

# PROSPECTUS

ABN 73 100 373 635 | Proposed ASX code: IBM

For the Offer of up to 150,000,000 Shares at an issue price of 20 cents each to raise AUD 30,000,000.

Lead Manager  
Austock Securities Limited AFSL No: 244410

THIS PROSPECTUS PROVIDES IMPORTANT INFORMATION TO ASSIST INVESTORS IN DECIDING WHETHER OR NOT TO INVEST IN THE COMPANY. IT SHOULD BE READ IN ITS ENTIRETY TOGETHER WITH THE APPLICATION FORM ATTACHED TO THIS PROSPECTUS. YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS IN SECTION 11 IN LIGHT OF YOUR PERSONAL CIRCUMSTANCES AND SEEK PROFESSIONAL ADVICE BEFORE YOU DECIDE WHETHER TO INVEST. THE OFFER DOES NOT TAKE INTO ACCOUNT YOUR INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS. AN INVESTMENT IN THE SHARES OFFERED UNDER THIS PROSPECTUS CAN BE CONSIDERED TO BE SPECULATIVE.

## IMPORTANT INFORMATION

This Prospectus is dated 15 November, 2010 and a copy of this Prospectus was lodged with the ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Shares will be issued or allotted under this Prospectus later than the Expiry Date of this Prospectus, which is 13 months after the date of this Prospectus. The Company will apply to the ASX for listing and quotation of its Shares within seven days after the date of this Prospectus.

Before deciding whether to invest in the Company, potential investors should read the entire Prospectus, since the information contained in the individual Sections is not intended to and does not provide a comprehensive review of the business, risk factors and the financial affairs of the Company or the Shares offered under this Prospectus. The Company is undertaking exploration with a view to mine development and the risks are, therefore, significant. Investors should consider the risk factors in the context of their personal circumstances and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares offered under this Prospectus.

The Summary Independent Geologists' Report by Snowden in Section 7 of this Prospectus is a concise version of the Full Independent Geologist's Report submitted to the Company by Snowden. To read the Full Independent Geologist's Report prospective investors can download the Full Independent Geologist's Report from the Company's website at [www.ibml.com.au](http://www.ibml.com.au) or obtain a copy from ASIC.

No person is authorised to give information or to make any representation in connection with this Offer described in the Prospectus, which is not contained in the Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice on and observe such restrictions.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the payment of a return on the Shares. Certain terms and abbreviations used in this Prospectus have defined meanings, which are set out in the Glossary.

This Prospectus will be issued in paper form and as an Electronic Prospectus. The Offer is available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing to another person the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. The electronic Prospectus may be viewed online during the Exposure Period at: [www.ibml.com.au](http://www.ibml.com.au). Any person accessing the Electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. A paper Prospectus will be provided to any person who requests a copy by contacting the Company during the Offer period.

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period

is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with Section 724 of the Corporations Act.

No Application for securities under this Prospectus will be processed by the Company until the Opening Date of the Offer, which occurs after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

## PRIVACY DISCLOSURE

The Company collects information about each Applicant provided on the Application Form for the purposes of processing the Application, and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about security holders (including name, address and details of the securities held) in its Register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under the law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## COMPETENT PERSON'S STATEMENT

The information in this Prospectus (other than that included in the Summary Independent Geologists' Report contained in Section 7 and the Full Independent Geologists' Report incorporated by reference or as otherwise indicated) that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Ken Maiden, who is a Member of The Australasian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy.

Dr Ken Maiden has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Ken Maiden consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

## Directors

Dr A James Macdonald  
(Non-executive Chairman)  
Mr Frank Bethune (Managing Director)  
Dr Kenneth Maiden (Executive Director)  
Mr Alan Humphris (Non-executive Director)  
Dr Deng Jiniu (Non-executive Director)  
Mr Chen Qiang (Alternate to Dr Deng)

## Company Secretary

Mr John Stone

## Registered Office

Level 8, 275 George Street  
Sydney NSW 2000, Australia  
Telephone: + 61 2 8223 3777  
Facsimile: + 61 2 8223 3799

## Solicitor to the Offer

Gadens Lawyers, Skygarden Building  
77 Castlereagh Street, Sydney  
NSW 2000, Australia  
[www.gadens.com.au](http://www.gadens.com.au)

## Solicitor's Report on the Namibian Tenements

Engling Stritter & Partners  
P.O. Box 43, 12 Love Street,  
Windhoek, Namibia

## Independent Geologists

Snowden Mining Industry Consultants Pty Ltd  
87 Colin Street West Perth WA 6005 Australia  
[www.snowdengroup.com](http://www.snowdengroup.com)

## Independent Report on the Australian Tenements

Hetherington Exploration &  
Mining Title Services Pty Ltd  
503 Willoughby Road, Willoughby  
NSW 2068, Australia  
[www.hemts.com.au](http://www.hemts.com.au)

## Investigating Accountants

BDO Securities (NSW-VIC) Pty Ltd,  
Level 19, 2 Market Street,  
Sydney NSW 2000, Australia

## Share Registry

Registries Limited,  
Level 7, 207 Kent Street  
Sydney NSW 2000, Australia  
Telephone: +61 2 9290 9600

## Lead Manager

Austock Securities Limited  
Level 12, 15 William Street  
Melbourne VIC 3000 Australia

## Auditor

BDO Audit (NSW-VIC) Pty Ltd  
Level 19, 2 Market Street  
Sydney NSW 2001  
Australia

## Website

[www.ibml.com.au](http://www.ibml.com.au)



Omitiomire drill core

# “Dense medium separation of crushed ore can achieve a significant increase in the copper grade of ore milled and treated to 1% Cu”

This information is a selective overview only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. Investors should read this Prospectus in its entirety and not rely solely on this overview.

