

INTERNATIONAL BASE METALS LIMITED

QUARTERLY ACTIVITIES REPORT – End September 2011

HIGHLIGHTS

Corporate

- The last \$2 million of the subscription commitments that were signed at 12c per share were received during July.
- A potential new Chinese cornerstone investor expressed an interest in investing \$25 million - \$30million in IBML.
- Investment visits were undertaken to the UAE and China.
- A number of investment proposals from potential JV partners, reverse listing and other investment options continue to be investigated.
- Two potential JV partners visited Namibia and our Windhoek office.

Exploration Projects

- Recent drilling has resulted in a better understanding of the geology at Omitiomire including the discovery of a large new lens (C Lens).
- To date, drilling to test the northern and north-eastern extensions has been highly successful. The deposit extends at least 400m further north than previously interpreted.
- A new improved Resource model for Omitiomire was prepared during the quarter and released on 10 October 2011. The resource potential has increased to over 1.2 million tonnes of contained copper.

CORPORATE ACTIVITIES

STAFF

Solomon Kasirye, one of our geologists in Namibia, resigned during the quarter. A second geologist, Wihan Fourie resigned on 19 October 2011.

The Namibian mining salary survey has shown that we are paying comparatively low salaries with significantly fewer benefits than our competitors. We are looking at ways to improve this, including the provision of medical aid.

CRATON MINING AND EXPLORATION (PTY) LTD ('CRATON')

The Namibian Minister of Finance announced the intention of significantly increasing taxes in Namibia. He later used a press release to say that, after consultation with industry, many of the proposed changes would not be implemented.

A Craton Board meeting was held in Windhoek on 8 September.

Further Risk assessment workshops were held using an external facilitator, Schalk Walters.

Karl Hartmann and Frank Bethune visited the Mining commissioner, Mr Erastus Shivolo, on 7 September to obtain further clarity regarding mineral rights in Namibia.

FUND RAISING

The strategy is to raise private equity to fund resource expansion while, in parallel, investigating other investment options. Our resource expansion budget requires \$5 million to be raised by November. During the quarter, a number of activities were directed at both the short-term and longer-term requirements for funds:

- The last \$2 million of the subscription commitments that were signed at 12c per share were received during July. These funds were used to undertake the work which expanded our resource potential to 1.2 million tonnes of contained copper.
- During August, Frank Bethune visited Kings Resources in Hangzhou and Co-Power in Shenzhen. Subsequent feedback has been that Co-Power has decided not to invest at this stage.
- During August, Ken Maiden and Frank Bethune undertook an investment roadshow to the UAE with Montpellier. A number of potential long-term cornerstone investors expressed some interest in IBML.
- Two IBML Board meetings were held on 16 August and 22 September where various investment options and funding requirements were discussed.
- Frank Bethune attended the Africa Downunder conference in Perth (31 August – 1 September). A number of meetings were held with potential investors.
- A potential new Chinese cornerstone investor expressed an interest in investing \$25 million - \$30 million in IBML with the price being subject to a due diligence review of data. A Draft Heads of Agreement was developed for this potential

investment and Frank Bethune went to China in September. Negotiations are ongoing and the Heads of Agreement is under consideration by the potential investor.

- A number of confidentiality agreements were signed with other potential JV partners and investors.
- IBML and Zamia shared a booth at “Mines and Money” in Sydney on 10-11 October.
- During the quarter, two further potential JV partners visited Namibia.

AURICULA MINES PTY LTD

IBML's wholly-owned subsidiary, AuriCula Mines, has interests in three exploration licences in the Cobar district of NSW. The joint venture (JV) agreements with Cobar Management Pty Ltd (CMPL), a subsidiary of Glencore Australia, are being re-negotiated. The revised JV agreements are expected to be completed during October.

CMPL is planning additional drilling on targets in the Mount Hope area (EL6907) in the next few months.

REVIEW OF PROJECTS

BACKGROUND

Through its wholly-owned Namibian subsidiary, Craton Mining and Exploration (Pty) Ltd ('Craton'), IBML holds 10 Exclusive Prospecting Licences (EPLs), covering 7,700 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.

