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16 January 2013

## International Base Metals Limited

### Quarterly Activities Report – end December 2012

#### HIGHLIGHTS

##### Corporate

- Heilongjiang Heilong Resources Investment Co. Ltd ('Heilong') signed a binding Subscription Agreement to subscribe for A\$30 million in the share capital of IBML, at an issue price of 20 cents per share.

##### Omitiomire Project

- The Omitiomire Surface Rights agreement was extended for a further six months without any increased compensation payments.
- Pre-feasibility studies on a proposed small-scale oxide copper mining and processing project continued. Bench-scale test work showed reduced acid and electricity consumption. A scoping study has been initiated to obtain better cost estimates.
- A 33 tonne oxide copper sample was despatched for pilot plant test work.

##### Other Namibian Exploration Projects

- Sib prospect: Tests show good copper recovery at low acid consumption but poor silver recovery. A scoping study to assess the viability of a small-scale mining and processing operation is planned.
- Kopermyn prospect: Two highly chargeable targets were identified by an induced polarisation survey. Drill testing of these targets confirmed the presence of pyrite in the target strata, but no economic base metals mineralisation has been intersected.
- Epembe project: Due diligence assessment of the tantalum-niobium prospect continued.
- Two new tenements were granted. Craton now holds twelve EPLs covering 9,502 km<sup>2</sup>.

##### Australian Projects

- Drilling at the Mount Hope Project (AuriCula Mines JV with Glencore) has intersected encouraging copper mineralisation.

## CORPORATE ACTIVITIES

### Work Health and Safety

No significant safety incidents were recorded.

Craton Mining and Exploration has made significant improvements to safety management including the appointment of a full time Safety Officer.

### Company Strategy

Assuming that shareholders approve the proposed Heilong investment, then IBML's strategy to end-2013 will be as follows:

#### Priority 1: Omitiomire oxide copper resource

- Complete a feasibility study for a small mining & processing operation to recover copper from the oxide copper resource.
- If the study is positive, apply for a Mining Licence and raise funds to develop the project.

#### Priority 2: Omitiomire sulphide copper resource

- Focus the Company's exploration effort on increasing the sulphide copper resource at, and within trucking distance of, Omitiomire.
- Postpone the previously-planned definitive feasibility study on a copper mining and processing operation based on the existing resource.

#### Priority 3: Epembe project

- Assess the potential for development of a tantalum-niobium operation.
- If the assessment is positive, exercise the option to earn into (31% for \$1.7 million) the next phase by funding and managing exploration of the project.

#### Priority 4: Other Namibian projects

- Carry out a scoping study for a small oxide copper mining & processing operation at the Sib deposit and perhaps also at Tzamin.
- Continue exploration as planned on other projects and maintain tenements in good standing.
- Farm out projects to other parties if and where appropriate.
- Remain alert to new opportunities for more advanced exploration projects.

#### Priority 5: Australian projects

- Continue low-key exploration on existing projects.
- Attempt to re-acquire management of the AuriCula projects near Cobar.
- Suspend the search for other acquisition opportunities pending a proposed strategy planning meeting in first-half 2013.

## Capital Raising

- A breach in the 3% creep rule was reported to ASIC with respect to the earlier \$4.35 million investment by Heilong. ASIC declined to provide a no-action letter regarding the breach.
- Negotiations and discussions continued towards the proposed \$30 million cornerstone investment. The MD and Azure Capital visited Harbin 26-27 October and Sydney 6-7 December to negotiate with Heilong regarding the potential cornerstone investment.
- The Azure Capital appointment as financial and corporate advisors was further extended until 31 January 2013 on a non-exclusive hourly rate. The aim is to finalise the proposed \$30 million investment by Heilong in IBML.
- An independent expert report (IER) was prepared by BDO and Ravensgate.
- On 12 December 2012, Heilong signed a binding Subscription Agreement to subscribe for A\$30 million in the share capital of IBML, at an issue price of 20 cents per share. The Transaction is subject to a number of conditions including:
  - Approval under the Foreign Acquisitions and Takeovers Act
  - Approval by various government agencies in the People's Republic of China
  - Approval by the shareholders of IBML not associated with Heilong or West Minerals
  - ASIC's response to the documents submitted to it by IBML.
- At a Board meeting on 13 December, the non-interested directors provided their support for the proposed investment by Heilong.
- The proposed investment will need to be approved at an Extraordinary General Meeting (EGM) of shareholders scheduled for 29 January 2013. The draft notice of meeting for the EGM was sent to ASIC together with the required IER.
- Both IBML and Heilong provided a waiver of the Condition Precedent regarding ASIC at the request of ASIC.

