
IRON MOUNTAIN MINING SECURES OPTION OVER SOLOMON ISLANDS BAUXITE PROJECTS

Key points:

- Iron Mountain Mining Ltd has secured an option to acquire 50% equity in a private company that owns projects in the Solomon Islands prospective for bauxite.
 - The company seeks to identify and delineate deposits of high-quality bauxite amenable to direct shipping and low-cost development.
 - A condition precedent for the completion of the agreement is that initial exploration identifies the potential at the Nendo Project for a minimum 8 million tonnes of bauxite at greater than 45% Total Al₂O₃ (Alumina) and less than 5% Total SiO₂ (Silica).
 - Due diligence, including exploration, has commenced with the company's option to acquire expiring six months from execution of this Terms Sheet.
 - Exclusive rights to potential pipeline of additional bauxite projects in the South Pacific region.
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Iron Mountain Mining Limited (ASX: IRM) (**IRM** or **Company**) is pleased to announce it has secured an option to acquire 50% equity in private company Au Capital Mining Pty Ltd (**ACM**) from the ACM shareholders (**Vendors**) (**Acquisition**). ACM owns 100% of two Prospecting Licences in the Solomon Islands and has agreed to partner with IRM to explore and potentially develop these projects.

The Acquisition is subject to due diligence (including exploration) and satisfying conditions pertaining to the quality of the assets and their potential for development. Further details of the terms of the Acquisition are included in this announcement.

The **Nendo Project** is a granted Prospecting Licence located on the island of Nendo in the Temotu Province of the eastern Solomon Islands. Work by Australian exploration companies in the 1960's, and the British and Solomon Island geological surveys up to and including the early 1980's, identified bauxite deposits as residual laterite capping on up-lifted limestone reef platforms. The main area tested is believed to be depressions in the ancient reef floor of about 4 km², with estimated average bauxite thickness of approximately 3 metres tested in trenches/pits and up to 5 metres tested with auger.

The **Choiseul Project** is a granted Prospecting Licence located on the island of Choiseul in the northern part of the Solomon Islands. Bauxite has been documented and explored in this region since the 1960's and local geologists have noted bauxite deposits within ACM's ground. The extent of this mineralisation is yet to be determined.

Managing Director Mr Robert Sebek stated; *“These projects provide Iron Mountain Mining with the opportunity to explore for, and potentially develop, a low-cost mining operation in a region beneficially situated close to end-users in Asia. Our dealings with the people of Nendo and officials in Honiara have so far been extremely encouraging and initial support for proposed exploration and subsequent mining operations in this region has been overwhelming. The Solomon Islands are ideally located close to Asian markets and potentially offer low cost development of new discoveries.”*

The projects were introduced to IRM by International Resources Development Pty Ltd (**IRD**), a company in which IRM directors Mark Gwynne and Brett Smith have interests and receive benefits. It is proposed that a full form service agreement will be entered into between IRD and ACM on completion of the Acquisition. Both Mr Gwynne and Mr Smith have declared a conflict of interest in this matter.

Due to the relationship of Mr Gwynne and Mr Smith with both IRM and IRD, Ms Pip Coppin has been appointed to the Board of IRM as an independent Non-Executive Director. Further details are presented in the Disclosure Statements pertaining to this announcement.

Summary of Key Terms of the Acquisition

IRM have entered into a binding term sheet with ACM for the option to acquire 50% of ACM which holds 100% of two Prospecting Licences in the Solomon Islands (**Option**).

The Option expires six months from execution of the Terms Sheet (**Option Period**). A non-refundable option fee of AU\$100,000 has been paid to the owners of ACM. The Option Period will enable IRM to complete due diligence on ACM and the projects.

Exercise of the Option is subject to a number of conditions precedent including the following:

- (a) payment of the option fee;
- (b) completion of due diligence by IRM on the projects and ACM to the sole satisfaction of IRM;
- (c) completion of initial exploration activities to the extent that IRM is satisfied that the Nendo Project has the capacity to host resources of a minimum 8 million tonnes of bauxite at greater than 45% total Al₂O₃ (alumina) and less than 5% total SiO₂ (silica); and
- (d) the parties obtaining all necessary governmental consents and approvals applicable to the Acquisition,

(Conditions). The Conditions must be satisfied or waived on or before expiry of the Option Period.

If IRM elects to exercise the Option, the consideration payable for 50% of the issued capital of ACM will be satisfied by the issue of 20 million fully paid ordinary IRM shares to the Vendors. Completion of the Acquisition will occur 7 days after satisfaction of the last of the Conditions.

A further 20 million fully paid ordinary IRM shares shall be issued to the Vendors at the first in time of either the first commercial shipment of bauxite from the projects or within 12 months from Completion.

Should IRM complete the Acquisition, the Company will be responsible for all costs for the administration, exploration and development of the project's. Significantly, costs associated with infrastructure,

exploration, mining, development and project operations, will be reimbursed to IRM from mining revenue, to be governed by a Joint Venture Agreement that will be entered into upon exercise of the Option.

