

INTERNATIONAL BASE METALS LIMITED

QUARTERLY ACTIVITIES REPORT – End June 2012

HIGHLIGHTS

Corporate

- The Omitiomire surface rights agreement has been extended until 30 November 2012.
- A subscription for a further \$4.35 million was signed. The placement will comprise the issue of 19.77 million shares at \$0.22 per share.
- Azure Capital (“Azure”) continues to advise and assist in securing a new cornerstone investor for the Company.

Exploration Projects

Omitiomire project

- Drilling continued to extend the deposit.
- An updated resource estimation is expected before mid-August.
- Pre-feasibility studies on a proposed oxide copper mining and processing operation have been accelerated.

Other Namibian exploration projects

- Low cost surface exploration activities continued in the Steinhausen, Kamanjab and Kalahari Copperbelt Projects.

CORPORATE REPORT

Occupational Health and Safety

A carbon monoxide gassing incident at the Kopermyn field camp has highlighted the need for enhanced safety audits at all company activity sites and enhanced risk assessment on all tasks performed.

Sydney Office

IBML's Sydney staff have settled in well in our new shared office at 47 Neridah Street, Chatswood.

Craton Mining and Exploration (Pty) Ltd ('Craton')

- A Craton Board meeting was held on 11 April 2012.
- The Omitiomire surface rights agreement has been extended until 30 November 2012.
- Negotiations with High Power Exploration ('HPX') towards the formal JV agreement for the Kopermyn Project (Kamanjab project area) are progressing.

Capital Raising

The Company's strategy is to raise private equity to fund ongoing exploration activities (including resource expansion at Omitiomire) while, in parallel, seeking a new cornerstone investor.

A subscription for a further \$4.35 million was signed. The placement will comprise the issue of 19.77 million shares at \$0.22 per share. Funds from the placement will be allocated towards financing the drilling and work programmes at Omitiomire and regional exploration up to the end of November 2012.

The Azure appointment was further extended until 31 July on a non-exclusive hourly rate. The aim remains to secure a \$20 million - \$30 million investment in IBML. Discussions continued with various potential cornerstone investors.

Sinonew has accepted a new non-exclusive advisory proposal valid until 31 July.

Company Strategy

Project generation activities were accelerated during the quarter. The objective is to identify potential new acquisition and/or joint venture opportunities for the Company ahead of a strategy discussion meeting to be held in early September.

Miscellaneous Activities

- The MD visited Namibia from 10 to 19 April. This included a Craton board meeting on 11 April. Discussions were held with legal and financial tax experts in Namibia. The new tax on mineral licence transactions will make it difficult to attract JV partners for exploration projects in Namibia. A solution for the potential agreement with HPX was identified and JV documents were drafted. It was agreed that work could commence with HPX on the basis of a signed Term Sheet.
- An IBML Board meeting was held on 14 May. The main discussion items were Auditors, the Azure process, the HPX JV, funding requirements, Omitiomire surface rights and the new Namibian taxes.
- The MD visited Namibia from 22 to 26 May. The HPX JV project was visited and a strategic planning session was held.
- The MD visited China from 16 to 21 June to attend “Mines and Money Beijing”. A number of meetings were held with potential investors.

REVIEW OF PROJECTS

BACKGROUND

Craton Mining and Exploration (Pty) Ltd ('Craton'), IBML's wholly-owned Namibian subsidiary, holds eight Exclusive Prospecting Licences ('EPLs'), covering 6,400 km², and four EPL applications, covering 3,200 km².

The Company's major project is the Omitiomire Copper Project, which consists of the Omitiomire copper deposit and the surrounding area in EPL 3589. The other tenements are clustered into three project areas as shown in Figure 1.