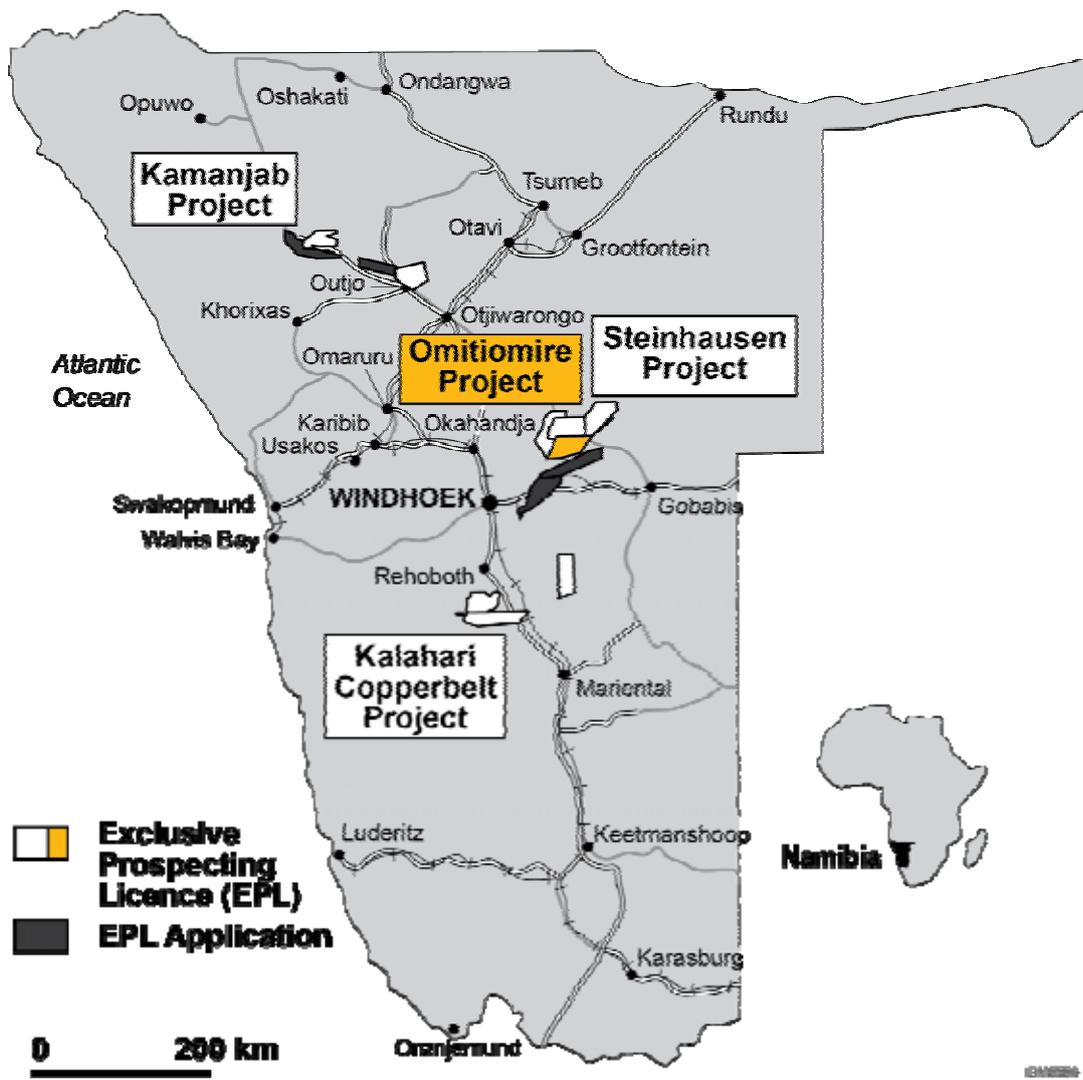


Figure 1. Craton's EPLs and applications

Omitiomire Project: This is IBML's headline project, where drilling to date has identified a JORC-compliant resource in excess of 600,000 tonnes of contained copper. A positive pre-feasibility study was completed in mid-2010. Recent drilling has succeeded in demonstrating potential for over 1 million tonnes of contained copper at the Omitiomire deposit. Other known copper occurrences and extensive untested geochemical anomalies

indicate the likelihood of expanding the resource substantially within the Omitiomire tenement.

Steinhausen Project: Four granted EPLs and two EPL applications surround the Omitiomire Project area. The tenements contain numerous known copper occurrences, some of which have attracted previous (1970s) shallow drilling. In addition, the project area contains two mafic-ultramafic complexes which may have potential for nickel-copper and titanium-vanadium deposits.

Kalahari Copperbelt Project: Craton holds three granted EPLs in the Namibian sector of the Kalahari Copperbelt, an 800 km copper trend which is an extension of the Central African Copperbelt. Recent exploration in the Botswana sector of the belt has outlined very substantial copper resources; the style of copper mineralisation is very similar to the prospects within Craton's project area.

Kamanjab Project: In northern Namibia, Craton has two granted EPLs and two EPL applications. The geological setting indicates that this region may also contain a previously unrecognised extension of the Central African Copperbelt. This interpretation is supported by the presence of Copperbelt-style copper occurrences at the Kopermyn deposit within the Company's tenements and elsewhere along the belt.

Australian projects: 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 the Mount Isa district of northwest Queensland. The tenement application has not yet been granted.

Exploration objectives: The current programme has the following objectives:

- To identify potential to expand the Omitiomire resource to at least 1 million tonnes of contained copper. This objective was achieved in early October 2011 and further drilling is planned to confirm and extend the resource potential;
- To investigate the possibility of a Phase 1 mining operation at Omitiomire by starting a small oxide mine. This includes social and environmental impact assessment (SEIA);
- To advance regional exploration in the Namibian projects, including drilling of a number of copper targets;
- To identify nickel-copper targets associated with a mafic-ultramafic complex in the Maranoa district of Queensland.

The current programme does not include additional drilling at Omitiomire to convert the potential for 1 million tonnes of contained copper into a JORC-compliant Inferred Resource and does not include a Definitive Feasibility Study for a copper mining and processing operation at Omitiomire.

