

# **INTERNATIONAL BASE METALS LIMITED ('IBML')**

## **QUARTERLY ACTIVITIES REPORT – End-September 2015**

### **OCCUPATIONAL HEALTH AND SAFETY**

There were no lost-time accidents/incidents during the quarter.

### **CORPORATE ACTIVITIES**

#### **IBML Board**

Mr Alan Humphris resigned from the Board on 10<sup>th</sup> July. Directors thanked Alan for his six years of service to the company. Alan has agreed to continue to serve IBML on an advisory consulting basis upon request.

Mr Hugh Thomas accepted appointment to Board sub-committees: Nomination, Remuneration and Audit (as Chairman).

#### **Company Strategy**

At the Board meeting on 24<sup>th</sup> September, directors noted the ongoing delays to permitting of the Omitiomire copper project in Namibia and committed to continue the agreed strategy:

- (a) The Omitiomire Copper Project is the Company's major asset. The legal issues delaying the development of the Project are beyond the Company's control but the Company will continue to work with the relevant authorities in Namibia to overcome the obstacles.
- (b) In the absence of a clear timetable to development of the Omitiomire Project, the Company will preserve its strong cash position by continuing to cut costs. This will be accomplished by relinquishing exploration tenements and cutting exploration programmes. The Company regrets the necessity to implement these measures.
- (c) The Company will continue low-cost scoping studies on the Omitiomire Project, aimed at optimising the Project financials.
- (d) The Company will work towards identifying an acquisition or joint venture opportunity which would (i) provide early cash flow for the Company; and (ii) provide an exit for shareholders if possible.

## **Extraordinary General Meeting**

In June 2015, a group of shareholders representing just over 5% of the Ordinary shares in IBML requisitioned an extraordinary general meeting (EGM). They proposed two resolutions; the first proposed that the Company be wound up, and the second that a liquidator be appointed. The EGM was held on 14<sup>th</sup> August 2015. Both resolutions were soundly defeated with the vast majority of votes supporting the ongoing operation of the Company.

In addition, the meeting approved payment of termination benefits to the Company's former managing director, Mr Frank Bethune.

The Chairman's address to the EGM has been placed on the Company's website.

## **Annual Report**

The Company's Annual Report for the financial year ended 30<sup>th</sup> June 2015 was approved by the Board at its meeting on 24<sup>th</sup> September. The report has been placed on the Company's website.

## **Corporate Governance Statement**

IBML's directors reviewed and approved the Company's Corporate Governance Statement. The statement has been placed on the Company's website.

## **Annual General Meeting**

The Company's AGM will be held in Sydney on 19<sup>th</sup> November 2015.

## **OMITIOMIRE COPPER PROJECT**

### **Legal Challenge to the Grant of ML 183**

As previously reported, there has been a legal challenge to the granting of ML 183 (the Omitiomire Mining Licence) to IBML's Namibian subsidiary company, Craton Mining and Exploration (Pty) Ltd ('Craton') by the Ministry of Mines and Energy (MME). The principal basis of the challenge is the applicants' interpretation of Section 31 of the Environmental Management Act, 2007. Section 31 (1) of the Act states that, despite any other law to the contrary, a "competent authority" may not issue an authorisation to engage in a so-called "listed activity" (such as mining) unless the proponent has first obtained an environmental clearance certificate. The applicants asserted that ML 183 is invalid because it was granted before the environmental clearance certificate was issued.

The matter was heard by Judge Parker in the High Court of Namibia on 16<sup>th</sup> September. Judge Parker reviewed the decision to grant ML 183 to Craton and set the decision aside. This means that ML 183 has been declared null and void. The area previously covered by ML 183, including the Omitiomire copper deposit, falls back into the underlying EPL 3589, held by Craton.

Craton is in communication with the MME regarding re-submitting the mining licence application. Craton has also met with the individuals who lodged the challenge to the granting of the mining licence.

### **Challenge to the Environmental Clearance Certificate (ECC)**

To date, the Ministry of Environment and Tourism has not responded to the review application.