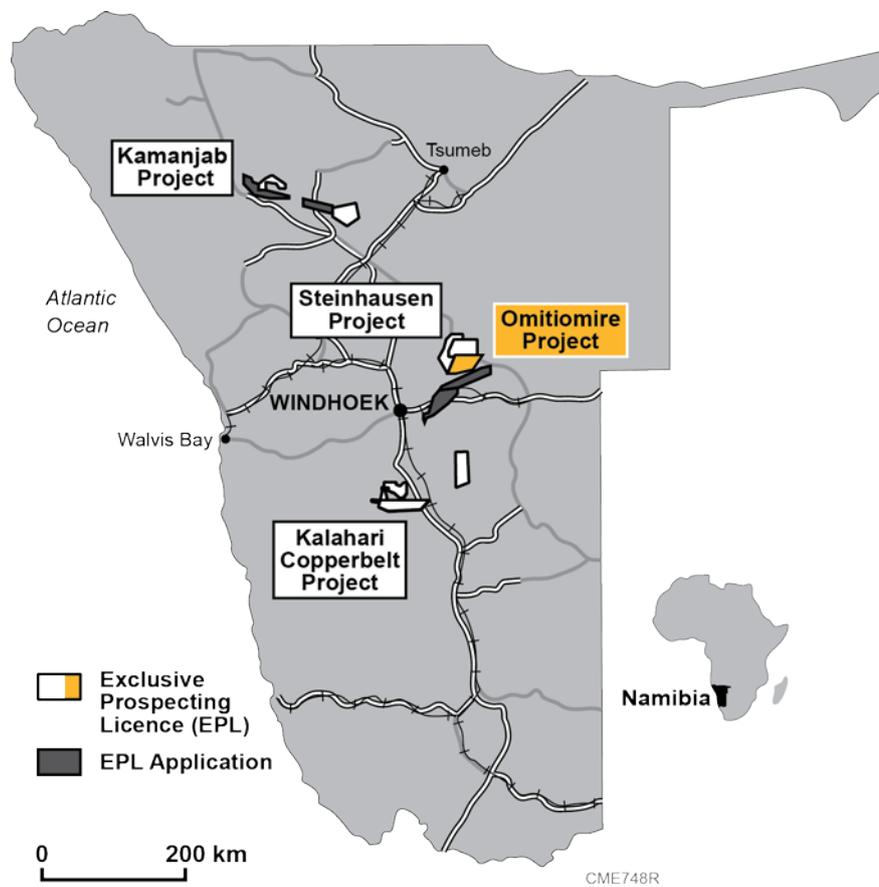


Figure 1. Craton's EPLs and applications

In addition to its Namibian projects, IBML has a number of exploration projects in Australia. These are held in separate wholly-owned subsidiary companies:

- AuriCula Mines Pty Ltd: Exploration for copper-gold in the Cobar district of New South Wales;
- Maranoa Resources Pty Ltd: Exploration for nickel and copper in the Maranoa district of south-central Queensland;
- Endolithic Resources Pty Ltd: Exploration for copper in north Queensland.

OMITIOMIRE PROJECT

Exploration Programme

The programme for the quarter has consisted of:

- Diamond tails on previous reverse circulation ('RC') holes to test for deeper copper below the existing resource;
- Additional widely-spaced (up to 200m x 400m) RC and diamond holes to test the northern and north-eastern extensions;
- Shallow drilling on satellite targets;
- Studies on improving proposed metallurgical processes;
- Feasibility of mining the oxide copper zone.

Drilling Results

A total of 6103m of drilling was completed during the quarter (Table 1) and 23,661m since the drilling programme commenced in June 2011.

Hole	From	To	Cu (%)	width (m)	Comments
ORC122	122	257.34	0.53	126.34	
Including:	122	142	0.92	20	A Lens
	151	204.66	0.71	54.66	B Lens
	208.17	257.34	0.29	49.17	C Lens
ORC207	228.43	245.69	0.47	17.26	C Lens
ORC314	48.77	78.9	0.63	30.13	A Lens
ORC402	161	207.6	0.71	66.6	A+B Lens
ORC488	472	485.4	0.50	13.4	C Lens
ORC489	522.19	541.16	0.66	18.97	C Lens
ORC490	195.51	269.09	0.56	73.58	B Lens
	279.29	296	0.44	16.71	C Lens
ORC491	205.59	311.32	0.55	105.73	B+C Lens
ORC492	292.14	311	1.10	38.86	C Lens
ORC493	249.62	286.13	0.72	36.51	B Lens
	300.11	329.94	0.82	29.83	C Lens
ORC494	213	237.61	0.58	24.61	B Lens
ORC495	205.59	311.32	0.55	105.73	C Lens
ORC496	189.1	239.56	0.52	50.46	A+B Lens
ORC497	362.24	374.29	1.00	12.05	C Lens
ORC498	283.89	311.03	0.48	28.34	C Lens
ORC499	490.9	502.32	1.06	11.42	C Lens
ORC543	270.07	287.12	1.37	17.05	B Lens
ORC544	183	185	1.24	2	Bruce
ORC587	48	60	0.26	12	Mamba
ORC590	92	104	0.60	12	Mamba
ORC594	35	40	0.53	5	Mamba
ORC594	94	111	0.26	17	Lower Mamba
ORC598	3	31	0.33	28	Mamba

Table 1. Selected assay results during the quarter. Where applicable, diamond tails of previous holes include results from the initial RC hole

RC drilling at the Mamba target (formerly Omitiomire West) showed encouraging results in hole ORC590. An initial interpretation, based on follow-up drilling, outlines a folded north-trending lens, with additional erratic copper above and below the lens.