OMITIOMIRE PROJECT

Omitiomire Structural Model

Omitiomire is a tabular deposit, 10 – 100m in thickness, hosted by mafic schist. There is a sharp hanging wall contact against barren felsic gneiss; there is not a distinct geological footwall contact. The deposit extends 3,000m north-south, dips at a shallow to moderate angle to the east, and plunges slightly to the north. The emerging structural model is of several superimposed tabular bodies (Figures 2 and 3).

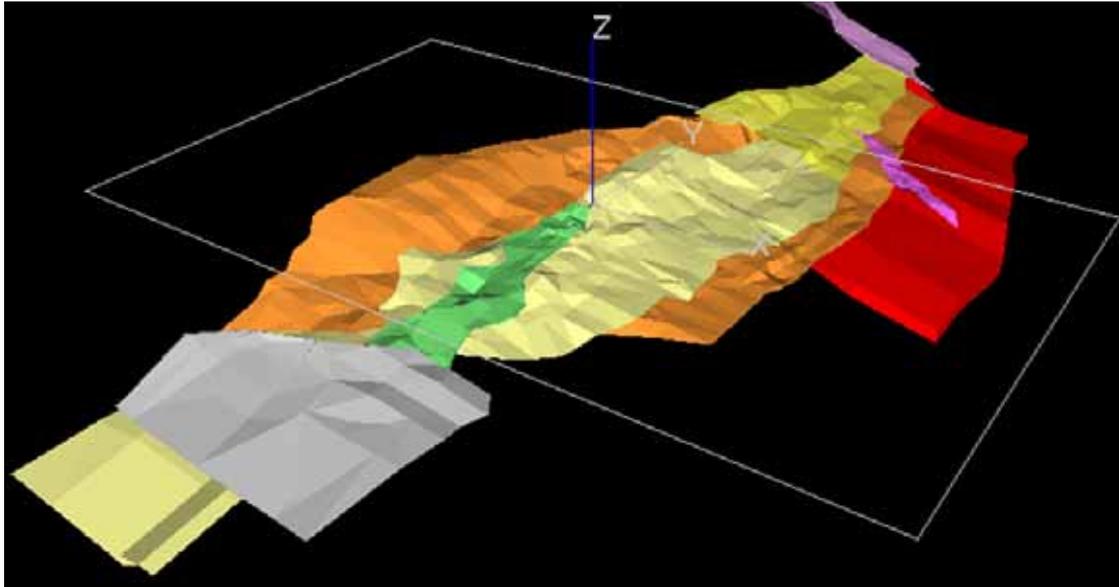


Figure 2. Structural model: Isometric view from the south-east. C Lens (red), B Lens (orange), A Lens (yellow), Central Lens (green), Kaya Lens (grey), Bruce Terrace (dark pink) and Bruce Lens (pink)

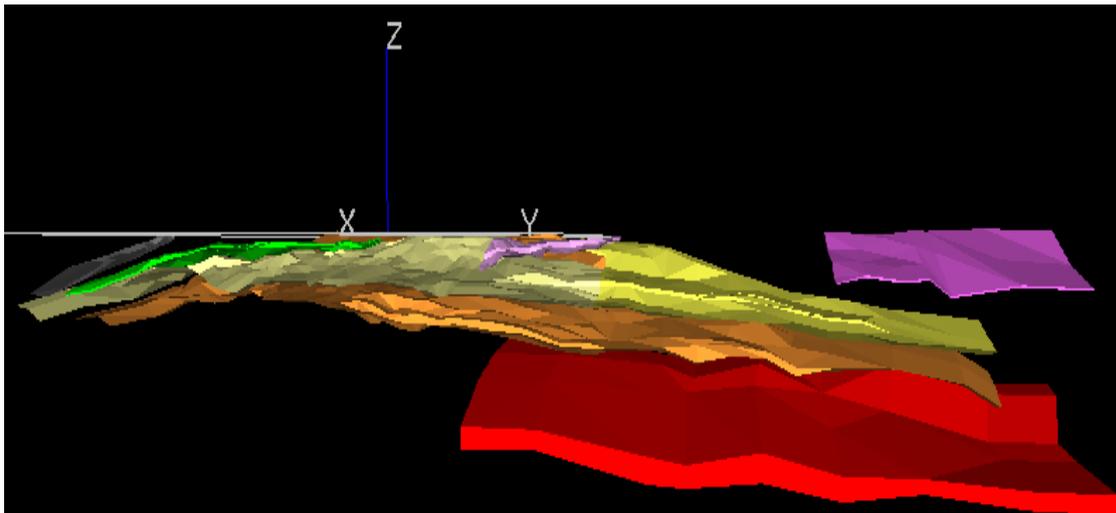


Figure 3. Structural model: View from east. Colour coding as in Figure 2

Drilling to date has shown that the A Lens and B Lens terminate down dip; the C Lens remains open (Figure 4). The A, B and C Lenses remain open-ended down plunge to the north.

