

INTERNATIONAL BASE METALS LIMITED ('IBML')

QUARTERLY ACTIVITIES REPORT – End-December 2016

OCCUPATIONAL HEALTH AND SAFETY

There were no lost-time or injury incidents during the Quarter.

CORPORATE ACTIVITIES

Annual General Meeting

The Company's AGM was held in Sydney on 30th November. The main outcomes of the meeting were:

- The annual financial report, directors' report and auditor's report were presented;
- Mr Luo Zhehong and Dr Ken Maiden were-re-elected as directors.

Mr Hugh Thomas presented a Chairman's address to the meeting and answered questions from share-holders. In his address, Mr Thomas commented: "Over the past 12 months, your Board and IBML's Executive have addressed the fundamental issues. We have maintained an option over the Omitiomire project and resolved all regulatory and statutory issues regarding the asset. We have acquired an interest in an imminent production gold asset through our interest in Macquarie Gold Limited which we believe will be value accretive and has significant upside. And finally, we still have cash reserves within the Company."

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

Board of Directors

A Board meeting was held in Sydney on 30th November.

An IPO for IBML?

In his Chairman's address at the AGM, Mr Hugh Thomas referred to a possible IPO for the Company and responded to questions from share-holders. Based on legal advice and discussions with the Australian Securities Exchange ('ASX') and the broking community, the Board's view is that it would be difficult for IBML to have a successful IPO until:

- (a) The Adelong Gold Project is in production and generating cash flow;

- (b) The access issues delaying advancement of the Omitiomire Copper Project have been resolved.

The Company is committed to continual monitoring of the situation and will keep share-holders updated.

Macquarie Gold Limited ('MGL') – Adelong Gold Project

As previously reported, IBML invested \$10 million to acquire 40% of the issued capital of Macquarie Gold Limited ('MGL'), which holds the Adelong Gold Project in southern New South Wales ('NSW'). Two IBML nominees were appointed to the MGL Board - Mr Hugh Thomas and Mr Yang Aidong. Mr Thomas is the Chairman of IBML and Mr Yang is IBML's mining consultant. Mr Jordan Li, IBML's newly appointed Chief Executive Officer, was appointed Chief Executive Officer of MGL.

The Adelong Gold Project is proceeding towards production in early 2017. Please refer to the Macquarie Gold website www.macquariegold.com.au for further details.

CRATON MINING & EXPLORATION (PTY) LTD

Craton Board

The Directors of Craton have worked hard to address the issues and overcome the hurdles which have been delaying development of the Omitiomire Copper Project in Namibia. In addition to Board discussions, the Directors have held meetings with Namibian government officials and with legal advisors. IBML is most appreciative of these efforts.

Cost Cutting

As previously reported, IBML has responded to the lengthy delays in advancing the Omitiomire project by a programme of cost-cutting, in particular:

- (a) Reducing Craton's exploration tenement position and restricting exploration to low cost activities;
- (b) Rationalising office space and vehicles;
- (c) Retrenching staff: The Company regrets the necessity for this measure. At present, Craton has no permanent employees. Two consultants manage Craton's day-to-day administrative and statutory requirements; additional consultants and contractors are employed as required.

Omitiomire Copper Project - Mining Licence

ML197 is still pending. As previously advised, the Namibian Ministry of Mines and Energy ('MME') has requested that 5% of the Project should be held by approved Namibian entities. A proposal is being prepared for submission to the Ministry.

Omitiomire Copper Project - Farm Access

On 27th October, the Minerals Ancillary Rights Commission (MARC) awarded Craton access rights to the farm Omitiomire for a period of six months subject to:

- Craton supplying the Environmental Clearance Certificate for EPL 3589. This was done.
- Officials from MME and the Ministry of Environment and Tourism ('MET') inspecting Craton's Omitiomire field camp. Six officials from MME and MET travelled to Omitiomire on 29th November but were refused access to the farm.

Subsequently, one of the farm owners filed a High Court appeal against the MARC judgement. Craton's lawyers have advised that this appeal is faulty. No date has yet been set for the hearing of the appeal case.

A bidding process for the sale of the farm Omitiomire closed on 7th December. The outcome of the sale process is not yet known.

Omitiomire Copper Project - "Mini-mining" Development Option

To expedite mine development after the Mining Licence has been awarded, the Company is assessing the option of an initial small-scale oxide copper mining and processing operation. The main elements of this concept are:

- The project targets high grade oxide copper ore within the top 11m of a portion of the deposit.
- The planned initial pit contains 250,000 tonnes of ore at 0.95% Cu and 88,000 tonnes of waste.
- Planned production is 6,000 tonnes per month ('tpm').
- Mining will be by blasting, loading and hauling. This will be followed by crushing and screening, then processing by heap leaching, solvent extraction and electro-winning ('SX-EW') to produce cathode copper.
- Processing is expected to have a recovery of 80% and produce an average of 47.6 tonnes of copper cathode per month.
- The small-scale oxide-only project will have significantly lower infrastructure capital costs than the mixed oxide-sulphide copper project which was the subject of the 2013 definitive feasibility study ('DFS').
- The smaller infrastructure requirements will allow rapid development of the project.

- Indicative financials calculate a break-even copper price of US\$4,400 /tonne (US\$2.00 /lb).
- Once the “mini-mining” project is in operation, the Company will embark on detailed planning for the much larger sulphide copper operation.

The IBML Board has authorised funding for additional metallurgical (heap leach) test work as well as external verification of the technical and financial feasibility.

Craton Exploration

Quarterly reports for EPLs 3589, 4050 and 4150 were submitted.

There were limited field activities during the quarter.