## Board Meetings

Board meetings were held on 5, 12 and 22 November, and 13 and 19 December.

## Annual General Meeting

The Company's AGM was held in Sydney on 19 December. The annual financial statements and reports were presented to shareholders. Resolutions which were considered and passed without amendment were:

- The re-election of Dr James Macdonald as a Director;
- The re-election of Dr Kenneth John Maiden as a Director;
- The re-election of Mr Zhehong Luo as a Director;
- The appointment of Grant Thornton Audit Pty Ltd as auditor.

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

MD Visit: The MD visited Namibia from 25 November till 4 December.

Craton Board: A Board meeting was held on 28 November.

Omitiomire Surface Rights agreement: Meetings were held with lawyers, the Chamber of Mines and the heirs of the Steyn estate in Windhoek regarding the demand for double the current Surface Rights payments. As a result of these meetings, the Omitiomire Surface Rights agreement was extended for a further six months without any increased compensation.

Kopermyn joint venture: High Power Exploration ('HPX') earned a 51% holding in the Kopermyn tenement but has informed IBML that it will not be funding further work. Additional drilling by Craton will dilute the HPX holding in the JV.

### Epembe Project

- A joint workshop was held and draft JV documents were provided to African Mining Capital Pty Ltd ('AMC'). IBML awaits feedback before finalising this agreement.
- AMC confirmed that it is comfortable in granting pre-approval to the change of control that will result from the proposed subscription in IBML by Heilong and its association with West Resources.
- The MD and Namibia Country Manager visited the Epembe exploration area during the period 30 November to 2 December.

## Australian Projects

AuriCula Mines Pty Ltd: The MD and senior geologist Penny Daven visited Cobar from 7 to 9 November for discussions with Glencore subsidiaries. Glencore subsidiaries have now earned 90% on all AuriCula JV project areas

### HR Activities

Performance appraisals were completed for staff and contractors. Salary adjustments, contract renewals and increases were made where required.

Craton conducted one week of training and team building.