### **Surface Access**

As noted in the previous Quarterly Report and in the Annual Report, there has been an appeal against the appointment of Oehl Trust as executor of the Steyn family estate which holds the farm Omitiomire. The appeal was successful and Oehl Trust has been removed as the executor of the estate. At present, the Steyn estate has no executor and Craton has no access agreement with the farm Omitiomire.

As previously reported, Craton has lodged an application with the Mineral Ancillary Rights Commission (MARC) to secure access to the farm Omitiomire for exploration purposes.

### **Anti-Corruption Commission**

A complaint, lodged with the Namibian Anti-Corruption Commission (ACC), refers to three issues:

- Mining licence application: Has the MME followed the correct administrative procedures in awarding the mining licence to Craton?
- ECC: Has the MET followed the correct administrative procedures?
- Is there a conflict of interest in Elia Shikongo's dual roles as Chairman of Craton and Chairman of the Mineral Ancillary Rights Commission (MARC)? Mr Shikongo had previously recused himself from Craton's case to MARC because of the perceived conflict of interest.

Craton regards the complaints as having no substance. Craton has met with the Commission Chairman to discuss the complaints, has supplied relevant court documents to the ACC and has requested that the matters be dealt with quickly. There has been no further correspondence from the Commission.

## **Project Work**

As noted above, cost-cutting measures include scaling back ancillary work on the Omitiomire Phase 1 project until the legal situation has been resolved. During May, consultant Green Team International (GTI) produced a report summarising work to date.

Low-cost studies are focussed on integrating the Phase 1 oxide and Phase 2 sulphide operations with the aim of providing a combined financial model. These studies have identified potential to improve the project financials.

## **EXPLORATION PROJECTS**

### **Exploration Strategy**

The Company's exploration strategy is to:

- Identify, prioritise and test targets within trucking distance of Omitiomire;
- As far possible, use low-cost exploration methods, with limited drilling;
- Relinquish tenements which have low potential for discovery of viable deposits;
- Maintain all remaining licences in good standing.

### **Namibian Tenement Position**

As at end-September 2015, Craton holds five Exclusive Prospecting Licences, totalling 3529 km<sup>2</sup>.