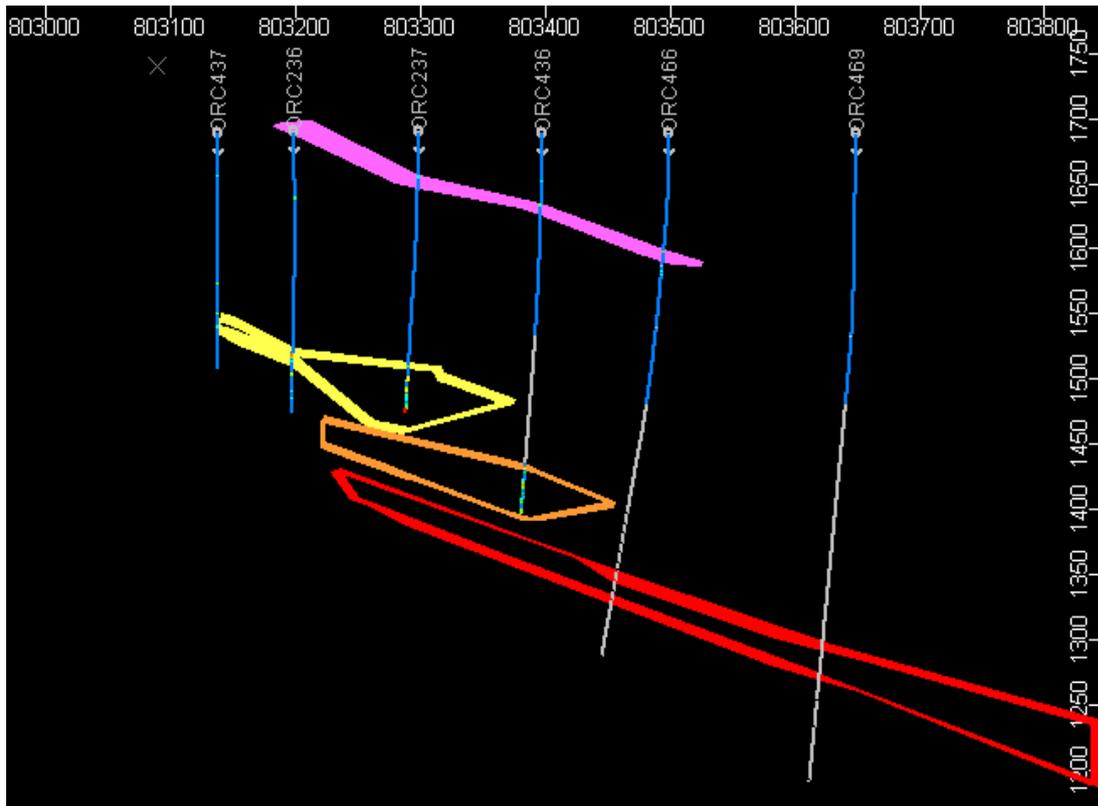


Figure 6. Section 4370N. C Lens (red), B Lens (orange), A Lens (yellow), Bruce (purple)

Exploration Strategy

Craton's exploration objectives at Omitiomire are:

- To expand the resource at Omitiomire;
- To work towards procuring a Mining Licence for Omitiomire;
- To identify additional resource potential within trucking distance of Omitiomire;
- To define and prioritise drilling targets.

A particular objective of company strategy during 2011 has been to demonstrate that the Omitiomire deposit has potential for +1 million tonnes of contained copper. This objective has been achieved.

Drilling, with three rigs, commenced during June. To end-September, a total of 7649m of drilling had been completed (Table 1).

	Holes	Metres	Holes assayed
Percussion holes	3	336	3
Percussion pre-collars	9	1882	9
RC pre-collars	5	1060	0
Diamond holes	14	3040	8
RC holes	10	1331	0

Table 1: Drill advances from June to end September 2011

Hole	From	To	Cu (%)	Width (m)	Comments
ORC226	200.7	306.48	0.63	105.78	
	including:				

	200.7	241.37	1.12	40.67	B Lens
	277.18	306.48	0.51	29.3	C Lens
ORC621	218.87	242	1.42	23.13	A Lens
	252	274.65	0.60	22.65	B Lens
	290.27	302.71	0.38	12.44	C Lens
ORC461	298.74	321.25	0.61	22.51	C Lens
ORC462	243.59	261.79	0.66	18.2	B Lens
	275.74	316.93	1.01	41.19	C Lens
ORC464	316.56	347.06	0.80	30.5	C Lens
ORC466	339.63	349.16	0.64	9.53	C Lens
ORC467	380.96	399	1.02	18.04	C Lens
ORC469	393	413.13	0.70	20.13	C Lens

Table 2: Recent significant assay results

Drilling at Omitiomire West has intersected only erratic and generally low grade copper.