1. The Omitiomire Project has a Resource (approximately 20% Indicated, 80% Inferred) of 117 million tonnes of ore at 0.5% average copper (**Cu**) grade using a cut-off grade of 0.25% Cu reported in accordance with the Joint Ore Reserves Committee (**JORC**) Code and Guidelines. A complete resource tabulation is provided at Section 5.3.2.
2. On the basis of a positive outcome of the recent pre feasibility study (**PFS**), Directors have decided to proceed to a definitive feasibility study (**DFS**).
3. The PFS demonstrates that dense medium separation of crushed ore can achieve a significant increase in the copper grade of ore milled and treated to approximately 1% Cu.
4. The PFS also demonstrates that the copper concentrates produced for sale should contain in excess of 50% Cu.

Cut-off (%Cu)	Resource (Mt)	%Cu	Cu (t)	Cu (Mlb)
0.10	202	0.36	726,000	1600
0.20	143	0.45	638,000	1406
0.25	117	0.50	579,000	1277
0.35	74	0.61	453,000	999
0.45	50	0.71	356,000	785

Table 1.1: Omitiomire Summary Resource (approx. 20% Indicated, 80% Inferred) (Hellman & Schofield, 2010). Numbers have been rounded. (t = tonnes; Mlb = million pounds weight)

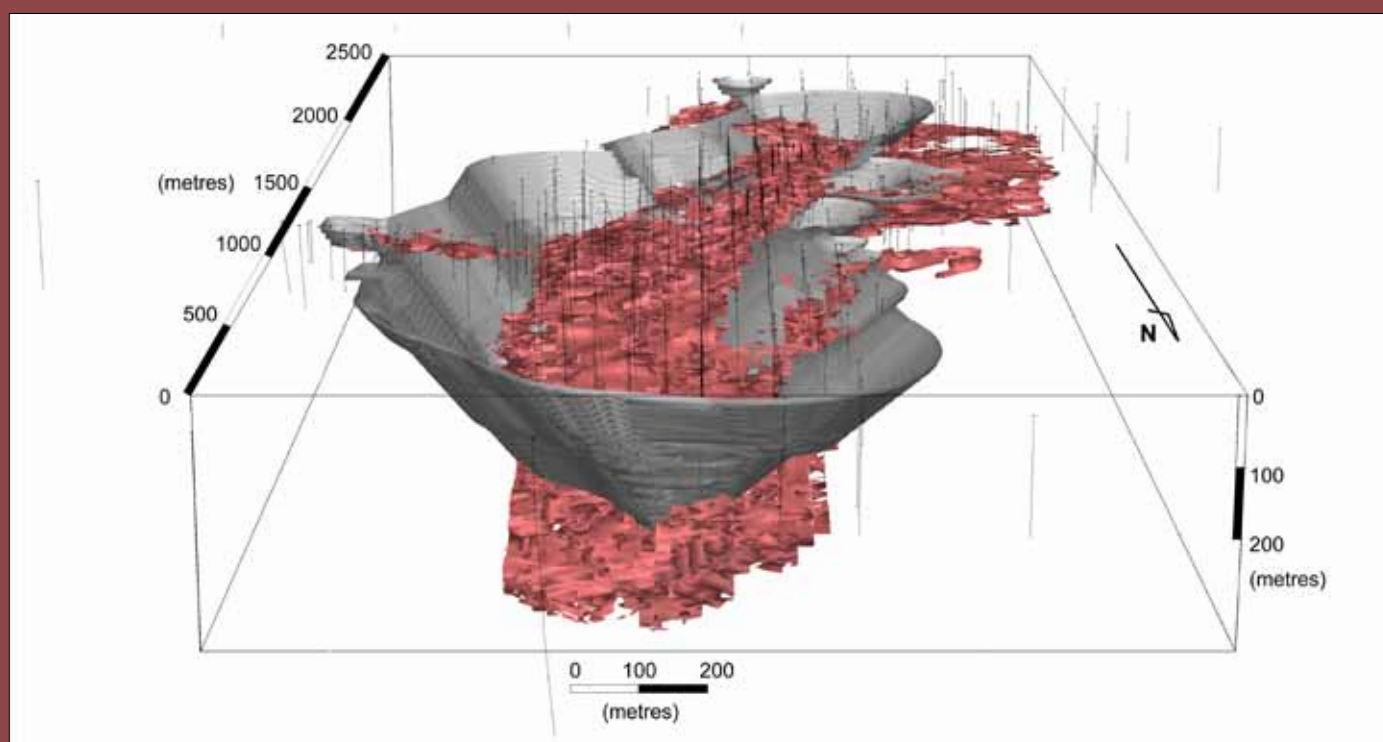


Figure 1: East-west view of Omitiomire deposit showing PFS planned 69 million tonne pit. The deposit remains open to the east and north

# INVESTMENT HIGHLIGHTS

- 5. The Company holds a cluster of highly prospective tenements around the Omitiomire Project. Soil geochemical surveys have identified extensive copper anomalies, offering potential for further discoveries within trucking distance of the Omitiomire Project.
- 6. Two further copper projects in Namibia and two early stage exploration projects in Australia have not yet been subject to focused exploration. These have the potential to support significant resource growth.
- 7. Namibia is a favourable country for mineral exploration and investment with a well developed mining industry and existing infrastructure in a low political risk jurisdiction. Major mining projects currently operating in Namibia include Rio Tinto's Rössing uranium mine, AngloGold Ashanti's Navachab gold mine and Paladin Energy's Langer Heinrich uranium mine.