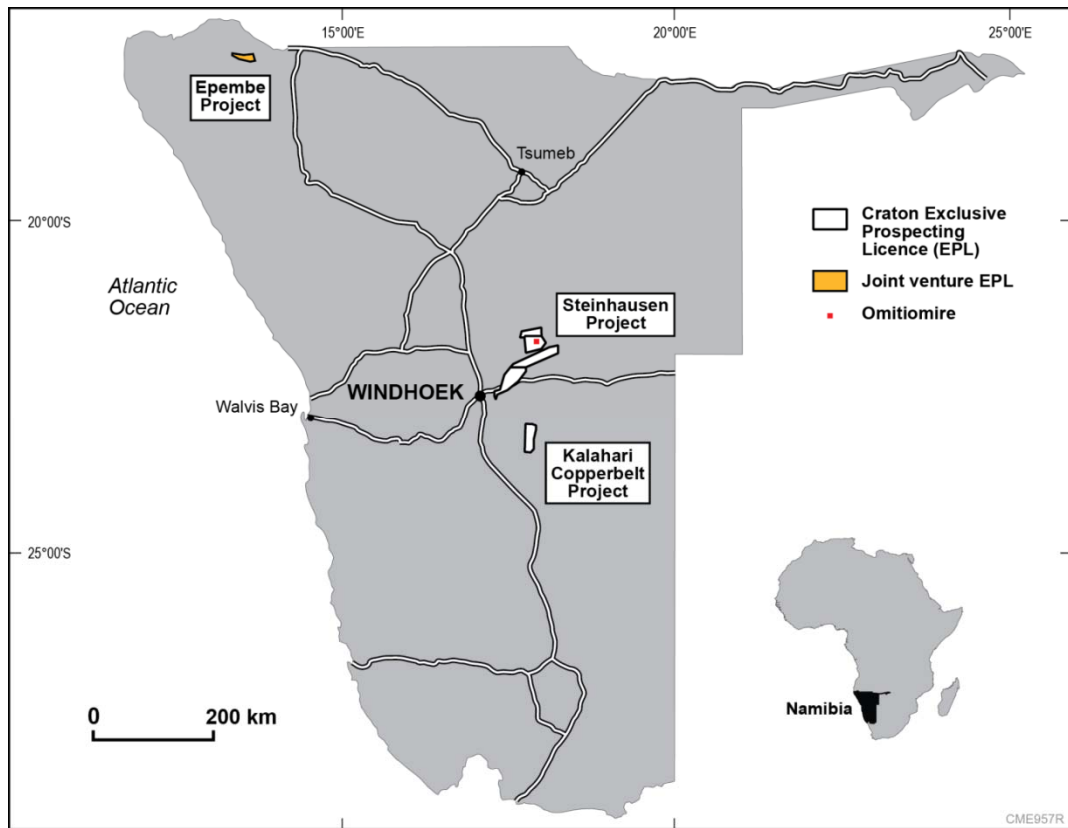


Figure 1. IBML's Namibian projects as at end-September 2015

### **Omitiomire Project (Former ML183)**

As previously advised, exploration on the Mining Licence and the rest of the farm Omitiomire has ceased until a new access agreement is in place. Routine environmental monitoring has also stopped due to access constraints.

Since the Mining Licence has been set aside, and until a new Mining Licence is awarded, all activities on the Omitiomire Project will fall within EPL 3589, which forms part of the Steinhausen Project.

### **Steinhausen Project**

The project consists of four granted tenements (EPLs 3589, 4590, 4150 and 4151), three of them potentially within "trucking distance" of the Omitiomire copper deposit.