## REVIEW OF PROJECTS

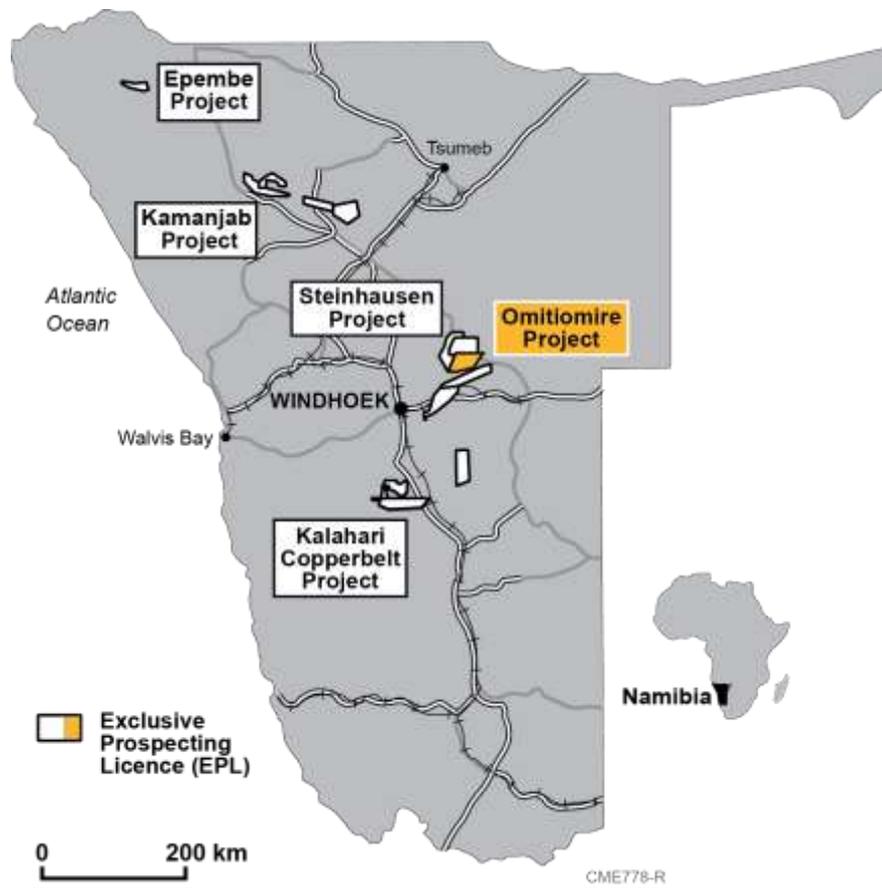


Figure 1. Craton's exploration projects in Namibia

### Omitomire Copper Project, Namibia

#### Strategy

As previously reported, the Company plans a staged approach to bring Omitiomire into production:

- Phase 1 targets the near-surface oxide copper resource;
- Phase 2 targets the larger sulphide copper resource.

Studies towards Phase 1 feasibility are scheduled within the current IBML budget.

## Sulphide Copper Bulk Sample Drilling

For the collection of a 30 tonne bulk sample for metallurgical pilot plant testing, Craton initiated a drilling programme to collect 2500m of large diameter ('PQ' – 85 mm diameter) drill core from 38 holes distributed across the Omitiomire resource (Figure 2). Reverse circulation ('RC') drilling provides pre-collars through the hanging wall rocks to the top of the copper deposit; the more expensive PQ drilling is restricted to the mineralised zone.

Due to the change in the Company's Omitiomire strategy, the drilling programme was terminated in early November, after having completed a total of 1378m of RC pre-collars and 735m of diamond core since August 2011. Twelve large diameter holes were completed and two pre-collars are left open for future deepening with PQ core.

