identified to warrant development, but before the entire property has been fully explored. In such cases, the feasibility study will typically make provision, within the original design, for the possible future expansion of the productive facilities to accommodate the definition of additional mineable reserves. Under these circumstances, the net present value derived in the feasibility study will represent a base, demonstrated value for the property, but it is clear that some additional value must be attributed to any inferred resources and unexplored geological potential.

Since discounted cash flow analysis is fully capable of assessing the profitability of various levels of expansion, or increases in operating life, associated with various levels of additional ore discovery, it remains the preferred method for valuing properties which are at the stage of a bankable feasibility study. The value derived, however, will not be as definitive as that for a producing mine, and will be heavily influenced by informed geological judgment as to the most likely level of future discovery.

At a lower level of definition come those properties which have been subjected to preliminary or conceptual feasibility studies, on the basis of a resource which has been identified to a greater or lesser degree of assurance. In these cases, the economic viability of the property will typically be assessed by discounted cash flow analysis, based on preliminary estimates of production, revenue and cost. Despite the preliminary nature of the underlying estimates, it is still generally accepted that discounted cash flow analysis is the best method of valuing mineral properties at this stage of development.

Ultimately, as long as a resource has been identified, it is possible to make a reasoned estimation of production rates, revenues and costs. Discounted cash flow analysis, therefore, can be validly applied to the valuation of any property with an identified resource. In the absence of an identified resource, however, there simply are no data to support the application of discounted cash flow analysis, and such properties must be valued using other methodologies.

CONCLUSIONS

Valuation reports must be prepared by a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and who is therefore obligated to prepare tenement valuations in accordance with the Australian reporting requirements as set out in the VALMIN Code and Guidelines for assessment and valuation of mineral assets and mineral securities for independent expert reports (AusIMM, 1995). This code is binding upon members of the AusIMM, who are "competent persons", when preparing public reports concerning the valuation of mineral assets.

Mineral Property can be categorised into five groups and methods will vary depending on the data available.

Valuation Methods	
Exploration areas	• Geoscience Factor Method which rates the perceived prospectivity of mineral tenements (Australia), • Appraised Value Method which considers past expenditures and applies a multiplier depending on the results obtained (Australia). • Modified Appraised Value Method which considers past expenditures (Canada)
Advanced exploration areas with defined resources	• Comparable Transactions method which considers sales of similar deposits to select an appropriate dollar per ounce rate, and • Conceptual Discounted Cash Flow method which is based on an estimate of future earnings.
Pre-development projects	• Discounted Cash Flow method which is based on a preliminary feasibility study
Development projects	• Discounted Cash Flow method which is based on a full feasibility study
Operating Mines	• Discounted Cash Flow method which is based on an operating records and experience.

WONGAN HILLS PROJECT

The Wongan Hills Project is located about 160 kilometres northeast of Perth in the South West Mineral Field of Western Australia. Centred at about latitude 30°50' east, longitude 116°38' south it comprises three granted Exploration Licences E70/2437 E70/2443 and E70/2728 covering a total area of approximately 142.65 km^2.

PROJECT GEOLOGY

The Wongan Hills greenstone belt is located close to the eastern margin of the Western Gneiss Terrane within the Archaean Yilgam Block Craton of Western Australia. From its southern end west-southwest of the town ofWongan Hills the belt extends northwards for about 25 kilometres and is comparatively well exposed. A major north-northwest trending structural zone cuts through the Wongan Hills greenstone belt.

Structure is complex with early recumbent synformal folds (overturned to the east) having -been subsequently refolded into open synformal folds with northsouth trending axes. The sequence trends northwards through Mt Rupert to Little Wongan Hill. To the south the sequence has been subjected to more complex folding and exhibits more intense metamorphism.

The layered sequence mainly consists of mafic and felsic volcanic rocks with interbedded metasedimentary rocks comprising psammitic rocks, cherts and BIFs. The mafic volcanic rocks contain relict pillow and vesicular textures indicating subaqueous deposition. In places they have been intruded by doleritic sills. Rocks interpreted to be of fe1sic volcanic origin are mainly confined to the Bald Hill area to the south of the project area. Pyroc1astic textures are poorly preserved. The layered sequence has been intruded by two undeformed post tectonic potassium rich granites. Interpretation of aeromagnetic survey data suggests that at least seven buried bodies of similar type have been intruded into the rocks of the project area.

Metamorphism has produced mineral assemblages characteristic of high temperatures and low pressure. The metamorphic grade increases westwards and southwards. Similarities between the metamorphic grades of the Wongan Hills greenstone belt and the Jimperding metamorphic belt and the rocks contained therein tend to suggest that they share a common history.