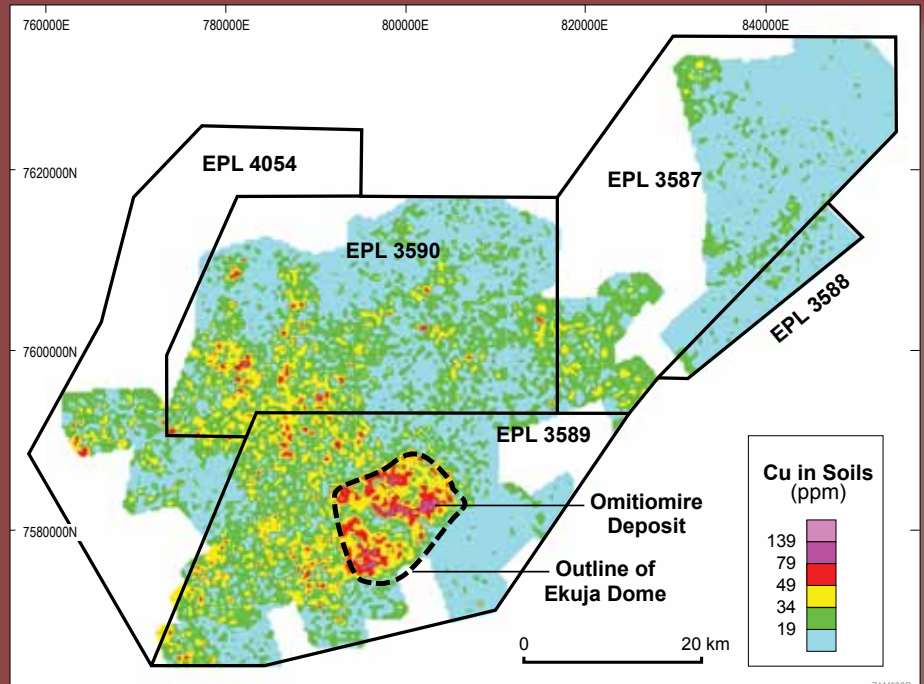


Figure 2: Copper-in-soil geochemistry, Omitiomire and Steinhausen Projects. The Omitiomire copper deposit lies within the Ekuja Dome, which appears as a highly copper-anomalous area (shown by yellow, red and purple shades). There are also extensive anomalies outside the Ekuja Dome

“579,000 tonnes contained copper”



Figure 3: Map of Namibia showing selected mines and location of exploration tenements and applications held by IBML's wholly-owned Namibian subsidiary, Craton Mining and Exploration (Pty) Ltd

# KEY RISKS

## INVESTMENT RISKS

Prospective investors should read this Prospectus in its entirety and, in particular, before deciding on whether to apply for Shares under this Prospectus, consider the risk factors set out in Section 11 which may have a material impact on the Company's position and performance. A summary of the key risks are:

Risks inherent in the Omitiomire Project:

- The Company plans to complete a DFS in respect to the Company's major project, the Omitiomire Project in Namibia. There are a number of technical risks and uncertainties related to the evaluation of the proposed mining and mineral processing operations. There can be no guarantee that the DFS will find that the Omitiomire Project is an economically viable mining project.

Risks associated with Namibia:

- Most of the Company's projects are located in Namibia. While Namibia is considered to be politically stable with well established laws, regulations and systems relating to the grant of mining and exploration titles, there can be no guarantee that changes to these laws and regulations will not be imposed in the future;
- The Namibian government has some discretion in the granting of Mining Licences. Accordingly, there can be no guarantee that the Company will procure a Mining Licence for the Omitiomire Project area or receive the requisite approvals and funding for ultimate mine development; and
- The Namibian Government has sought and may seek to require companies to transfer an equity interest in the company holding or applying for mineral licences to either a Namibian Government entity or to what are referred to as certain previously disadvantaged Namibians, as a condition of the grant or transfer of such mineral licences.

General mining and exploration risks:

- Mining and exploration licences are subject to periodic renewal in Namibia and Australia. There are no guarantees that the Company's exploration licences will be renewed. Further, renewal or transfer conditions may be imposed upon the Company's exploration licences in the future;
- Mineral exploration activities are subject to numerous risks including operational risks and environmental accidents; and
- Commodity prices, including the market price of copper may vary over time and may substantially impact upon exploration and development programmes and consequently, the Company's Share price.

If in any doubt about whether to invest in Shares offered pursuant to this Prospectus, prospective investors should seek independent professional advice.

“potential for further discoveries within trucking distance of the Omitiomire Project”

# KEY INFORMATION

## KEY OFFER STATISTICS

Subject to the Offer being subscribed to the Minimum Subscription level, the key Offer statistics are outlined in Table 1.2.