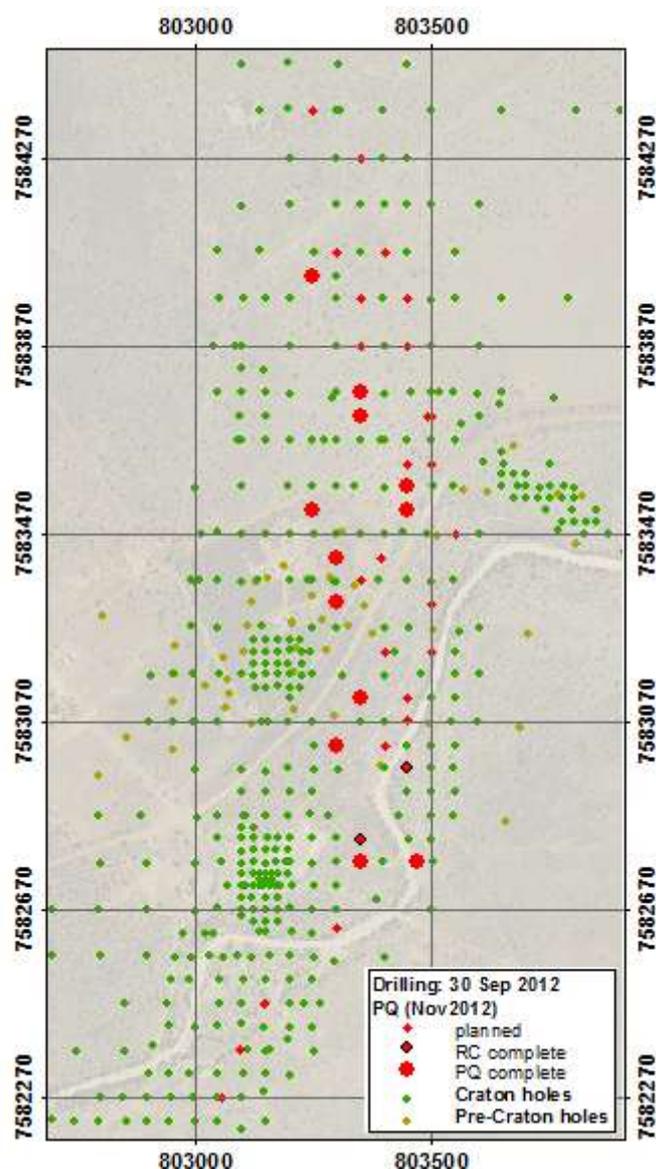


Figure 2. Omitiomire drilling progress. The three areas of closely-spaced drilling contain the oxide copper resource planned for extraction from three shallow pits. The bulk sample was collected from the southern area

## Phase 1 Oxide Copper Project

The 2012 “Order of Magnitude” study determined that a Phase 1 oxide copper operation at Omitomire is likely to be profitable as a stand-alone operation from three shallow pits and a beneficiation process of: crush – screen – dense medium separation (DMS) – mill – sulphide float – solvent extraction – electrowinning (SX-EW).

Resource and mining: Preliminary pit designs of three pits (Cube Consulting, September 2011) contain a total of 0.99 million tonnes (Mt) at 1.18% Cu plus 0.87 Mt at 0.52% Cu, based on a shallow oxide copper resource estimate (Bloy Resource Evaluation, March 2012). At a mining rate of 45 tonnes per hour, the pits could produce high grade ore for three years and accumulate a low grade stockpile for a further three years of plant production.

Craton has engaged Bloy Resource Evaluation to provide an updated resource estimate. An aerial topographic survey has been completed, providing detailed surface contours for planning purposes.

Metallurgical testing: A 33 tonne bulk sample of oxide copper material has been excavated and despatched to the Mintek Laboratories in Johannesburg for pilot plant testing, which will commence in January 2013.



*Figure 3. Excavating the oxide copper bulk sample pit, November 2012*

Social and environmental impact assessment (SEIA): Routine monitoring of groundwater, dust and the weather station continued.

Project financials: The Order of Magnitude study and subsequent bench-scale metallurgical test work indicate a capital outlay of US\$34.4 million, a processing plus fixed cost of US\$15.10 per tonne of ore and assumes a mining cost of US\$4.00 per tonne. High level financial estimates infer a payback period of 2.5 years at a copper price of US\$3.50 /lb.

A scoping study has been initiated to obtain better estimates of the expected mining, processing and infrastructure costs.

### Omitiomire Regional Exploration

At the Waainorth target, an RC drill programme of 743m was completed during the quarter. Drill holes intersected low concentrations of copper (up to 0.3% Cu analysed by XRF) within a pyritic calc-silicate horizon. No further work is currently envisaged.