PREVIOUS EXPLORATION

Gold was first discovered in the Wongan Hills area in the 1870's and in 1888 the Mt Matilda workings were examined by Government Geologist H.P. Woodward who was not impressed by the apparent limited potential. Total recorded production (1888 and 1936) was 84 tonnes of ore averaging 3 g/t. In addition there are unconfirmed reports of early copper mining.

The primary target of exploration between 1975 and 1983 was discovery of copper-lead-zinc-silver mineralisation of volcanic hosted massive sulphide ("VHMS") type. The target mineralisation was interpreted to be located within or at the base of cherts and BIFs that were underlain by metamorphosed felsic rocks interpreted to be of volcanic origin.

In 1988-89 BHPGold systematically undertook a regional BLEG soil sampling programme on nominal 800 x 200 metres centres followed up by infill to 200m x l00m sample spacings. Samples were analysed for copper, gold and silver.

Exploration activities in the following years focussed on gold and base metals and little attention was paid to the iron ore potential.

EXPLORATION POTENTIAL

Exploration of the Wongan Hills area was almost continuous between 1975 and 1999. Detailed work was mainly concentrated on a small group of targets located south of the current project area. These were originally explored for VHMS type base metal deposits and were later explored for gold.

Most of the South West Mineral Field Greenstone Belts contain calc-silicate rich rocks derived by metamorphism of calcareous sediments. It is believed that in the Wongan Hills area these rocks may have been altered to iron rich skarns many of which have been interpreted as BIFs. Associated introduction of iron, copper, zinc, gold and silver is a common feature of skarns developed in the proximity ofporphyry copper deposits.

MIAREE PROJECT

The Miaree (Kaninda Well) Project is centred at about latitude 20°55' south, longitude 116°25' east approximately 45 kilometres west-southwest of the town of Karratha and 1,1 00 kilometres north of Perth. It straddles the boundary of the West Pilbara and Ashburton Mineral Fields of Western Australia and comprises two granted exploration licences (E08/1350, E47/1309) and one exploration licence Applications E47/1707 covering a total area of about' 370.89 km2.

The West Pilbara plays a major part in the economy of Western Australia hosting the North West Shelf Gas Project at Burrup Peninsula, the Robe River iron ore mines, major iron ore export facilities at Dampier and Cape Lambert and an established town at Karratha. Infrastructure is well developed.

REGIONAL GEOLOGICAL SETTING

The Kaninda Well Project is located in the northwestern part of the Archaean Pilbara Craton and covers parts of the West Pilbara Granite-Greenstone Terrane and Hamersley Basin. This part of the Pilbara Craton was subject to many successive periods of greenstone deposition, granitic intrusion and deformation during Archaean times. Its stratigraphic and tectonic evolution has been the subject of various correlations and tectonic evolution models.

The dominant structural feature of the West Pilbara Granite-Greenstone Terrane is the Sholl Shear Zone ("SSZ"), a major continental east-northeast trending zone of dislocation and shearing more than 200 kilometres long.

The greenstone lithostratigraphy of this region comprises the Roeboume Group, Whundo Group and the Cleaverville Formation. This succession was folded, faulted and intruded by granitoids during a complex series of magmatic and tectonic events.

The Ruth Well Formation is composed of extrusive basalts and peridotites with thin chert beds. The Nickol River Formation mainly composed of BIFs and cherts, ferruginous clastic sediments, quartzites and felsic volcanic rocks and the Regal Formation comprising peridotitic komatiites overlain by pillow basalts and occasional cherts.

The C1eaverville Formation, composed of BIFs, cherts and fine grained sedimentary rocks intruded by intermediate to fe1sic sills was deposited unconformably over the Roeboume Group succession.

PROJECT GEOLOGY

The project area covers areas along and/or marginal to the Sholl Shear Zone ("SSZ"), a major continental structural zone averaging about one kilometre in width.

Intermittent movements along this zone have generated both dilational and compressional regimes that have resulted in development of second and third order fault dislocations. Periods of dilation have facilitated the intrusion of layered mafic, dioritic and granitic bodies together with associated base and precious metals.

Rocks within the SSZ are very poorly exposed, particularly in the project area with only rare mylonite and mylonitic gneiss cropping out. Exposure to the south and southeast of the shear zone is also poor except in the western part of the project where the Cherrata Granitoid Complex rocks are unconformably overlain by the Mount Roe Basalt succession.

The Archaean Roebourne Group succession along the northern and northwestern margin of the SSZ is better exposed (about 25%) and comprises metamorphosed Ruth Well Formation mafic and ultramafic volcanics and Nickol River Formation BIFs, cherts, quartzites and possible felsic tuffs.