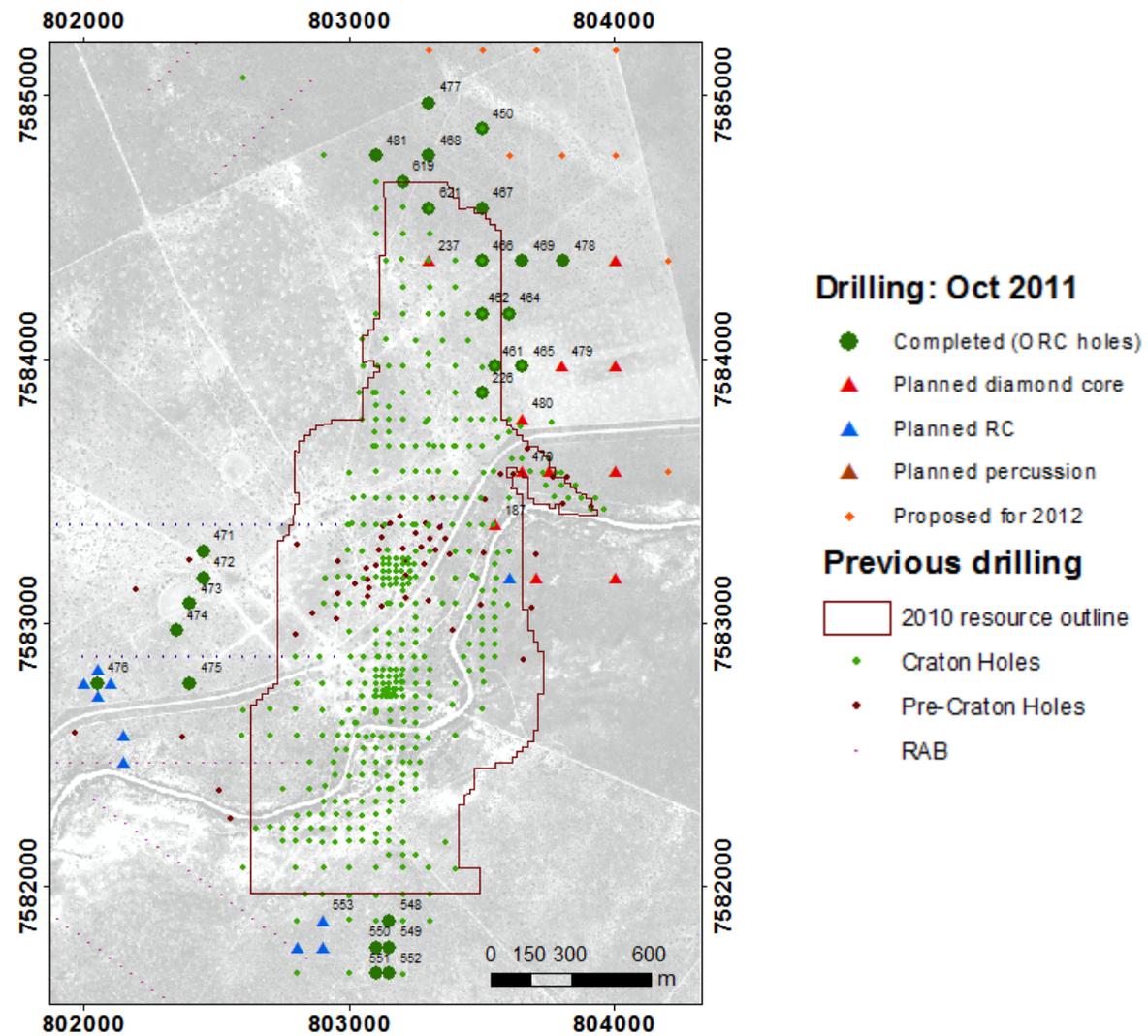


Figure 9. Drilled and planned holes at Omitiomire

Omitiomire Resource

To date, drilling to test the northern and north-eastern extensions has been highly successful, with the intersection of significant mineralised thicknesses. Although the drill hole spacing is too broad to assign a JORC-compliant resource status, this drilling has added substantially to the resource potential.

The current resource is as shown in Table 3:

Cut-off grade	Indicated + Inferred Resource			Resource + Potential		
	Resource	Grade	Metal	Resource + Potential	Grade	Metal
(% Cu)	(Mt)	(% Cu)	(tonnes)	(Mt)	(% Cu)	(tonnes)
0.1	175	0.43	744,000	278	0.48	1,325,000
0.2	145	0.48	696,000	245	0.52	1,272,000
0.25	123	0.53	648,000	219	0.55	1,213,000
0.3	101	0.58	586,000	192	0.59	1,139,000
0.4	71	0.68	484,000	158	0.65	1,023,000

Table 3. Resource estimate by Carrie Nicholls, Senior Resource Geologist, Bloy Resource Evaluation, October 2011 (Note: tonnages have been rounded)

Omitiomire Regional Exploration

Soil geochemical and ground magnetic surveys continued outside the farm Omitiomire to locate satellite copper prospects. During the quarter, a total of 1804 soil samples were collected and analysed by XRF. Soil geochemistry, in conjunction with a magnetic survey, has upgraded the potential of the Waainorth target, a 500m-long copper-in-soil anomaly.

Planned Future Work

Work scheduled for the next quarter encompasses:

- Continued resource extension drilling;
- Continued SEIA monitoring and detailed groundwater studies;
- Continued scoping study for an early oxide mining option. This includes 800m of grade control drilling to obtain an updated grade estimation;
- Depending on the viability of oxide mining, completion of the bulk sample box-cut;
- A ground magnetics survey on the farm Barreshagen;
- Shallow drilling at Waainorth and Borealis to test soil and magnetic anomalies.