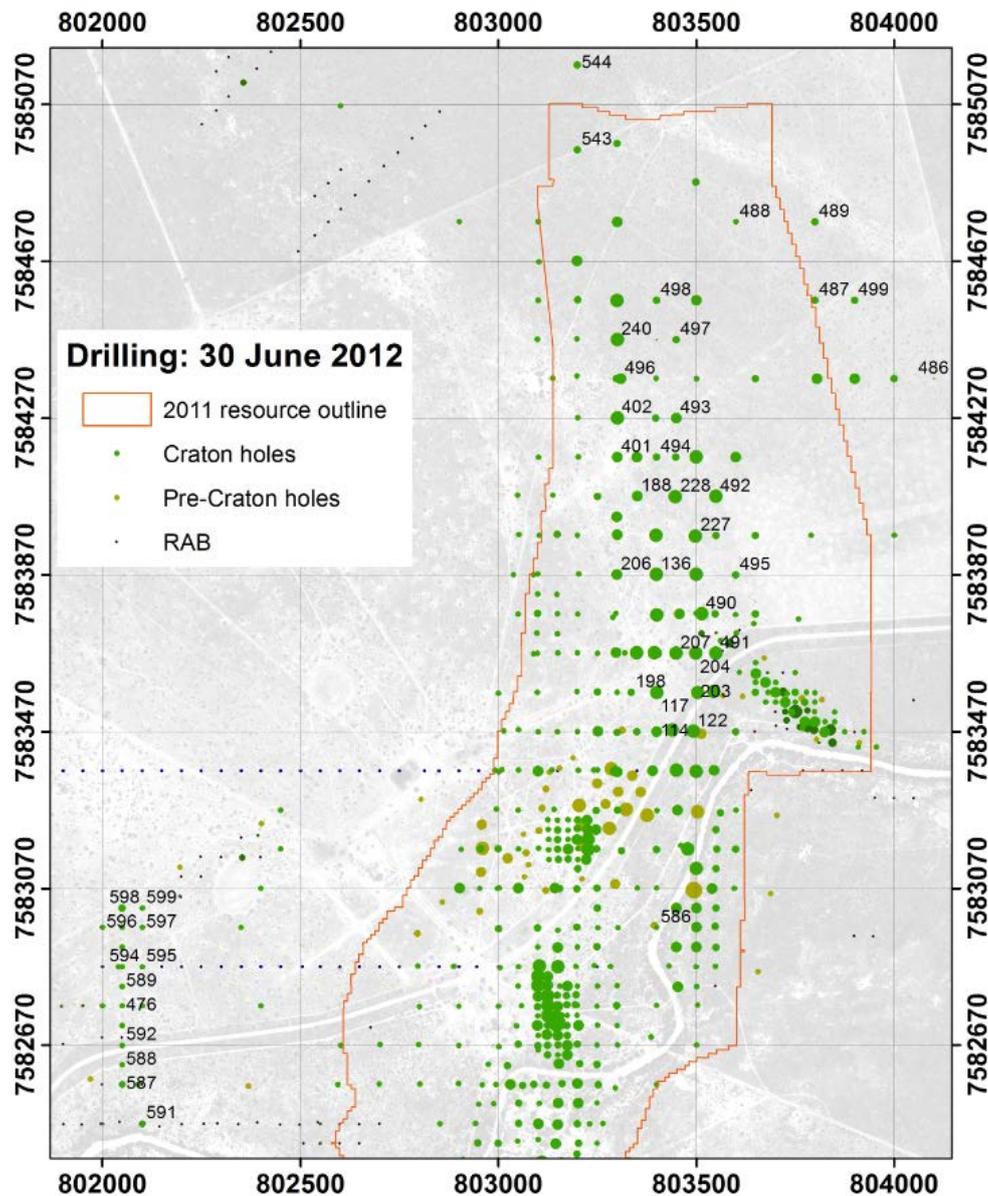


Figure 2. Drill hole plan. Holes completed during 2012 are numbered (Hole ORC544 in the extreme north is in progress). The sizes of the symbols are proportional to the thickness x grade intersected

Resource Estimation

The assay database was sent to Bloy Mineral Resource Evaluation ('Bloy') in late June. Craton designed the wireframes of eight lenses (Figure 3) and submitted the wireframes with the database. The resource estimation process is expected to take up to six weeks to complete and will evaluate tonnage, grade, density, oxide and % dark (a measure of "bandedness") within each of the eight lenses.