PREVIOUS EXPLORATION

E47/1309 Kaninda East

During the period 1994 to 1998 initial exploration consisted of a 5,148 line kilometres regional aeromagnetic survey along lines spaced 200 metres apart and also Questem electromagnetic ("EM") surveys over four separate areas totalling 2,300 line kilometres with lines spaced 300 metres apart.

Four of the potentially significant EM conductors identified by Dragon lie within the Red River tenement area: E3-Slopers Well West, E5-Slopers Well East, E8/2-Slopers Well North and E37-Miaree Pool. Conventional soil geochemistry over EM conductor E42-Walter indicated a possible northwest trending gold anomaly cross-cutting the stratigraphy and follow-up MMI sampling was not considered justified.

Slopers Well West - In the northern part of this grid there occurs a prominent coincident copper-zinc-cadmium MMI anomaly with a strong MMI gold anomaly overlapping its eastern side. Recommendations were made: that the grid be extended to the east to more fully define the anomaly, that detailed geological mapping be done and that defined targets be RC drilled.

Slopers Well East - A complex approximately coincident copper-zinc-cadmium-cobalt-gold-silver MMI anomaly was located within the grid area. Areas of anomalous copper gold and silver were not fully delineated. They extend to both the north and east of the sampled grid. It was recommended: that the grid should be extended, that further sampling should be done to fully define the anomaly that the area be geologically mapped in detail and followup RC drilling be done to investigate defined targets.

Slopers Well North - An east-west incompletely defined MMI gold anomaly with partly coincident anomalous silver is located in the northern part of this grid. This anomaly is hosted by graphitic sediments and chert.

Miaree Pool East - This small grid covers a partly delineated copper-zinc-cadmium MMI anomaly with a strong open gold anomaly at its eastern end.

E08/1350 Kaninda West

Exploration around the old Antwell (Devil Creek) copper workings developed targets were nickel-sulphides in ultramafics and distal copper-zinc sulphides of vo1cano-sedimentary type. Exploration mainly comprised geological mapping, ground magnetics, soil sampling and rock chip sampling. Soil sampling and mapping delineated gossanous occurrences in a zone 60m wide and 650m long with a coincident soil copper anomaly (up to 185 ppm). A fence of three diamond drill holes totalling 397m tested this target on a single grid line and encountered abundant pyrite in graphitic metasediments. No copper or other base metals mineralisation was encountered.

Exploration commenced in the area within and to the east ofE08/1350 in 1994. A Geotem airborne EM survey identified seven conductors, four of which: the Endswell, Antwell, Kaninda and Tulawar anomalies are located within the Red River tenement. At the Endswell Prospect soil sampling located a zone of anomalous zinc (94 to 162 ppm) 250 metres wide and more than 400 metres long that coincided with both the Sirotem conductor and ground magnetic highs. A single fence of three inclined RC holes tested the conductor but although all intersected abundant pyrite-pyrrhotite mineralisation no significant base metals were intersected.

At the Tullawar Prospect one line of IP was completed to test brecciated BIF. Also rock chip samples containing up to 0.23% lead, 0.14% zinc and 0.17 ppm gold ''with visible galena" were collected from a second location. A 130 metres wide conductor was located close to the brecciated BIF. Two RC drill holes tested the IP anomaly one of which intersected massive pyrite mineralisation. One RC hole investigated the anomalous rock chip location with a best intercept 0 f 0.61 % lead and 0.12% zinc between 14 and 16 metres down-hole depth.

EXPLORATION POTENTIAL

The project area is prone to major flooding during the summer monsoon-cyclone season and soils in the area are mainly transported with local areas of colluvium and residual soil cover. The essentially undeformed Mount Roe Basalt sequence was deposited over most of the project area and although it has been removed by subsequent erosion in most places the products of this erosion have contributed to the present soil composition.

No systematic exploration appears to have been done for komatiite or layered mafic complex hosted nickel-copper-cobalt-PGE deposits. The source of anomalous palladium stream sediment geochemistry in parts of the mostly soil covered Kaninda West tenement remains unknown. Ultramafic rocks crop out in the northern parts of both tenements.

Previous exploration has concentrated on discovery of volcano sedimentary copper-zinc-silver deposits. It is believed that many of the partly tested geochemical and geophysical anomalies that lie within the project area have been underexplored.

VALUATION OPINION

The Wongan Hills project is located in the South West Mineral Field in Western Australia. The distribution of aeromagnetic highs in the Wongan Hills area indicated that BIF mineralization occurs within the tenements indicative of banded iron formation. The area is inferred, by Red River, to hold good potential for the discovery of Direct Ship Ore. The project area is located adjacent to a railway line.