STEINHAUSEN PROJECT (excludes EPL3589)

The project area comprises four granted tenements - EPLs 3587, 3588, 3590 and 4054.

Craton's exploration approach has been to blanket the project area with regional-scale soil geochemical surveys (400m x 400m sample spacing) and to follow up geochemically-anomalous areas with hand-auger drilling, ground magnetic surveys, detailed soil geochemistry (100m x 100m sample spacing) and geological mapping.

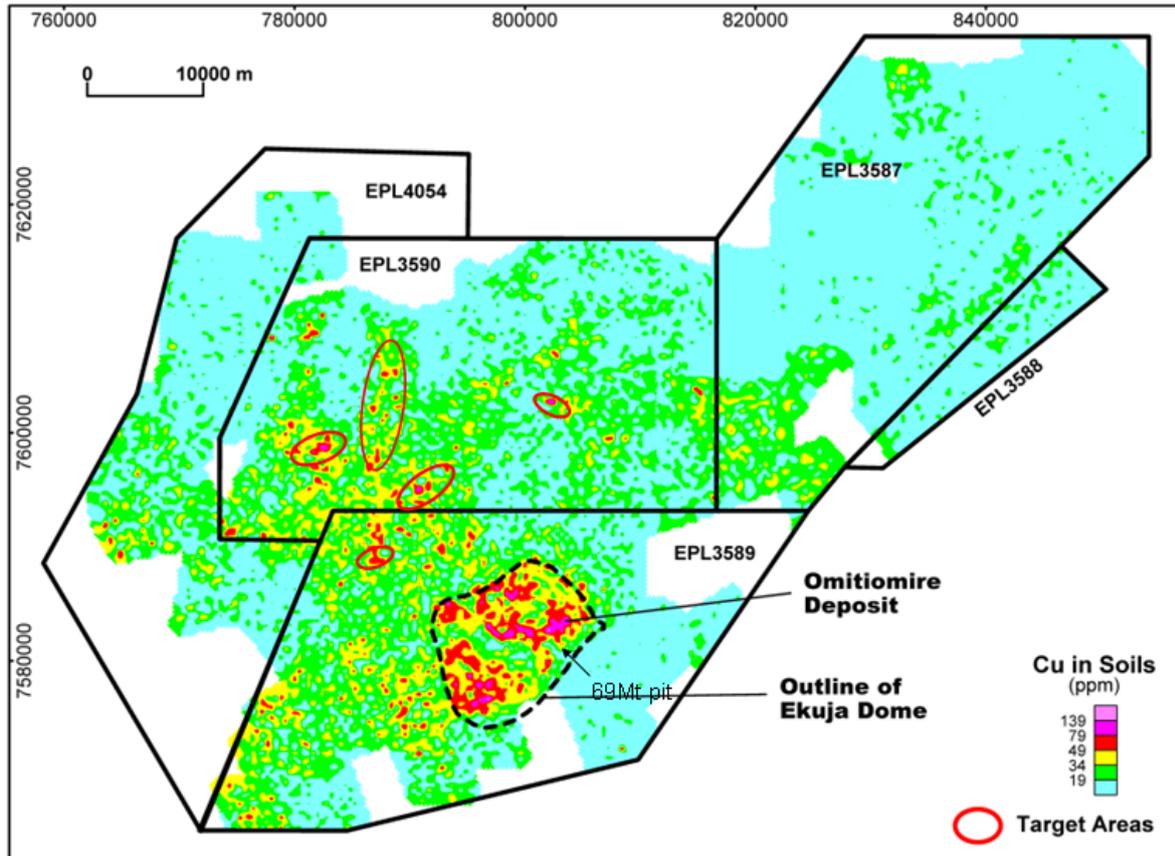


Figure 10. Copper-in-soil geochemistry in the Steinhausen Project, showing target areas

Planned future work:

- Continued 400m x 400m spaced soil sampling and outcrop mapping;
- Follow-up detailed soil sampling and mapping on selected geochemical anomalies;
- Ground magnetic surveys of selected targets;
- Negotiation of access agreements for drilling at the Klip prospect.