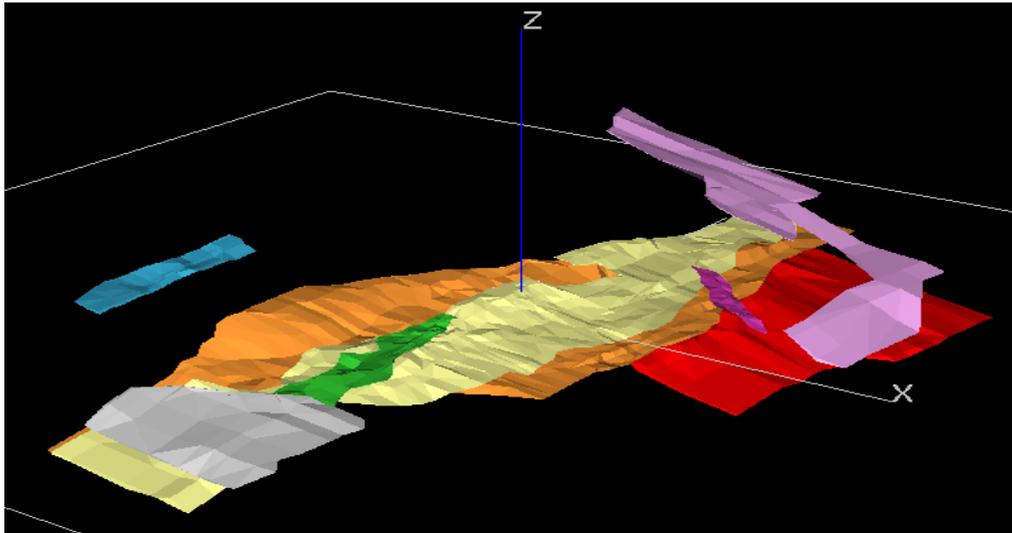


Figure 3. Isometric view of the 2012 resource wireframes. The model recognises eight lenses: A (yellow); B (orange); C (red); Central (green); Kaya (grey); Mamba (blue); Bruce (pink) and Bruce Terrace (purple). Almost half the resource tonnage is within the B Lens

Phase 1 Oxide Mining

Craton is considering a Phase 1 oxide mining and beneficiation operation at Omitiomire. The oxide plant needs to be a profitable stand-alone operation, using known shallow resources. For this purpose, the following studies have been completed or are in progress:

- Preliminary pit designs of three areas containing shallow copper;
- Close-spaced drilling on selected areas;
- Grade control resource estimation within the three pits;
- “Order of magnitude” metallurgical and plant design studies;
- Social and Environmental Impact Assessment (“SEIA”);
- High level profitability estimates.

The three shallow pits contain 1.9 million tonnes (‘Mt’) at 0.87% Cu (0.2% cut-off), including 1.0 Mt at 1.18% Cu (0.75% cut-off). The total waste is 3.3 Mt, with a stripping ratio of 1:1.8. The pit designs have not been optimised to include the latest resource outlines.

A beneficiation process of crush – screen – dense medium separation (‘DMS’) – mill – sulphide float – SX/EW is being investigated. The plant would have a capacity to treat 360,000 tonnes of ore per annum and is expected to recover 90% of sulphides and 74% of oxides, for annual production of 1000 tonnes in copper-in-concentrate and 2300 tonnes of cathode copper.