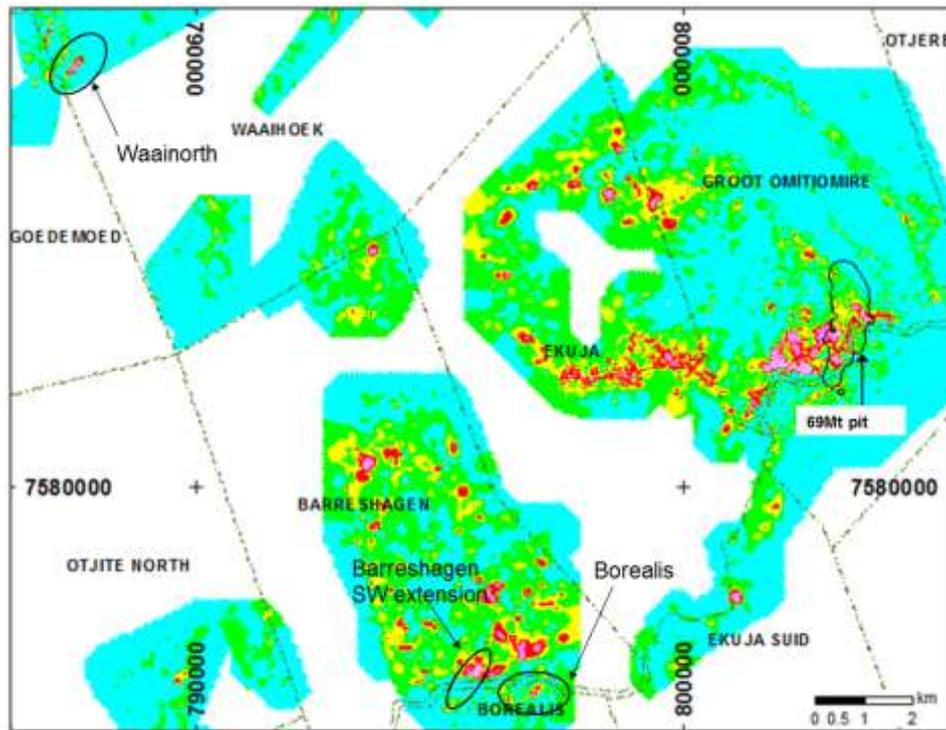


Figure 4. Soil geochemistry of the Ekuja Dome and Waaihoek.

## Other Namibian Exploration Projects

### Steinhausen Project

The Project currently consists of four licences including two licences granted on 9<sup>th</sup> November (EPL 4150 and EPL 4151). Historical exploration data for these two licences has been compiled.