KAMANJAB PROJECT

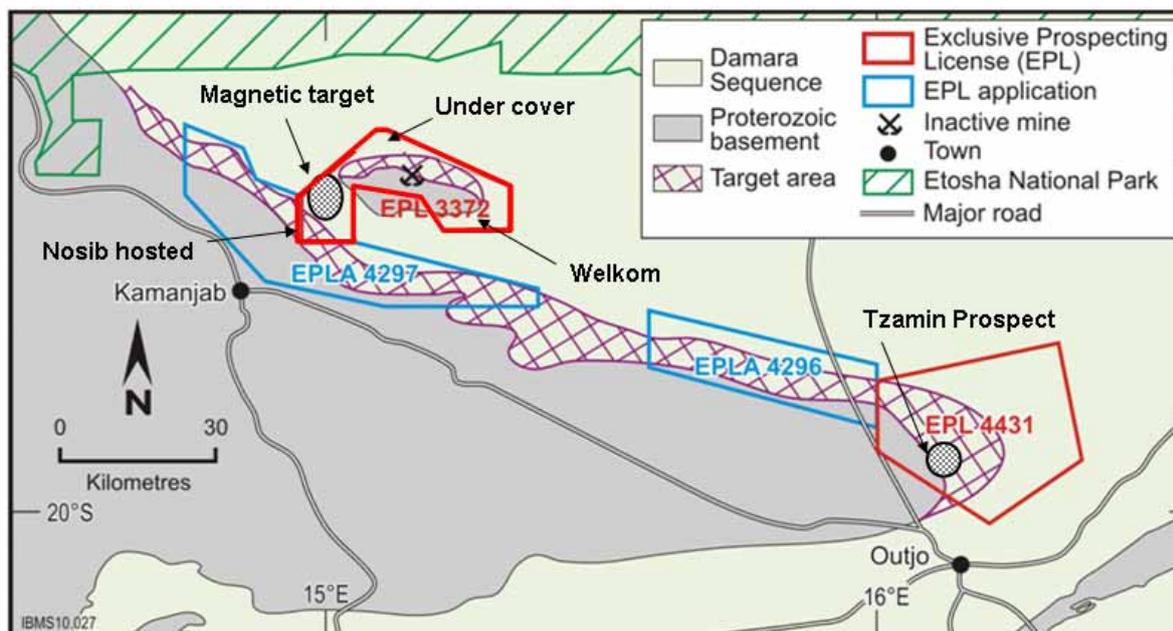


Figure 11. Location of licences and prospects in the Kamanjab Project

In EPL 3372 (Kopermyn), there was no field activity during the quarter. Four target areas have been identified for further exploration. A magnetic anomaly, previously identified by geophysical consultant Mr B Corner, will be tested with up to 500m of RC drilling in four to five drill holes; drilling is expected to be completed during October. A programme of soil geochemistry and reconnaissance mapping is planned to test other target areas.

In EPL 4431 (Tzamin), a geochemical survey identified a copper-in-soil anomaly associated with the Tzamin copper prospect. Planned future work involves:

- Regional soil and termite mound sampling along the basal contact of the Damara Sequence;
- Ground magnetics along the geochemical anomaly identified by recent sampling;
- Compilation and geo-referencing of previous drill hole data;
- A short RC drill programme to test the Tzamin copper prospect and potential extensions to the north-west.

KALAHARI COPPERBELT PROJECT

The Kalahari Copperbelt Project comprises three EPLs, which have discovery potential in three geological situations (Figure 12):

- Stratabound copper-silver occurrences over 60 km strike length of the Kagas Member in EPL 3584;
- Copper-gold in basement rocks of the Rehoboth Group in EPL 4039;
- Stratabound copper-silver within Nosib Group strata at the Sib prospect in EPL 4055.

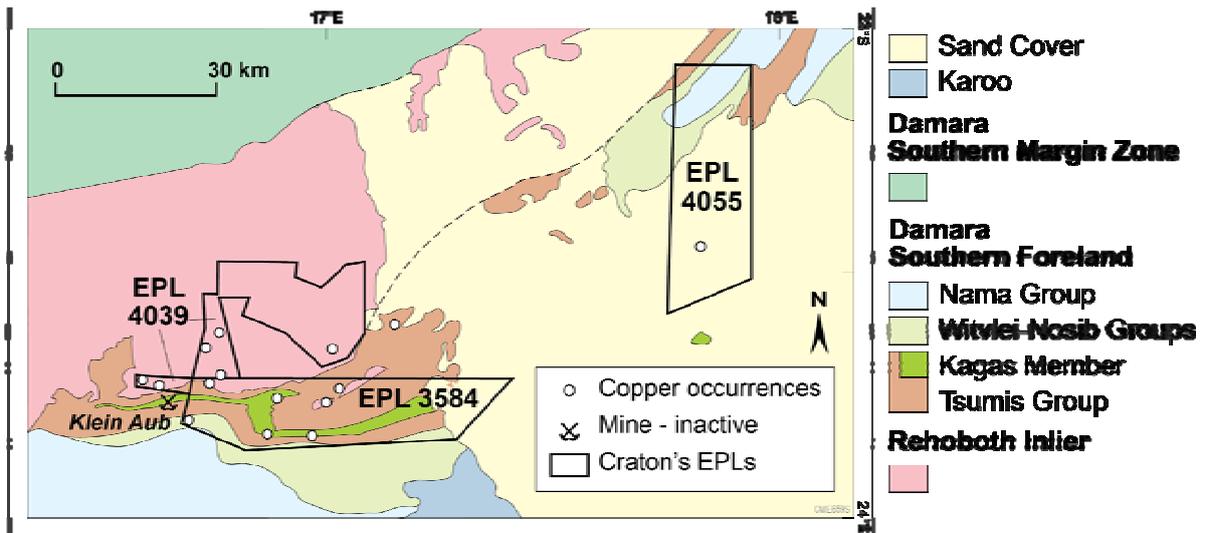


Figure 12. Geological setting of Craton's Kalahari Copperbelt exploration tenements

Exploration has focussed on EPL 3584 (Rehoboth South), where twenty targets have been identified by data research, soil sampling, rock-chip sampling and geological line mapping (Figure 13).