The terms sheet contains representations and warranties usual for a transaction of this nature.

About Au Capital Mining Pty Ltd

Au Capital Mining Pty Ltd (**ACM**) is an Australian owned company with extensive business experience operating in the Solomon Islands and the broader South Pacific. Key management personnel of ACM will be engaged by IRM for the provision of ongoing landholder, government relations and project generation.

About Iron Mountain Mining Limited

Iron Mountain Mining Ltd was listed in 2007 as an iron ore explorer but has also successfully explored for bauxite, gold and heavy mineral sands. The Company was successful in exploring and advancing two key magnetite projects in Western Australia and Tasmania that were subsequently sold with retained royalties to provide ongoing exploration funding. During this time, the Company also acquired the Wandoo Bauxite Project in the Darling Ranges of Western Australia and commenced exploration and evaluation with a view to assessing the potential for a DSO bauxite operation. Although a significant bauxite resource was delineated at the project, the Company capitalised on the growing uncertainty from the pending Indonesian bans on unprocessed metal ore exports and sold the project to Chinese interests in 2012.

Following a management restructure in 2014, the Company set about consolidating its exploration portfolio and identifying new projects with potential for rapid and cost effective exploration and development. Given the history of the Company, DSO bauxite was identified as a potential project opportunity that could be exploited by the Company's strong financial position to deliver improved chances for exploration success and the potential to quickly generate revenue.

Bauxite in the Solomon Islands

The presence of bauxite in the Solomon Islands has been known since shortly after World War II. However, plans to develop these deposits never proceeded further than bulk samples for pilot plant test work. Bauxite in the Solomon Islands is predominantly gibbsite (trihydrate) and overlain by only a thin cover of topsoil. The bauxite deposits occur as discontinuous pockets that fill depressions within the uneven karst surface of the uplifted Pliocene coral limestone basement. Bauxite profile depths vary considerably due to the uneven and discontinuous nature of the pockets which are typically marked by absent or depleted vegetation at surface.

Australian company Amex Bauxite Corporation applied for a licence to prospect for bauxite on Santa Cruz Island in 1968 and Mitsui Mining and Smelting Company of Japan began prospecting on Rennell Island in 1969 but these projects were never developed. More recently, South West Pacific Bauxite Pty Ltd of Australia were advancing their 75% interest in the Vaghena Island Bauxite Project but despite reports anticipating feasibility completion by mid-2014, the project remains undeveloped.

The only known recorded production of bauxite in the Solomon Islands was from West Rennell Island in 2015. However, operations are currently being reviewed by relevant authorities following the cancellation of some licences and allegations of mismanagement. There remains enormous scope to explore and

validate historically reported occurrences of bauxite in the Solomon Islands with a view to establishing a premium grade DSO bauxite operation for export into the Asian market.

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Disclosure Statements

Related Party Interest: As detailed above, Au Capital Mining Pty Ltd (**ACM**) has an existing service agreement with International Resources Development Pty Ltd (**IRD**) (**IRD Agreement**). Directors of Iron Mountain Mining Limited (**IRM**), Mr Mark Gwynne and Mr Brett Smith are major shareholders of IRD and provide services as consultants to IRD. In addition, IRM Company Secretary Mr Suraj Sanghani is a director and minor shareholder of IRD.

Pursuant to the IRD Agreement, IRD is acting as advisor to ACM in relation to the projects. IRD provides technical and professional support services to ACM on a cost plus 7% basis. The services include overall management of the project and provision of all necessary work programs and budgets. Upon commencement of mining IRD will also be entitled to a bonus fee of AU\$1 per tonne of ore mined from the projects. Should IRM complete the Acquisition, expenses incurred by ACM in relation to the IRD Agreement will form part of the project operation costs which will be the responsibility of IRM. As detailed above, such costs will be reimbursed to IRM from mining revenue.

Both Mr Gwynne and Mr Smith have declared a conflict of interest in regards to this matter. As such Ms Pip Coppin has been appointed to the Board of IRM as independent Non-executive Director effective from 24 March 2016, with Mr Gwynne and Mr Smith abstaining from voting on resolutions relating to the Acquisition.

Ms Coppin is a corporate lawyer based in Perth. She specialises in equity capital raisings, all forms of acquisitions and divestments, governance and corporate compliance. Ms Coppin graduated from the University of Western Australia in 2004 with a Bachelor of Laws and Science. She also has a Graduate Diploma of Applied Corporate Governance and a Diploma of Business Studies.

The agreement between IRM and ACM was negotiated at arm's length and is considered potentially beneficial for IRM and its Shareholders. The review and auditing of all commercial agreements and contracts between ACM and third parties is part of the due diligence process currently underway.

Competent Person: The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Robert Sebek BAppSc(Geol), BSc(Hons), MBA, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Sebek is a full-time employee of the company. Mr Sebek sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sebek consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.