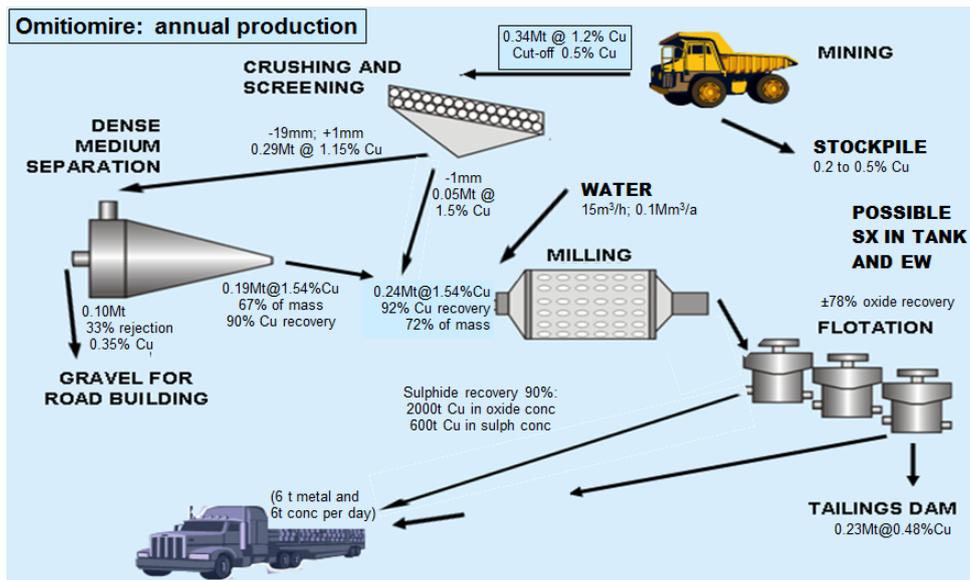


Figure 4. Processing flow sheet envisaged for a Phase 1 Oxide Copper operation

Sulphide Process Metallurgy

An “order of magnitude” study was conducted by Craton’s consultants Eugene Nel and Matomo Projects to assess the potential impact on the Capex and Opex plant compared to the Pre-Feasibility Study:

- 1) Increase pre-concentration in order to reduce tonnages to the sulphide mill and flotation sections by means of adding spirals in the line between the crusher fines and the mill. Previous test work shows that this would reduce the crusher feed by 10%. The additional spirals plant would cost about A\$1.0 million and the Capex savings due to a reduction in the downstream costs would be up to A\$3.3 million. The spirals would also result in a savings of A\$1.00 per tonne by reducing the milling and flotation costs.
- 2) The removal of the oxide plant from the main plant would constitute a reduction of A\$10 million in Capex and A\$0.9 million in Opex by limited expensive flotation reagents in the flotation cells and by reduced electrical costs.

Social and Environmental Impact Assessment (SEIA)

Oxide copper grade control resource results are not conclusive and the finalisation of environmental studies has been slowed down until it is shown conclusively whether a Phase 1 oxide mining operation is viable as a stand-alone operation.

Work in progress includes routine monitoring of groundwater, dust and the weather station; and specialist field study reports on biodiversity/ecology; soils and land capability; air quality; surface water run-off and water balance; hydrogeological modelling; visual impact; noise; traffic; socio-economics; closure costing; and public participation.

Under the new Namibian Environmental Act and Regulations, Craton will be required to produce an SEIA of exploration activities on the EPL before February 2013. A meeting is sought with the Permanent Secretary of the Ministry of Environment and Tourism to understand the extent of the studies required.

Omitiomire Regional Exploration (EPL 3589)

At Borealis, in the south-western end of the Ekuja Dome, three RC drill holes tested an anomaly previously tested by shallow percussion drilling. The drilling intersected up to 23m at 0.19% Cu, within Omitiomire-type geology.