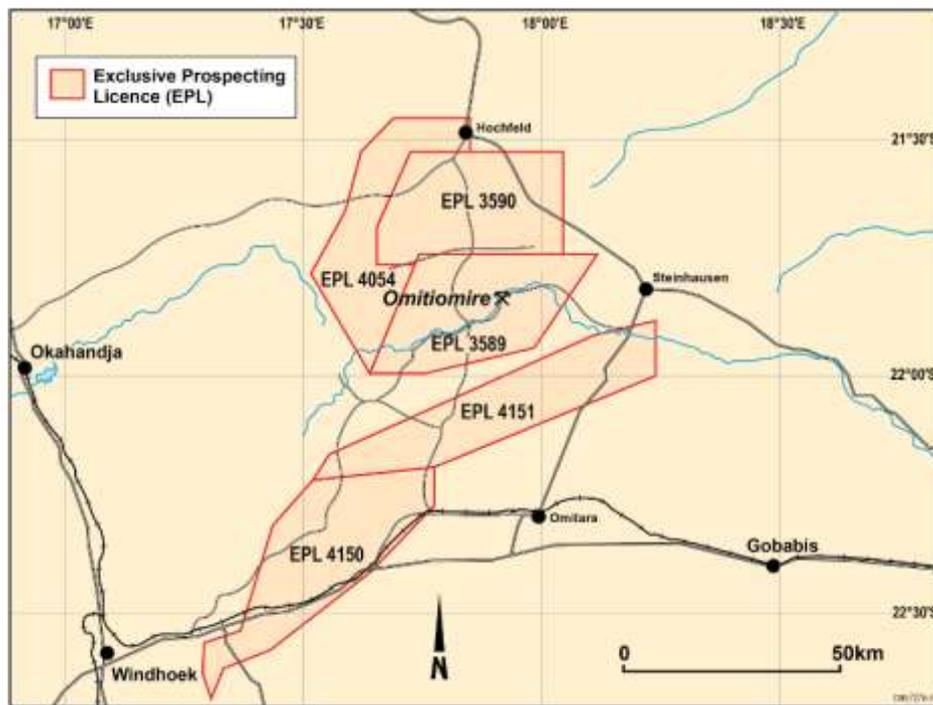


Figure 5. Location of licences in the Omitiomire and Steinhausen project areas

EPL 3590: Negotiations to access the Klip prospect have stagnated and a request for assistance from the Ancillary Rights Commission is necessary. An initial 1200m of drilling is planned to ground-truth the prospect as soon as the access agreement is signed.

#### Planned future work

- Assessment of the historic exploration data on EPL 4150 and EPL 4151;
- Negotiation of access agreements to selected prospects;
- Follow-up with detailed geochemical sampling on selected anomalies;
- Exploration for Navachab-style gold in the northwest of the project area (EPL 4054);
- Ground magnetic coverage of selected targets.

## Kalahari Copperbelt Project

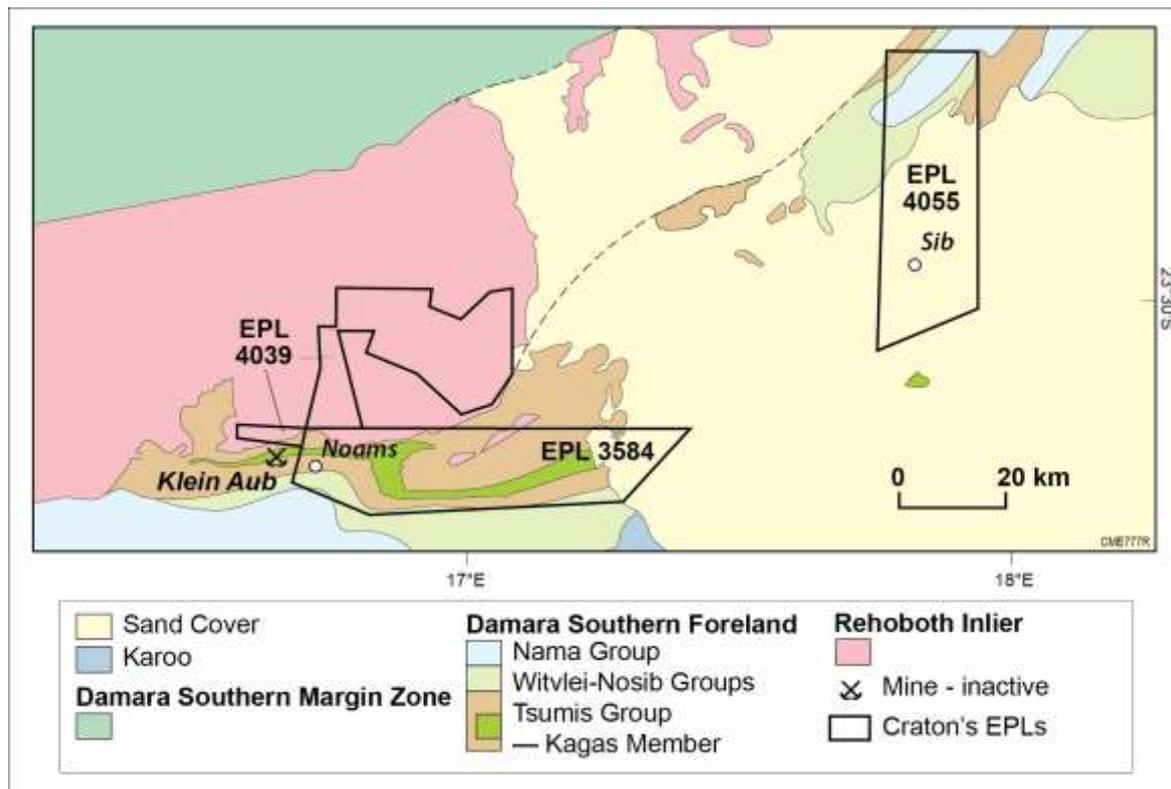


Figure 6. Craton's Kalahari Copperbelt tenements

EPL 4055 (Sib prospect): The deposit lies mainly at shallow depth. To a depth of 35m, in-house estimates show a potential of 700,000 tonnes at 0.9% Cu and 26 ppm Ag.