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Offer price per Share	\$0.20	\$0.20
Number of Shares already on issue	330,169,559	330,169,559
Number of Shares offered under this Prospectus	125,000,000	150,000,000
Options already on issue <sup>1</sup>	24,500,000	24,500,000
Gross Proceeds from Offer	\$25,000,000	\$30,000,000
Market Capitalisation at the Offer Price <sup>2</sup>	\$91,033,912	\$96,033,912

Table 1.2

- 1 The Options comprise 22,000,000 options exercisable into Shares upon payment of 20 cents per Option on or before 20 December 2012 and 2,500,000 options exercisable into Shares upon payment of 30 cents per Option on or before 3 October 2013. Refer to Section 13.3.2 for full details of the terms of the Options. No Options are to be issued pursuant to the Offer.
- 2 Market capitalisation amount has been rounded to the nearest whole number. It does not include the impact of the exercise of any Options.

## INDICATIVE TIMETABLE

The following dates contained in Table 1.3 are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice. Applicants are encouraged to apply as soon as possible after the Offer opens.

Lodgement of Prospectus with the ASIC	15 November 2010
Offer Opening Date	22 November 2010
Offer Closing Date	6 December 2010
Allotment of Shares under this Prospectus (anticipated dispatch of holding statements)	13 December 2010
Expected date for ASX Listing (quoting of Shares on ASX)	17 December 2010

Table 1.3

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# 1. CHAIRMAN'S LETTER



# Chairman's Letter

Dear Shareholder and Investor,

On behalf of the Board of International Base Metals Limited, I am pleased to present to you this Prospectus for the Company's initial public offering and invite you to join me as a Shareholder in the Company.

IBML, through its wholly owned subsidiary, Craton, has advanced the Omitiomire Project in central Namibia. We commenced work on the Omitiomire Project in 2007 after identifying that it could contain a substantially higher copper resource than the 71,000 tonnes contained copper defined at that time. After an extensive exploration programme, we have a defined Resource of over 579,000 tonnes of contained copper (at a 0.25% Cu cut-off grade) reported in accordance with the Joint Ore Reserves Committee (JORC) Code and Guidelines. The success of this exploration programme, and the Directors' expectations of further substantial increases to the current Resource, demonstrates the exciting potential of the Omitiomire Project.

A pre-feasibility study (**PFS**) was completed in May 2010 on the Omitiomire Project. The PFS produced positive results which are the basis for the Company deciding to undertake a Definitive Feasibility Study (**DFS**). The major purpose of the funds raised in the IPO will be to finance the DFS in respect to the Omitiomire Project. During the DFS process, substantial further drilling will be carried out in and around the Omitiomire Project site, which the Directors believe should increase the mineable copper resource. In addition, the aims of the DFS are to confirm the economic viability of the project, reduce resource risk and optimise mining parameters.

The Directors of the Company consider Namibia to be a favourable country for mineral exploration and investment. Our Managing Director, Mr Frank Bethune, was born in Namibia and has substantial experience managing mining projects in both Namibia and Australia. Namibia has had a stable democratic government since

its independence in 1990, with a supportive and encouraging policy stance on mining, exploration and investment activities. Namibia hosts some of the world's largest mining companies such as Rio Tinto, with its majority equity interest in the Rössing uranium mine, and AngloGold Ashanti, with its Navachab open pit gold mine.


The Company has other prospective tenements south of Windhoek in the Kalahari Copperbelt and in the Kamanjab district in northern Namibia which the Directors believe are also prospective for mineral discoveries. In Australia, the Company has early stage exploration projects in Queensland and New South Wales.

The Company has capable management and exploration teams, each with a record of success, as well as an experienced Board and supportive Shareholders. These factors should assist the Company in meeting its objectives of further developing the Company and increasing Shareholder value.

This Prospectus contains detailed information about the Company's projects and the Offer. There are risks associated with investing in mineral exploration and in any shares, including those of the Company, and I recommend that you read this Prospectus carefully in its entirety and seek professional advice if required.

On behalf of the Board of International Base Metals Limited, I am delighted to invite you to become a Shareholder in the Company or provide you with an opportunity to increase your shareholding.

Yours sincerely,



A. James Macdonald



A close-up photograph of a metal pipe with a weld joint. The pipe is dark grey and shows signs of wear, including rust and discoloration. The weld joint is a prominent feature, showing a textured, metallic surface. The background is a plain, light-colored surface.

DETAILS  
OF THE OFFER

## 2. DETAILS OF THE OFFER

### 2.1 DESCRIPTION OF THE OFFER

Pursuant to this Prospectus, the Company invites investors to subscribe for up to 150 million Shares at an Issue Price of 20 cents each, payable in full on Application, to raise up to \$30 million. Shares issued pursuant to this Prospectus will rank equally in all respects with existing Shares and are summarised in Section 13.3.1.

If you wish to subscribe for Shares under the Offer you must make an Application on the Application Form enclosed with this Prospectus. The details of how to apply for Shares are set out below and on the Application Form.

### 2.2 MINIMUM SUBSCRIPTION

The Minimum Subscription to be raised pursuant to this Prospectus is \$25 million. In the event that the Minimum Subscription has not been raised within four months after the date of this Prospectus, the Company will, consistent with the Corporations Act, either repay the Application monies to the Applicants or issue a supplementary prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies. Interest will not be paid on any Application monies that are refunded.

### 2.3 PURPOSE OF THE OFFER AND APPLICATION OF FUNDS

The purpose of the Offer is to provide the Company with the requisite funding to undertake a DFS on the Omitiomire Project, to provide funds for further exploration of the Company's other projects in Namibia and Australia, to provide working capital for the Company and to meet administrative costs of the Company and the costs of the Offer.