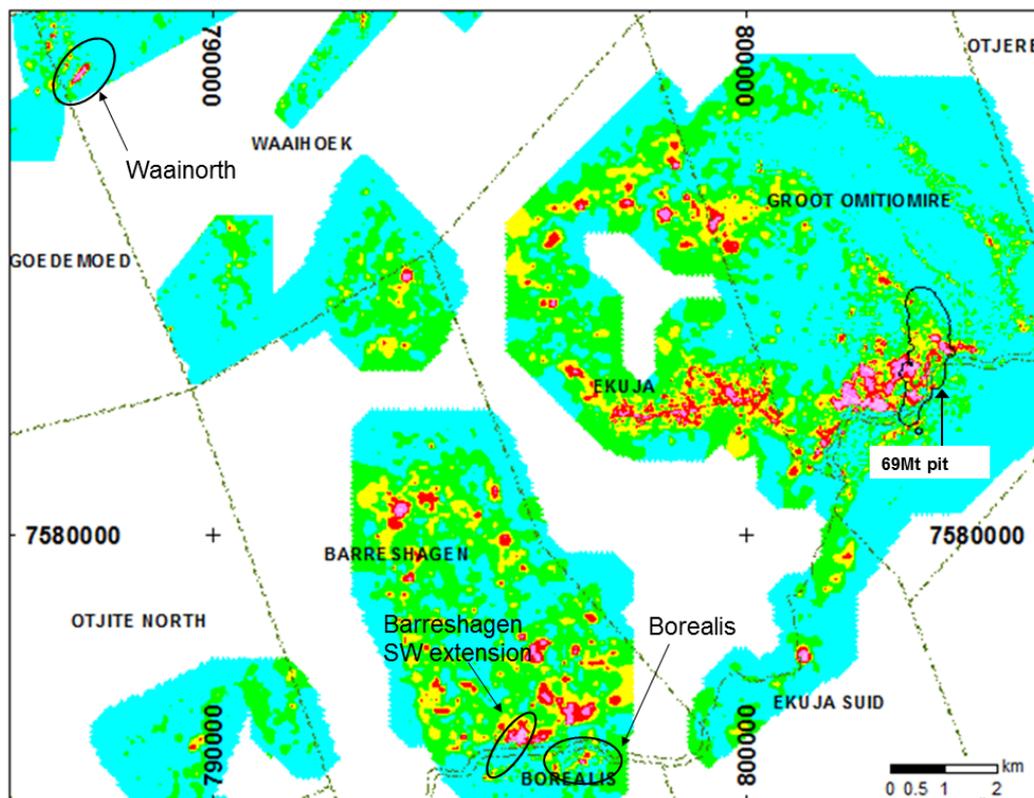


Figure 5. Soil geochemistry of the Ekuja Dome and Waihoek

Planned Future Work

- Completion of the last borehole of the resource extension drilling programme;
- A new JORC-compliant resource estimate;
- Reporting of current environmental studies;
- Drilling for a 30 tonne metallurgical sample for sulphide pilot plant test work;
- Metallurgical bench-scale studies on a 150kg sample of oxide copper material;
- Shallow drilling at Waainorth, Borealis and possibly Barreshagen targets.

OTHER NAMIBIAN PROJECTS

Steinhausen Project

The Project area currently consists of two licences (EPLs 3590 and 4054) and two applications (EPLAs 4150 and 4151).