A representative sample was sent to Suntech Geomet Laboratories in Johannesburg for bench-scale metallurgical testing. Updated bench-scale test work delivered the following results:

- Bottle roll tests showed 87% copper recovery at a very low acid consumption of 6 kg of acid per tonne of ore;
- Column tests showed 92% copper recovery and acid consumption of 15 kg of acid per tonne of ore;
- Copper recoveries from the coarsest fraction (+0.85 mm) were the same as from the finer fractions, indicating that inexpensive recovery of copper by means of crushing and heap leaching is possible;
- Cyanide leach tests to extract silver recovered an average of only 8%, although up to 17% silver was recovered from the finer fractions. At this stage, most silver appears to be refractory.

Planned future work includes an "Order of Magnitude" feasibility study, further drilling, a scoping study and environmental studies to test the viability of mining and processing a small deposit at Sib.

EPL 3584 (Rehoboth South) – Kagas Trend: Over the past 18 months, Craton has drilled 74 RC holes (2,969 m) at 10 'green-bed' targets in the Kagas Member with minimal success. A re-assessment of all data has down-graded the potential for discovery of a substantial copper deposit in the Kagas Trend.

EPL 3584 (Rehoboth South) – sandstone copper targets: Attention has now focused on the potential for sandstone-hosted copper. At the Noams prospect, Craton teams completed a magnetic survey and a detailed soil geochemical survey across the area of interest. A small RC drilling programme is planned for early 2013.