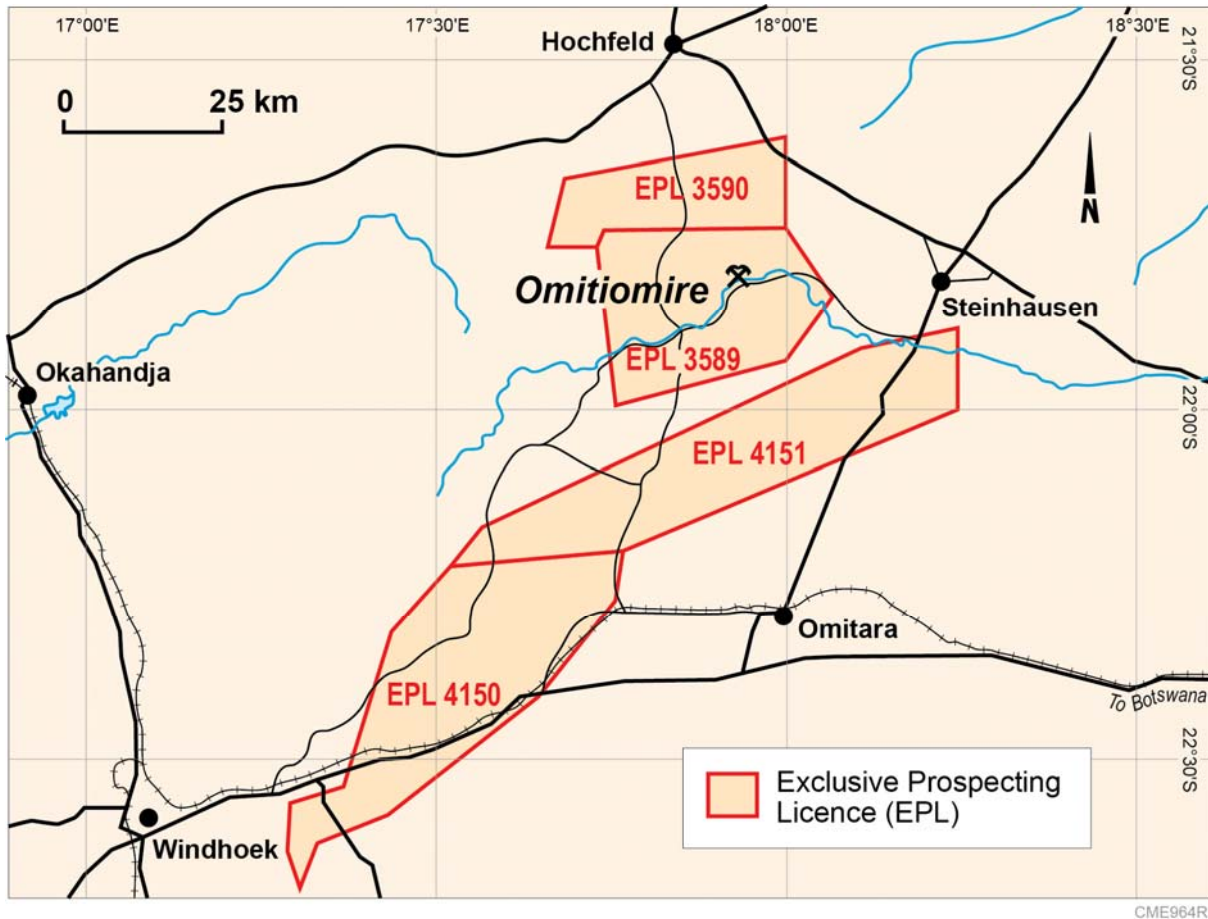


Figure 2. Steinhausen Project: Exploration tenements

### Copper in Basement Domes

The Omitiomire deposit is hosted by the Ekuja basement dome. Geochemical surveys by Craton show that the Karamba Dome (in EPL 4151) and the Seis Dome (in EPL 4150) are also regionally anomalous in copper.

During the quarter, in-house soil geochemical and magnetometer surveys continued over the Seis Dome and surface mapping has located rubble containing the copper-bearing minerals malachite and chalcocite. Soil geochemical and magnetometer surveys are continuing. The VC area has been selected for 25m x 25m soil sampling and the digging of pits to sample bedrock.