The issue of the Prospectus and the capital raised under the Offer will also enable the Company to apply to the ASX for admission to the Official List and Quotation of the Company's Shares.

The Company intends to apply funds raised from the Offer in accordance with Table 2.1.

The actual expenditures may vary from the estimates set out in Table 2.1 and the Directors reserve the right to appropriately vary the expenditure dependent on the circumstances and other opportunities.

Following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives.

### 2.4 INDICATIVE TIMETABLE

The dates set out in Table 2.2 are indicative only and may change without notice. The Company reserves the right to extend the Closing Dates of the Offer or close the Offer early without notice. Applicants are encouraged to apply as soon as possible after the Offer opens.

### 2.5 SUMMARY OF THE OFFER

See Table 2.3 for a summary of the effect of the Offer on the capital structure of the Company.

### 2.6 SHAREHOLDER OFFER

Existing Shareholders will be entitled, on application, to a minimum priority entitlement of 50,000 Shares under the Offer.

In the event the Offer is oversubscribed and allocations of Shares are scaled back, existing Shareholder Applications will be given preferential allocation.

All allocations of Shares under the Offer will be at the Company's full discretion.

### 2.7 APPLICATIONS

Investors who wish to apply for Shares under the Offer should complete the Application Form attached to or accompanying this Prospectus.

Applicants may apply for a minimum parcel of 10,000 Shares representing a minimum investment of \$2,000. Applicants seeking additional Shares must apply for Shares in multiples of 5,000 Shares (equivalent to a further investment of \$1,000) thereafter. Applications for less than the minimum parcel of 10,000 Shares will not be accepted.

## 2. DETAILS OF THE OFFER

Applicants must lodge the completed Application Form at the address specified in the Application Form on or before the Closing Date. Applications must be accompanied by payment in full in Australian currency of 20 cents for each Share applied for. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank and should be made payable to 'International Base Metals Limited – Shareholder Account' and crossed 'Not Negotiable'.

Completed Application Forms must be mailed and received no later than the Closing Date. Detailed instructions on the correct method of completing the Application Form are set out on the reverse side of the Application Form.

A duly completed and lodged Application Form will constitute an offer by the Applicant to subscribe for the number of Shares applied for on the Application Form.

	MINIMUM SUBSCRIPTION (\$25 million)	MAXIMUM SUBSCRIPTION (\$30 million)
Omitiomire DFS	\$13.5 million	\$14.0 million
Exploration expenditure (2 years)	\$3.4 million	\$8.4 million
Long lead time items (Namibia)	\$1.0 million	\$1.0 million
Working capital	\$4.8 million	\$4.1 million
Estimated costs associated with the Offer	\$2.3 million	\$2.5 million
Total	\$25 million	\$30 million

Table 2.1: Application of Funds raised under the offer

Lodgement of Prospectus with the ASIC	15 November 2010
Offer Opening Date	22 November 2010
Offer Closing Date	6 December 2010
Allotment of Shares under this Prospectus (anticipated dispatch of holding statements)	13 December 2010
Expected date for ASX Listing (quoting of Shares on ASX)	17 December 2010

Table 2.2: Indicative Timetable

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
The Offer	125 million Shares at \$0.20 per Share	150 million Shares at \$0.20 per Share
Number of Shares offered for subscription	125 million	150 million
Amount to be raised under the Offer	\$25 million	\$30 million
Total number of Shares on issue upon completion of the Offer	455,169,559	480,169,559

Table 2.3: Key offer statistics

## 2. DETAILS OF THE OFFER

### 2.8 APPLICATION MONIES HELD IN TRUST

Application monies for the Shares will be held in trust for each Applicant until the Shares relevant to the Application are allotted. Application monies will be fully or partially refunded if an Application is rejected or accepted in part only and where otherwise required by law. No interest will be paid on refunded Application monies not accepted.

### 2.9 ALLOTMENT OF SHARES

Subject to the ASX granting approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as possible after the Closing Date. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

The Directors reserve the right, in their absolute discretion, to allot the Shares applied for under any Application in full or to allot any lesser number or to decline any Application. The Directors may in their absolute discretion give preference to certain investors, including existing Shareholders, in accepting Applications under the Offer.

### 2.10 CONDITIONS PRECEDENT TO THE OFFER

The Offer of Shares pursuant to this Prospectus is subject to:

- (a) the raising of the Minimum Subscription before the closing date;
- (b) the ASX requirements being satisfied for admission to the Official List; and
- (c) completion of the Offer occurring.

No Shares will be issued under this Prospectus unless the above conditions are fulfilled.

### 2.11 ASX QUOTATION

The Company will apply to the ASX for admission to the Official List and for the Shares to be granted Quotation on the ASX within seven days after the Closing Date of the Offer. If the Shares are not admitted for Official Quotation within three months after such application to the ASX, none of the Shares will be allotted or issued and all Application monies will be refunded in accordance with the Corporations Act. No interest will be paid on refunded amounts.

A decision by the ASX to admit the Company to the Official List is not to be taken in any way as an indication of the views of the ASX as to the merits of the Company or its Shares. The ASX takes no responsibility as to the contents of this Prospectus.