### Kamanjab Project

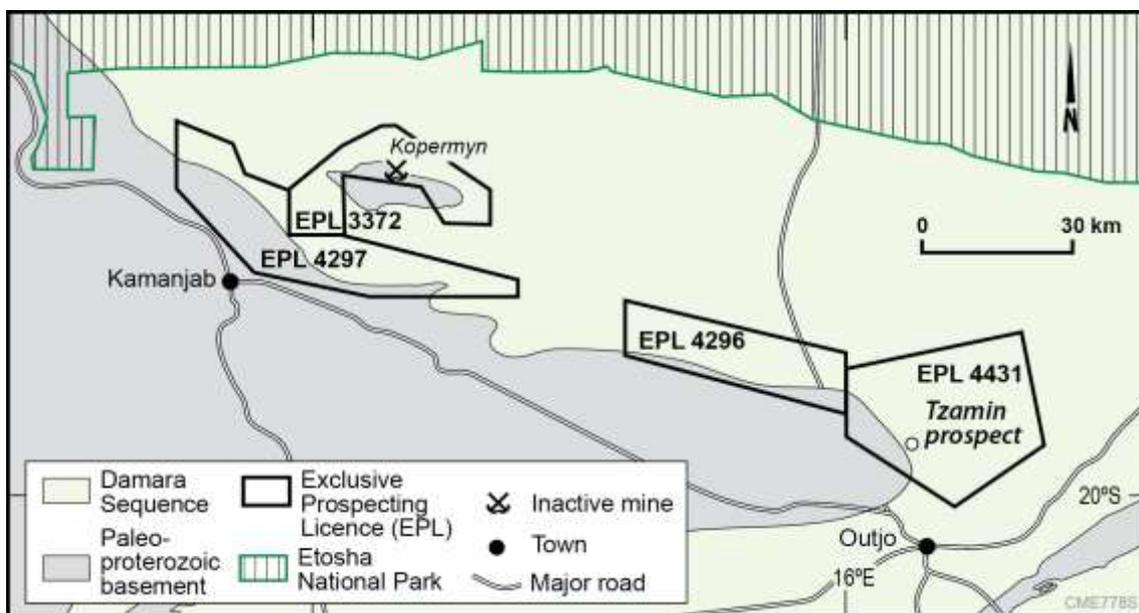


Figure 7. Kamanjab Project: Geological setting and tenement position

EPL 4296 (Tzaus) and EPL 4297 (Vaalberg): The licences were granted on 2 October and environmental clearance certificates submitted on 5 November. During the quarter, soil geochemical surveys were initiated on EPL4296.

EPL 4431 (Tzamin): Soil geochemical surveys continued along the basal contact of the Damara Sequence.

Mineralised samples from the earlier (September 2012) RC drilling at the Tzamin copper prospect were analysed by ICP. Elevated copper and silver were confirmed at shallow depth in several drill holes, including:

- Hole TZR001: 4m at 0.59% Cu from 24m depth
- Hole TZR003: 2m at 1.25% Cu and 110 g/t Ag from 41m depth
- Hole TZR018: 5m at 0.66% Cu and 7 g/t Ag from 54m depth
- Hole TZR019: 2m at 1.41% Cu and 103 g/t Ag from 28m depth.

EPL 3372 (Kopermyn Joint Venture): As previously reported, drill hole KOP154 was sited to test an induced polarisation (IP) target identified by the High Power Exploration (HPX) “Typhoon” system. That hole failed to intersect significant copper mineralisation. The IP anomaly was apparently caused by pyritic strata.



*Figure 8. Examining KOP154 drill core, September 2012*

A second drill hole (KOP155), sited to test a shallower IP target was completed during the quarter. That hole also intersected pyritic strata but no significant base metal concentrations.

HPX have completed Phase 1 of the JV term sheet agreement by spending US\$650,000 to earn 51% of the Kopermyn licence. Based on the results of the two drill holes, HPX have opted not to continue to Phase 2. Craton’s expenditure on the joint venture, by deepening hole KOP154, will dilute HPX’s share to below 50%.

Craton has lodged a tenement renewal application with a reduction in area.

### **Epembe Project**

During the quarter, exploration activities consisted of:

- 16 diamond drill holes, totalling about 1100m: Analytical results are being assessed.
- A ground radiometric survey: A number of uranium and potassium anomalies require further follow-up.



*Figure 9. Mineralised carbonatite in drill core from Epembe*

Preliminary metallurgical assessment is scheduled to commence in January 2013.

## Australian Projects

### Maranoa Resources Pty Ltd

At EPM 14260 (Darkwater), the electro-magnetic (EM) survey is partly completed. The survey crew will return to the field area after their Christmas break.

### AuriCula Mines Pty Ltd

These projects are managed by Cobar Management Pty Ltd ('CMPL'), a subsidiary of Glencore Australia.

#### Mount Hope Project

- CMPL has prepared environmental and heritage studies and documentation for submission to the NSW state government in support of an application for Minister's Consent to enable exploration to be carried out within the Nombinnie State Conservation Area. The area contains two exploration targets, including known gold at the Nombinnie prospect.
- Drilling in the Great Central – Comet area has intersected fault-related copper mineralisation with associated elevated zinc, lead and silver concentrations. The best intersections were:
  - Hole GCDD11001: 9m at 1.09% Cu from 364m depth
  - Hole GCDD11003A: 26.2m at 0.48% Cu from 507m depth.

Assessment of the data is in progress.

### Shuttleton Project

- A down-hole EM survey in diamond drill hole SHDD12004 detected a moderate conductor beyond the end of the hole. It has been decided to extend the hole to test the conductor. This drilling is currently in progress.
- Logging and sampling of diamond drill core is in progress.
- A CSAMT survey has been resumed.