The Miaree Project is located in the West Pilbara Region of Western Australia. The Miaree Magnetite Trend occurs within the Kaninda East (EL47/1309) and Kaninda West (EL/08/1350) Exploration Licences and comprises approximately 30 kilometres strike length of Cleaverville Formation, a geological unit rich in magnetite. This is the same formation that hosts the Cape Lambert magnetite deposit, approximately 60 kilometres to the east. The aeromagnetic field strength at Miaree is similar to that at Cape Lambert. Published magnetite grades at Cape Lambert are in the range 40-45% and based on the geophysical similarity, magnetite grades over the Miaree Magnetite Trend are inferred to be similar.

Modelling of the aeromagnetic data supplied by Red River suggests that the Miaree Magnetite Trend has potential to host a very large magnetite resource. The area is adjacent to the North West Coastal Highway, near to the coast and the Dampier to Bunbury gas pipeline.

Iron Mountain considers the recent field work by Red River to be significant. It has outlined zones of hematite enrichment, in the Cleaverville Formation. Samples from these zones have been submitted by Red River for analysis.

In the absence of estimated mineralisation or resources the most appropriate method to value the projects is by the geoscientific rating method.

VALUATION OF THE EXPLORATION POTENTIAL – GEOSCIENTIFIC RATING METHOD

This valuation is based on an assessment of the exploration potential of the projects. No resources or reserves have been delineated at the project at this stage and no financial studies are possible to assess the impact of the net profits interest and royalty at this stage. Elements of the valuation are as follows.

TENURE

The Wongan Hills Project area comprises three granted Exploration Licences E70/2437 E70/2443 and E70/2728 covering a total area of approximately 142.65 km^2.

The Miaree Project comprises two granted exploration licences (E08/1350, E47/1309) and one exploration licence Applications E47/1707 covering a total area of about' 370.89 km^2.

BAC – BASE ACQUISITION COST

This represents the exploration cost for the current period of the tenements. The West Australian tenements are exploration licences which attract a BAC of $300 to $350 per square kilometre.

PROSPECTIVE AREA

An estimate has been made of the percentage of the tenement area that may be prospective base metals. The tenement area is large and the exploration focus will be throughout the major host rock types. An estimate varying between 20% and 60% has been applied.

GRANT FACTOR

The tenement is granted and there is no uncertainty to consider.

TENEMENT AND BASE COST FACTORS

Prospect Name	State/ country	Tenement No.	Equity	Blocks	Size (km^2)	Base Acquitition Cost		Prospective Area		Grant Factor
Wongan Hill	SW Mineral Fiel	E70/2437	100%	13	41.21	300	350	50%	60%	1
		E70/24	100%	16	50.72	300	350	50%	60%	1
		E70/2728	100%	16	50.72	300	350	25%	35%	1
Miaree	West Pilbara	E08/1350	100%	37	117.29	300	350	40%	50%	1
		E47/1309	100%	64	202.88	300	350	50%	60%	1
		E47/1707	100%	16	50.72	300	350	25%	35%	0.8

REGIONAL SETTING – METAL ENDOWMENT (OFF PROPERTY)

The Wongan Hills project area lies south of the Mid West Iron ore operations which occur in similar rock units. No operations however are in the immediate vicinity.

The On Site production and workings, Anomalies and Geological setting are discussed earlier in this report.

PROSPECTIVITY ASSESSMENT FACTORS:

	Off Site		On Site		Anomaly		Geology	
	Low	High	Low	High	Low	High	Low	High
E70/2437	1.50	1.75	1.50	1.75	2.00	2.50	2.50	3.00
E70/2443	1.50	1.75	1.50	1.75	2.00	2.50	2.50	3.00
E70/2728	1.25	1.50	1.50	1.75	1.50	1.75	1.25	1.5
E08/1350	2.50	3.00	1.50	1.75	2.00	2.50	2.50	3.00
E47/1309	1.25	3.00	1.50	1.75	2.00	2.50	2.50	3.00
E47/1707	1.25	3.00	1.50	1.75	1.25	1.50	1.25	1.50

MARKET VALUE

In arriving at a fair market value for a particular exploration tenement, I have considered the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a market premium to the technical value of the exploration potential of its tenements and the low perceived country risk associated with investments in Australia.