### 2.12 ESCROW SECURITIES

As a condition of granting the Company's application for Quotation of its Shares, the ASX may classify certain securities of the Company issued prior to the Offer as restricted securities in accordance with ASX Listing Rule 9.1.3.

Should this occur, the holders of any securities that the ASX has classified as restricted securities will be required to enter into appropriate restriction agreements with the Company and an escrow agent prior to the Company being admitted to the Official List and the Official Quotation of any Shares.

### 2.13 CHESS

The Company will apply to the ASX to participate in CHESS, operated by the ASTC, a wholly owned subsidiary of the ASX, in accordance with the ASX Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead Shareholders will receive a statement of their holdings in the Company. If an investor is broker-sponsored, the ASTC will send them a CHESS statement. The Company will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register, allowing Shares to be traded electronically. Investors will receive a CHESS statement showing the number of Shares allotted to them and their holder identification number for holdings registered on the CHESS sub-register and, if registered on the issuer sponsored sub-register, a holding statement containing a security holder reference number.

### 2.14 OVERSEAS INVESTORS

This Prospectus does not constitute an offer or invitation in any place which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

## 2. DETAILS OF THE OFFER

It is the responsibility of Applicants outside Australia and New Zealand to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form by Applicants outside Australia and New Zealand will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained and that the Company may lawfully issue the Shares applied for to that Applicant. The Offer pursuant to an Electronic Prospectus is available only to persons receiving it in Australia.

### 2.15 WITHDRAWAL OF OFFER

The Company reserves the right not to proceed with the Offer at any time before the allotment of Shares under the Offer. If the Offer does not proceed, all Application monies will be refunded without interest.

### 2.16 RISK FACTORS

Prospective investors should be aware that there are a number of risks involved in subscribing for Shares pursuant to this Prospectus, which are set out in Section 11. Prospective investors should consider those risks carefully and consult their professional adviser before deciding whether to invest in the Company.

The risk factors set out in Section 11, and other general risks applicable to all investments in listed securities not specifically referred to, may affect the future value of the Shares and other securities of the Company.

### 2.17 ARRANGEMENTS WITH STOCKBROKERS

The Company has appointed Austock Securities Limited as Lead Manager to the Offer. Austock is being paid fees in

accordance with the Lead Manager Agreement, the principal terms of which are summarised in Section 12 of this Prospectus.

### 2.18 FINANCIAL PROJECTIONS AND FORECASTS

The Company's primary business is the exploration and development of mineral deposits. Given the speculative nature of this industry, there are a significant number of uncertainties associated with estimating future revenues for the Company. The Directors do not believe that reliable financial projections or forecasts can be prepared and have not included any financial projections or forecasts in this Prospectus. Accordingly, any investment in the Shares can be considered as being speculative.

### 2.19 TAXATION IMPLICATIONS

The Directors do not consider that it is appropriate to give persons advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The taxation obligations and the effects of participating in the Offer may vary depending on the circumstances of each individual investor, the particular circumstances relating to their holdings of Shares and the taxation laws applicable to each investor. Investors who are in doubt as to their taxation position should seek professional advice. It is the responsibility of individual Applicants to inform themselves of their taxation position resulting from participation in the Offer.

The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences to which any Applicant may be subject as a result of the Offer.

### 2.20 ENQUIRIES IN RELATION TO THE OFFER

The Prospectus provides information for potential investors in the Company and should be read in its entirety. If after reading the Prospectus you have questions about any matter relating to the Offer or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, accountant or other professional adviser.



A landscape photograph at sunset. In the foreground, several stacks of wooden pallets are arranged on a dirt ground. To the left, a large, dark tree stands prominently. The background features a field of tall grass and several smaller trees under a sky with soft, colorful clouds. The overall scene is dimly lit, with the warm light of the setting sun creating a serene atmosphere.

INFORMATION INCORPORATED  
INTO THIS PROSPECTUS

# 3. INFORMATION INCORPORATED INTO THIS PROSPECTUS

## 3.1 INFORMATION TO BE INCORPORATED INTO THIS PROSPECTUS

This Prospectus refers to, in accordance with section 712 of the Corporations Act, the Full Independent Geologists' Report prepared by Snowden in respect to the Company's Namibian tenements. The Summary Independent Geologists' Report is contained in Section 7.

## 3.2 CONTENT OF FULL INDEPENDENT GEOLOGISTS' REPORT

The Company notes that the Full Independent Geologists' Report contains the following information:

details regarding Namibia and its infrastructure, economy, risk profile, geology and mining sector;

comprehensive details regarding the Omitiomire Project, specifically:

- geology and mineralisation;
- previous exploration; and
- discovery potential;

comprehensive details regarding the Steinhausen Project, specifically:

- project description;
- regional and local geology and mineralisation;
- previous exploration;
- discovery potential; and
- planned exploration;

comprehensive details regarding the Kamanjab Project, specifically:

- project description;
- geology and mineralisation;
- previous exploration;
- discovery potential; and
- planned exploration;

comprehensive details regarding the Kalahari Copperbelt Project, specifically:

- project description;
- geology and mineralisation;
- previous exploration;
- discovery potential; and
- planned exploration;

comprehensive details regarding the Maranoa Project, specifically:

- project description;
- geology and mineralisation;
- previous exploration; and
- discovery potential;

comprehensive details regarding the Shuttleton and Mt Hope Projects, specifically:

- project descriptions;
- geology and mineralisation;
- previous exploration; and
- discovery potential

The Summary Independent Geologists' Report contained in Section 7 provides an overview of the geological setting of the Company's project areas and the associated mineralisation, outlines the recent and historic exploration work undertaken over each of the project areas and comments on the exploration potential of the project areas.