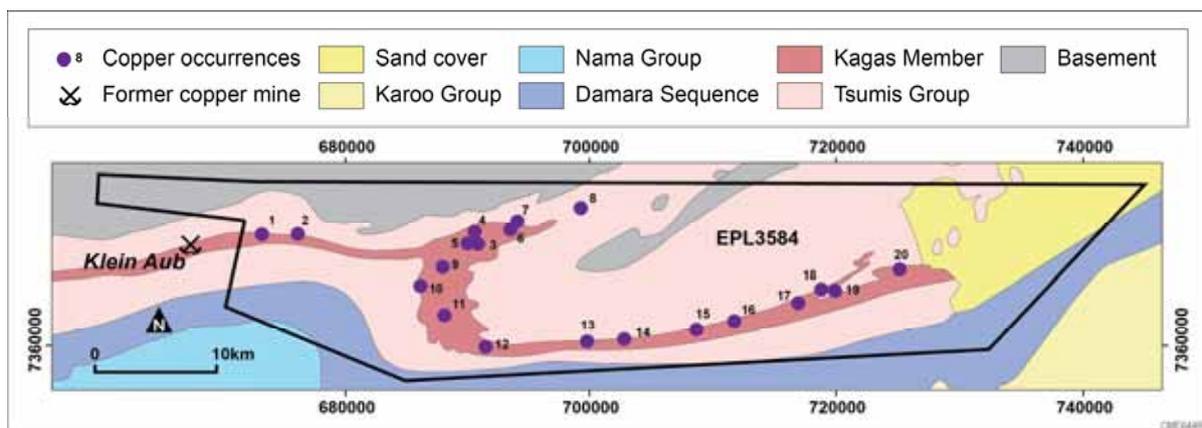


Figure 13. EPL 3584 showing identified targets

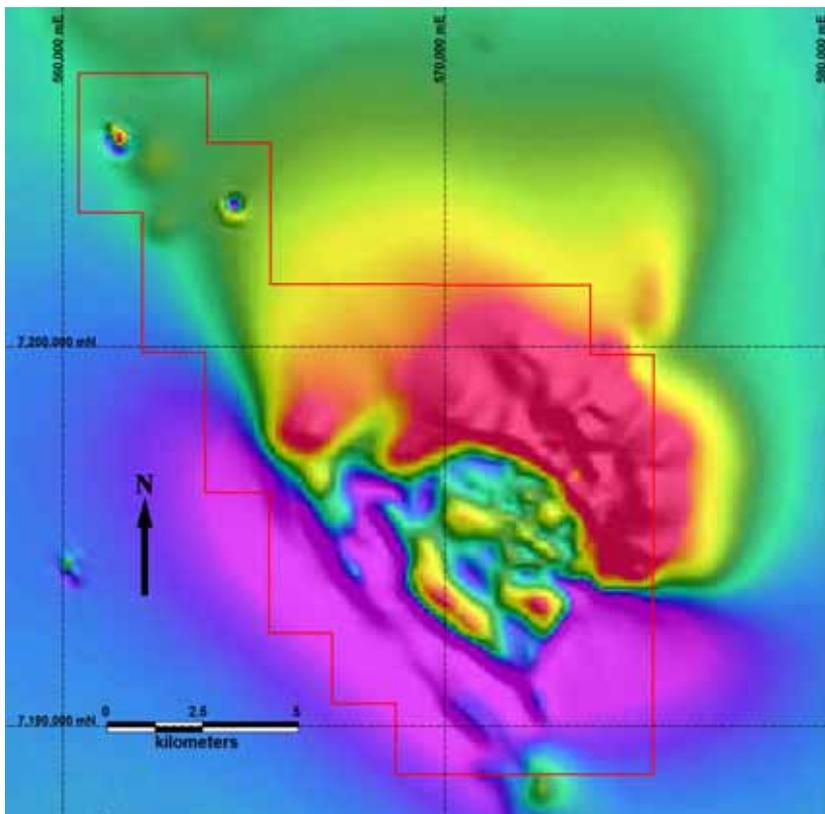
In many of the copper occurrences, outcrop sampling indicates concentrations of around 1% Cu but most are quite narrow, in beds of 1m thickness or less. Target ranking has been based on (a) the outcrop copper concentrations, (b) the observed thickness of the mineralised beds, and (c) the potential for structural thickening down dip.

The targets at Groendorn (targets 3, 4, 5) and at Kalfrivier (targets 17, 18, 19) have potential for significant mineralised thicknesses and are regarded as high priority. During the quarter, two regional exploration teams concentrated on geochemical sampling and geological mapping. In total, 1651 regional soil samples, 12916 detailed soil samples and 308 stream sediment samples were collected during the quarter.

An initial programme of 1200m of RC drilling is planned to test the copper targets at Groendorn.

AUSTRALIAN PROJECTS

Maranoa Resources Pty Ltd



A ground electromagnetic (E.M.) survey is planned to identify targets within the Darkwater mafic-ultramafic complex in EPM 14260. The survey is expected to be completed during November.

Figure 14. Magnetic image of the Darkwater Complex, EPM 14260