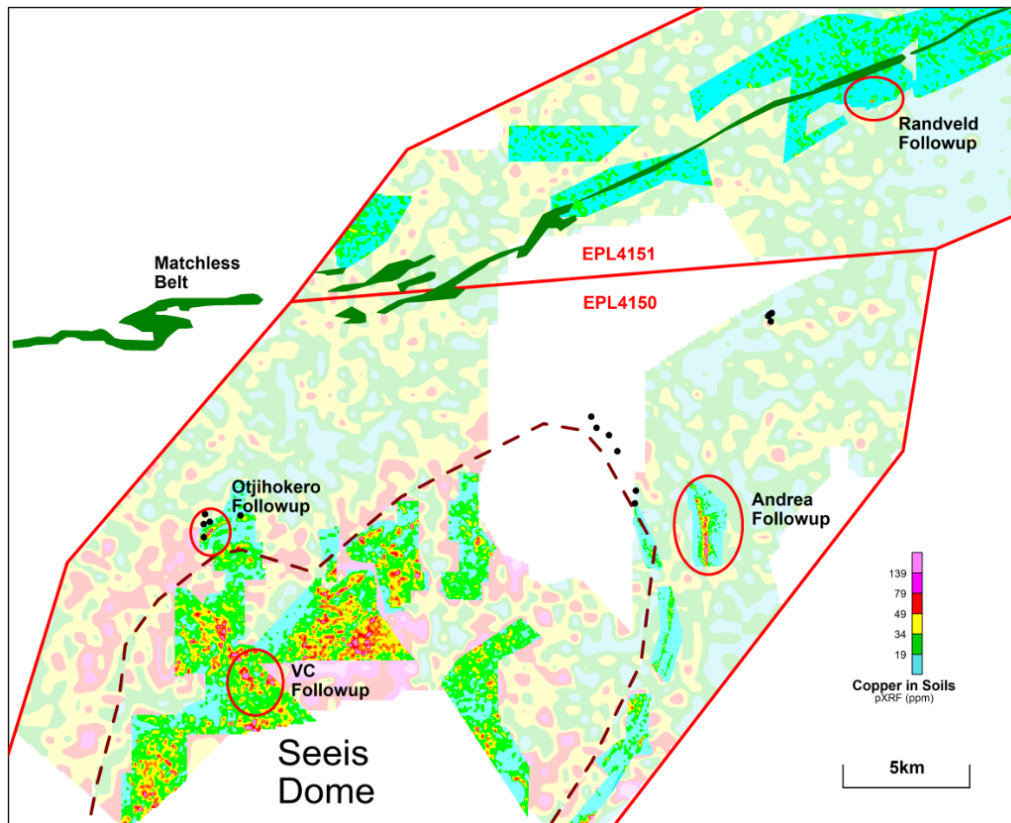


Figure 3. Soil geochemistry, EPLs 4150 & 4151, showing targets for follow-up exploration. “Warm” colours show copper-in-soil anomalies and black dots represent historic drill holes.

#### Copper in Basal Damaran Strata

EPLs 4150 and 4151 host numerous known copper occurrences within Damaran sedimentary rocks which flank the Karamba and Seeis Domes. Historic drill holes around the Seeis Dome report isolated values over 1% Cu.

Soil geochemistry by Craton has discovered a 2 km-long anomaly (the Andrea prospect; Figure 2), which contains higher values in soils than those drilled by previous explorers. 10m-spaced sampling lines across the anomaly, followed by trenching, are planned.

Further historic drill data of the Otjihokero anomaly (Figure 2) has been found. This data will be evaluated before any further work is considered.

#### Copper in the Matchless Belt

EPL 4151 contains about 60 km of strike of the Matchless Belt, a distinctive unit which stretches for 400 km through central Namibia and hosts numerous copper deposits and occurrences.

Interpretation of magnetic imaging and three pits on farm Randveld (Figure 2) has downgraded this potential. No further work is recommended here.

Craton has now sampled most of the 60km of strike extent, although sampling on two farms (Nancefield and Gumtree) has been hampered by a lack of access. Craton has now signed access agreements and exploration on these farms is due to start in November.

#### Follow-up of VTEM surveys

In EPLs 3589 and 3590, Craton's previous drilling showed promising copper intersections. As previously reported, a helicopter-borne electro-magnetic ('VTEM') survey showed two large VTEM anomalies, which might represent "blind" (i.e. non-outcropping) metal sulphide concentrations. These have not been followed up yet, due to the inability to obtain access to the farm.

### **Kalahari Copperbelt Project**

Sib (EPL 4055): Drilling by Craton during 2012 showed that the Sib deposit contains a shallow resource estimated at 0.97 Mt at 0.73% Cu & 23.5 g/t Ag. Recent studies have suggested that the deposit is sub-economic at current copper prices. Low-cost studies are progressing:

- To investigate the potential to increase the revenue by the recovery of silver; and
- To reduce capital and operating costs.

### **AuriCula Mines Pty Ltd (Cobar district, New South Wales)**

IBML's wholly-owned subsidiary, AuriCula Mines, holds a 10% interest in two project areas south of Cobar. Exploration is being conducted by Cobar Management Pty Ltd ('CMPL'), a subsidiary of Glencore.

#### Shuttleton Project (EL 6223)

Assays have been received for two of the three diamond drill holes completed by CMPL.

SH0003 intersected a mineralised zone from 336.7-390.5m. The zone between 336.7-342.7m contains 6.0m at 0.3% Cu, 0.7% Pb and 1.0% Zn and is defined by quartz-sulphide veins of pyrite, pyrrhotite, chalcopyrite, sphalerite, galena and trace hematite.

A narrow zone from 382.35-383.35m returned 1.0m @ 1.2% Cu.

Two DHEM conductor plates were interpreted from the SH0003 survey. One on-hole conductor extends below the hole and an off-hole conductor lies 90m further north. Follow-up drilling is planned for 2016 to continue testing this new target which is located east of the Shuttleton shear.

SH0001 targeted mineralisation within the previously worked Shuttleton Shear. No significant assays were reported. Assays have not yet been received for SH0002.



Mount Hope Project (ELs 6868 and 6907)

Geochemical sampling continued in the northern part of EL6907. Analytical results have not yet been received