### 3. INFORMATION INCORPORATED INTO THIS PROSPECTUS







OVERVIEW OF  
THE COMPANY

# 4. OVERVIEW OF THE COMPANY

## 4.1 BACKGROUND

The Company was incorporated on 29 April 2002. It was established for the primary purpose of exploring for base metals in Australia and first acquired interests in tenements in Namibia in 2007.

During the past three years, the Company has concentrated on exploration of its Namibian tenements, which are prospective for copper and, in particular, on the Omitiomire Project for which an updated PFS was completed in May 2010. The Omitiomire Project is now an advanced exploration project on which a DFS is planned on completion of the Offer.

## 4.2 CORPORATE OBJECTIVES AND STRATEGY

The Company is seeking to increase Shareholder value through further exploration on its tenements and possible mine development at Omitiomire. The Directors and management of IBML have a broad range of expertise with proven technical, operational, financial and commercial skills and a record of success in the discovery, exploration and development of natural resources.

The Company's current objectives include:

- (a) completing a DFS for the Company's Omitiomire Project in Namibia following completion of the Offer;
- (b) procuring a Mining Licence for the Omitiomire Project area and the requisite approvals and funding for ultimate mine development;
- (c) through further exploration, including drilling, identifying additional copper resources within trucking distance of the Omitiomire Project;
- (d) exploring the Company's other projects in Australia and Namibia with the aim of identifying and prioritising targets for future drilling; and

- e) generating new projects and other opportunities in Namibia, Australia and elsewhere.

On completion of the Offer, the Directors believe that the Company will have sufficient working capital to carry out its stated objectives over the next two years.

Further details on the Company's projects are set out in Section 5 and are contained in the Summary Independent Geologists' Report in Section 7.

## 4.3 CORPORATE STRUCTURE

The Company's exploration tenements are held in three wholly owned subsidiary companies: Craton, Maranoa Resources Pty Ltd and AuriCula Mines Pty Ltd.

## 4.4 CAPITAL STRUCTURE

The capital structure of the Company following completion of the Offer is outlined in Table 4.1.

SHARES	MINIMUM	TARGET OFFER
Existing Shares on issue	330,169,559	330,169,559
Shares offered under this Prospectus	125,000,000	150,000,000
Total Shares on issue at completion of the Offer	455,169,559	480,169,559
Options on issue at the date of this Prospectus <sup>2</sup>	24,500,000	24,500,000
Total Options on issue at completion of the Offer	24,500,000	24,500,000

Table 4.1

Notes: <sup>1</sup> Refer to the Investigating Accountant's Report in Section 10 for further information.

<sup>2</sup>The Options comprise 22,000,000 Options exercisable into Shares upon payment of 20 cents per Option on or before 20 December 2012 and 2,500,000 Options exercisable into Shares upon payment of 30 cents per Option on or before 3 October 2013. Refer to Section 13.3.2 for full details of the terms of the Options. No Options are to be issued pursuant to the Offer.

## 4.5 DIVIDEND POLICY

The Company expects that significant expenditure will be incurred in the evaluation and development of projects and in exploration. The Company's capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of the Company.

The Directors do not anticipate declaring a dividend in the foreseeable future and are unable, at this time, to indicate when, or if, a dividend may be declared.

4. OVERVIEW OF THE COMPANY





A close-up photograph of a person wearing a light-colored hat and glasses, looking down at a handheld white device with a screen. The device is being used on a dark, textured rock surface. The background shows dry, yellowish grass and a rocky ground. The text 'OVERVIEW OF THE PROJECTS' is overlaid in the top right corner.

## OVERVIEW OF THE PROJECTS

# 5. OVERVIEW OF THE PROJECTS

## EXPLORATION PROJECTS

The Company's exploration projects are located in Namibia, New South Wales and Queensland and are identified in Figure 4 on page 21.

### 5.1 BACKGROUND INFORMATION ON NAMIBIA

Namibia gained independence from South Africa in 1990. Subsequently, Namibia has been politically stable and is considered to have low security risk. Namibia's population is approximately 2.1 million and its major industries are mining and mineral processing, tourism, agriculture and fisheries. The economy is closely linked to the South African economy and the Namibian Dollar is pegged to the South African Rand. The nation's infrastructure is good, with a well-developed network of roads, reliable power and water supply, domestic and international air services and mobile telephone coverage.

The Namibian government encourages foreign investment. The Foreign Investment Act of Namibia grants special rights to Certificate of Status Investment holders. The Company's wholly owned subsidiary, Craton, holds a Certificate of Status Investment, which grants certain rights including:

- preferential access to foreign exchange in order to repay foreign debt, pay royalty and similar charges, remit branch profits and dividends as well as proceeds of sale of the enterprise;
- the right to retain abroad all or part of foreign exchange earnings and exports;
- the right to international arbitration in the event of a dispute with the Government; and
- payment of just compensation without undue delay and in freely convertible currency in case of expropriation.

Namibia has a well-developed mining industry based largely on world-class deposits of diamonds and uranium, as

well as base metals, gold and industrial minerals. The Chamber of Mines is both active and influential within the mining industry and the Namibian government provides good supporting services to explorers. Nevertheless, the Company believes that Namibia is under-explored, especially in relation to base metals.