Iron ore producers were successful in negotiating higher contract prices for the Japanese fiscal year 2007/08. Contract prices for both fines and lump iron ore were lifted 9.5 per cent for the 2007/08 year which is the fifth consecutive increase for these contracts. Rising global demand, in particular from China, when the the major iron ore producers are running at full capacity and not quite matching demand, has resulted in surging prices for scrap steel and spot iron ore. This gave the iron ore producers room to negotiate a higher contract price. Rising prices have seen China increase its domestic production of iron ore, but as Chinese deposits typically contain lower quality ore, they are more costly to access and process and not dampening global prices.

In the short run, demand continues to rise in the face of higher prices. The HWWA global spot price for iron ore and iron scrap has risen 16 per cent so far in 2006 to be up 27 per cent in the year to April. While the recent rise in the contract prices for 2007/08 would be underpinning this, the fact that spot continues to rise suggests to us that growth in demand continues to rise faster than the growth in production. So we have to maintain a positive outlook for iron ore prices at least to 2008/09.

Nevertheless, rising iron ore prices have stimulated a significant investment in new iron ore production and transport capacity, much of which is expected to reach full capacity in late 2008 or 2009. As such, from 2008 capacity utilisation rates are expected to fall and stock levels are expected to rise. While robust demand should at least hold iron ore prices steady in 2008/09, we expect iron ore price to fall around 20% by the end of 2010.

World metal markets are currently very buoyant. This situation has led to an increase in spot market predictions and, for the purpose of this valuation, to a stronger market outlook for new entrants to the market. A comparison of spot price ranges for the 1993 to 2002 period (US$30 to $40 per tonne for Iron Ore Lump contract price) to current prices over the last year (US$90 to $100 per tonne) suggests a Market Factor of 2.7.

VALUATION OPINION

The valuation of the exploration potential has been arrived at from a consideration of the existence of surrounding mines and deposit available within the project area. In this report, I have systematically established the value of the mineral assets as at 1 August 2007.

	Estimated Value		
	Low A$	**High A$**	**Preferred A$**
E70/2437	0.19	0.54	0.34
E70/2443	0.23	0.66	0.42
E70/2728	0.04	0.12	0.07
E08/1350	0.71	2.18	1.36
E47/1309	0.77	4.53	2.40
E47/1707	0.02	0.16	0.08
Total	**1.96**	**8.18**	**4.68**

Based on an assessment of the factors involved I estimate the value of the various components of the project area to be in the range AU$2.0 million and AU$8.2 million with a preferred value of ***AU$4.7 million****.*

This value applies to 100% of the project tenements.

CONCLUSION AS TO FAIRNESS

The proposal to Enter into an agreement to explore the Wongan Hills and Miaree Project tenements for iron ore under the terms of the Heads of Agreement is believed fair to Iron Mountain's non-associated shareholders if the value of the consideration offered is equal to or less than the value of PM Prospecting being acquired.

Due to the nature of the business of Peninsula, valuations are dependent upon the value placed on the mineral interests of the two project areas and the exploration potential Uranium of those areas. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation. The assumptions used in the valuation are discussed earlier in this report.

The Heads of Agreement calls for an initial payment of $50,000 and expenditure in the ground within the first two years of $1,250,000. This will earn equity in the project of 25%. The exploration expenditure in this period could be expected to enhance the value of the project areas through the discovery and delineation of target areas. If this does not occur then Iron Mountain has the opportunity to withdraw prior to spending the entire amount. The valuation methodologies discussed earlier suggest enhancement multipliers that may be applied to the exploration expenditure.

Typical Adjustment Factors	
The Prospectivity Enhancement Multipliers (P.E.M.) can range from 0.5 to 5 but is usually in the range 0.5 to 3.0. The average is ~1.8.	
x 0.5	• Previous exploration indicates that the area has limited potential for a major discovery.
x 1.0	• Existing data is sufficient to warrant further exploration. Further work is expected to define interesting targets.
x 1.5	• Have direct evidence of an interesting target. Further work is warranted to evaluate the target.
x 2.0	• The tenements contain a defined drill target with significant geochemical intersections.

The current preferred value of the two projects is assessed at $4.7 million. If the exploration is modestly successful (say a multiplier of 1.25) then the project value may be expected to increase to about $6 million. 25% of that forecast value is approximately $1.5 million. And this estimate is considered to be conservative.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Based on the forecast value of $1.5 million for 25% of the projects at the completion of the first term of the agreement and the implied expenditure by Iron Mountain of $50,000 initial payment and $1,250,000 expenditure the proposed agreement is considered to be fair.

REASONABENESS OF THE OFFER

Under the guidance of the Regulatory Guide 75 (ASIC) Section RG75.29 an offer is “reasonable” if it is fair.

In this case the terms of the agreement are considered to be reasonable.

VALUATION REFERENCES

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