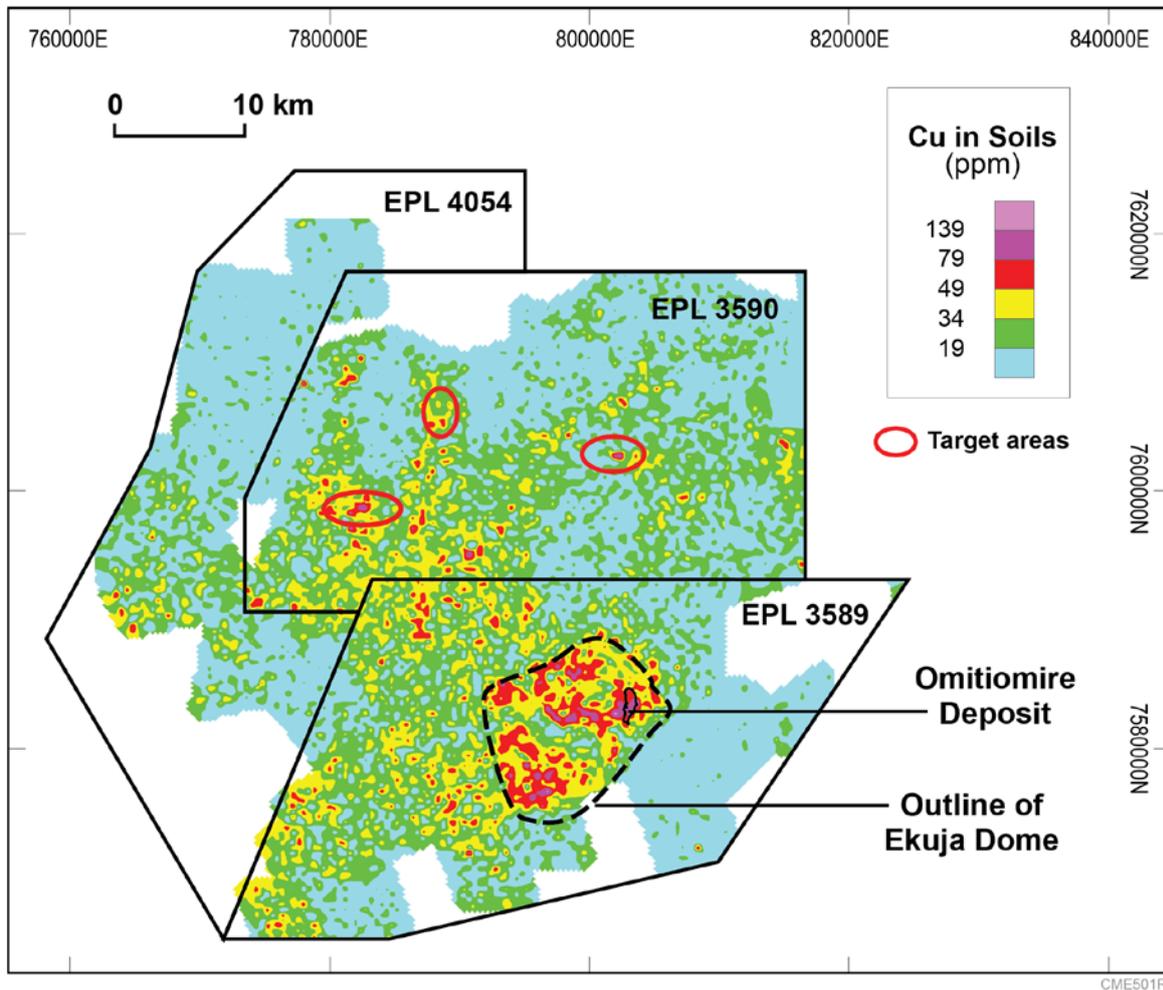


Figure 6. Copper distribution in soils in the Steinhausen project area

Sampling of two mafic-ultramafic complexes showed mildly elevated concentrations of chromium and titanium. Further work is of a low priority.

Three copper targets have been identified. Drilling of targets is awaiting completion of farm access agreements.

Planned future work:

- Continue 400m x 400m spaced soil sampling and outcrop recording;
- Follow-up with detailed geochemical sampling and mapping on selected anomalies;
- Ground magnetic coverage of selected targets;
- Negotiation of access agreements for drilling on selected prospects.

Kalahari Copperbelt Project

The project consists of three granted EPLs, covering known copper occurrences.

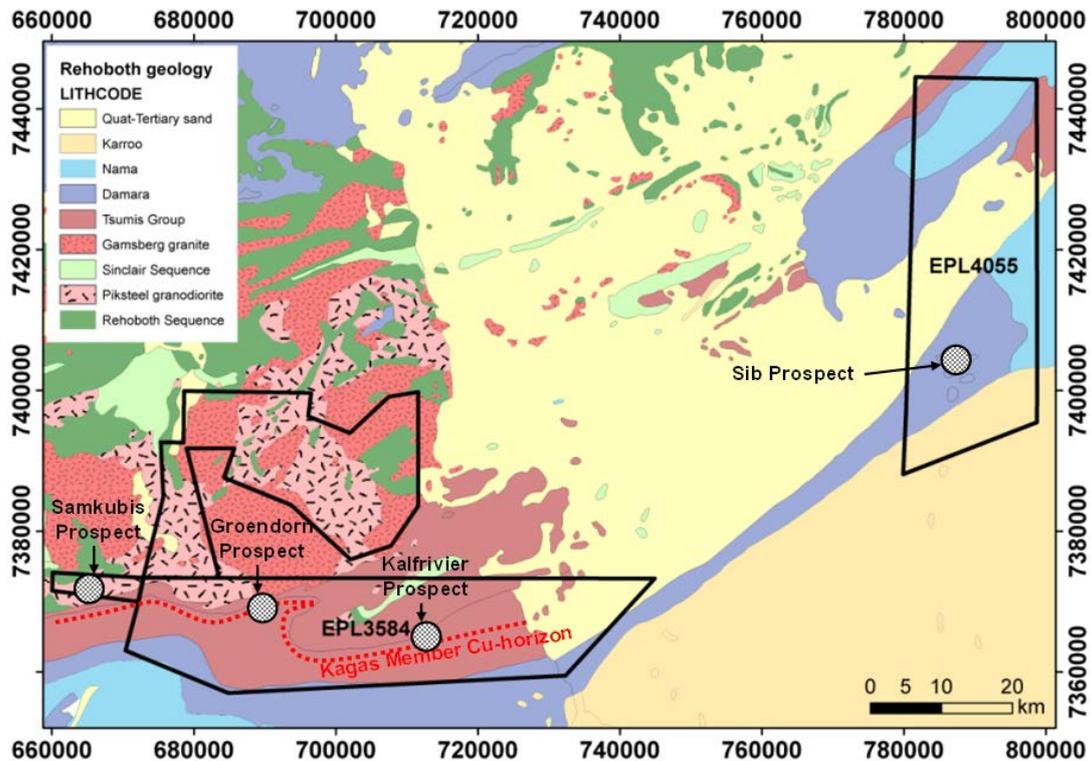


Figure 7. Craton's Kalahari Copperbelt tenements

EPL 3584 Rehoboth South): Following the disappointing results from drilling in late 2011 and early 2012, the potential for discovery of shallow copper has been down-graded. Craton is considering how best to define and test deeper targets.

EPL 4039 (Nomeib): Geological mapping and ground magnetic surveys continued during the quarter and are planned for the September quarter.

EPL 4055 (Sib): A "resource" of 0.6 Mt at 0.9% Cu was estimated at Sib in the 1970's, based on six diamond holes and 169 percussion holes. Craton is planning a drilling programme of 30 RC holes (total 1150m) to verify the previous drilling results.

Kamanjab Project

The project consists of two granted EPLs and two EPL applications.

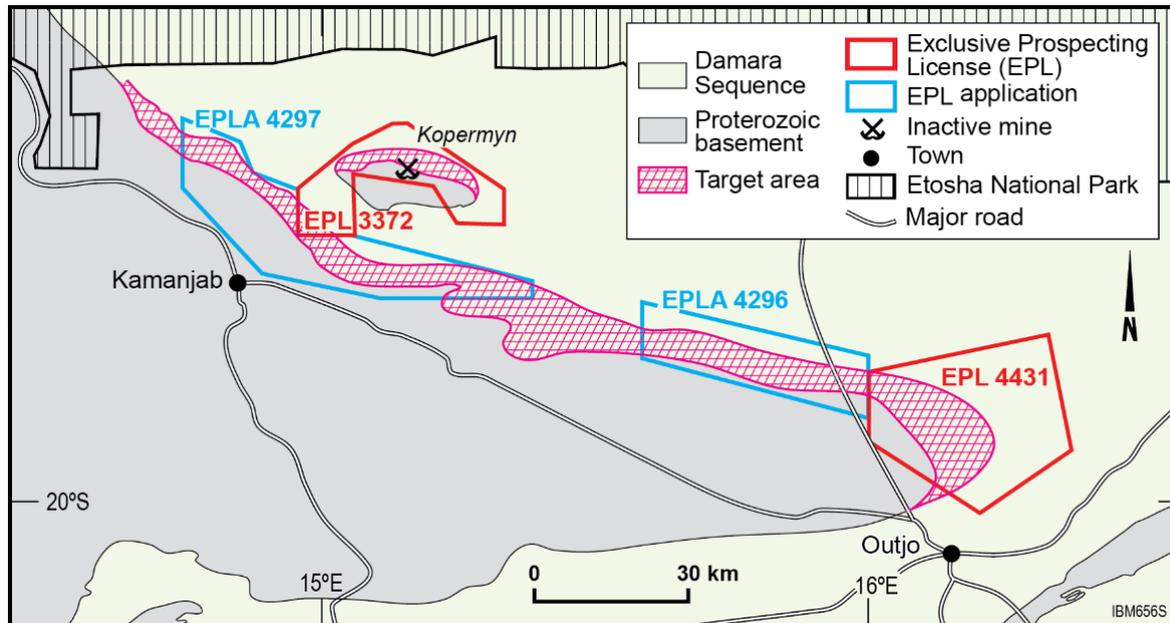


Figure 8. Kamanjab Project: Geological setting and tenement position

EPL 3372 (Kopermyn): In early 2012, IBML reached a joint venture agreement with HPX TechCo to carry out an exploration program consisting of geophysical surveys and interpretation, followed by drilling on targets (if warranted). A gradient array induced polarisation ('I.P.') survey is currently in progress, using HPX's Typhoon system, to identify possible base metal targets.

EPL 4431 (Tzamin): The following work was carried out during the quarter:

- Soil sampling , termite mound sampling and geological mapping continued to the southeast of the Tzamin copper prospect along the basal contact of the Damara sequence;
- Line cutting and a magnetic survey were carried out over the Tzamin prospect;
- Available previous drill data from the 1960s was entered into a database.

Planned work on the Tzamin Licence:

- Database checking and detailed 3D interpretation of previous information;
- Continued soil sampling along the basal contact of the Damara sequence;
- Verification of the existing resource and potential extensions, by means of a short RC drilling programme.

AUSTRALIAN PROJECTS

Endolithic Resources Pty Ltd

In May, a new tenement, EPM 18306 (Gereta) in the Mount Isa district of northwest Queensland was granted for 5 years. The EPM area covers 200 km² and stretches between 50 and 90 km NNE of Mount Isa. Geological units include the prospective Surprise Creek Formation and favourable structural features. Apart from the high grade Mount Isa style copper targets, Endolithic will also explore for sandstone-hosted stratabound copper deposits.

Maranoa Resources Pty Ltd

Geophysical surveying in the Darkwater target area, EPM 14260, is expected to be resumed in the next quarter.