**Exchange control and banking**  
Loans from and repayment of capital to non-resident shareholders by Namibian companies require Namibian exchange control approval through the Bank of Namibia. Interest payments on foreign loans however, if rates of interest are not excessive in the opinion of the Bank of Namibia, can be made without approval. Bank of Namibia approval is also required for the opening of bank accounts.

**Thin Capitalisation and Transfer Pricing**  
Thin capitalisation rules apply in Namibia at a ratio of 3 (foreign shareholder loan funds) to 1 (share capital of local Namibian company), and failure to comply may deny deductibility of interest paid on such foreign shareholder loan funds. The Namibian government also imposes transfer pricing rules on international transactions, and is able to determine and adjust prices paid for taxation purposes to reflect arm's length prices for goods and services.

**Dividend Withholding Tax**  
Dividends paid by a Namibian company to a non-resident shareholder is subject to a non resident shareholder's tax, in the nature of a dividend withholding tax, payable by the Namibian company and deducted from such dividend.

## Craton Foundation

The Company has proposed the establishment of a trust (to be called the Craton Foundation) which will provide financial assistance in support of community-related projects in Namibia, particularly those relating to education.

### 5.2 NAMIBIAN PROJECTS

Through its wholly owned Namibian subsidiary, Craton, the Company holds a number of EPLs and EPLAs in Namibia covering the exploration projects detailed below. Each EPL is a licence with a term of up to three years giving the holder exclusive rights to exploration for specific commodities in areas of up to 1,000 km<sup>2</sup> and, subject to prescribed conditions, exclusive rights to apply for a Mining Licence over any mineral deposits discovered within the EPL. The Company's EPLs and EPLAs are valid for base metals, rare metals and precious metals. Details of the EPLs and EPLAs are contained in the Solicitor's Report on Namibian Tenements in Section 8.

An EPL applicant is required to demonstrate technical and financial capability to carry out an appropriate exploration programme and to show how Namibians would benefit from establishment of a mining operation based on any discoveries within the land subject to the EPL. An EPL carries expenditure, reporting and environmental rehabilitation obligations. An EPL may be extended twice for periods up to two years if demonstrable progress is shown. Renewals beyond seven years require approval from the Namibian Minister of Mines and Energy.

A brief summary of the Namibian exploration projects is given below.

- Omitiomire Project: This comprises EPL 3589 which contains the Omitiomire copper deposit and numerous other copper occurrences and geochemical anomalies to be tested.

5. OVERVIEW OF THE PROJECTS

- (b) Steinhausen Project: This comprises four granted EPLs and two EPLAs surrounding the Omitiomire Project. Known copper occurrences and geochemical anomalies provide targets for follow-up exploration.
- (c) Kamanjab Project: Two granted EPLs and two EPLAs cover over a 100 km of strike of target rock sequence.
- (d) Kalahari Copperbelt Project: Three granted EPLs cover portions of this belt which Directors consider is emerging as a major copper province.

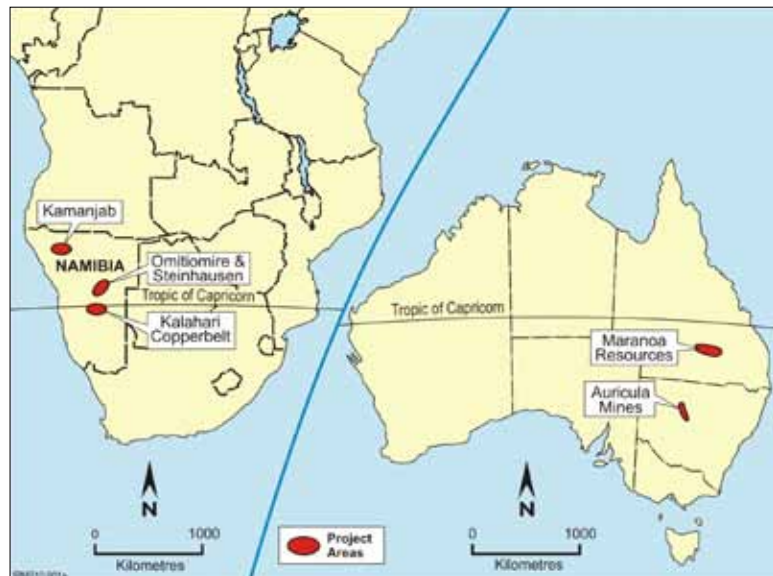


Figure 4: IBML's projects areas

The map (Figure 5) shows the locations of the Company's EPLs (marked in red) and EPLAs (marked in blue).

Any third and further potential renewals require approval from the Namibian Minister of Mines and Energy who in exercising such discretion must deem it desirable in the interest of the development of the mineral resources of Namibia to do so.

5.3 OMITIOMIRE PROJECT

5.3.1 Exploration History and Current Status

Omitiomire is currently the Company's major project. The Omitiomire Project lies approximately 120 km northeast of Windhoek and is readily accessed from Windhoek via established sealed and gravel roads.

Since commencing drilling in 2007, the Company has expanded the Resource identified at the Omitiomire Project from 7.9 million tonnes at 0.9% Cu (71,000 tonnes contained copper) to 117 million tonnes at 0.5% Cu (579,000 tonnes contained copper), through 42,000 metres of reverse circulation and diamond drilling. The deposit lies beneath a thin cover of transported sand.

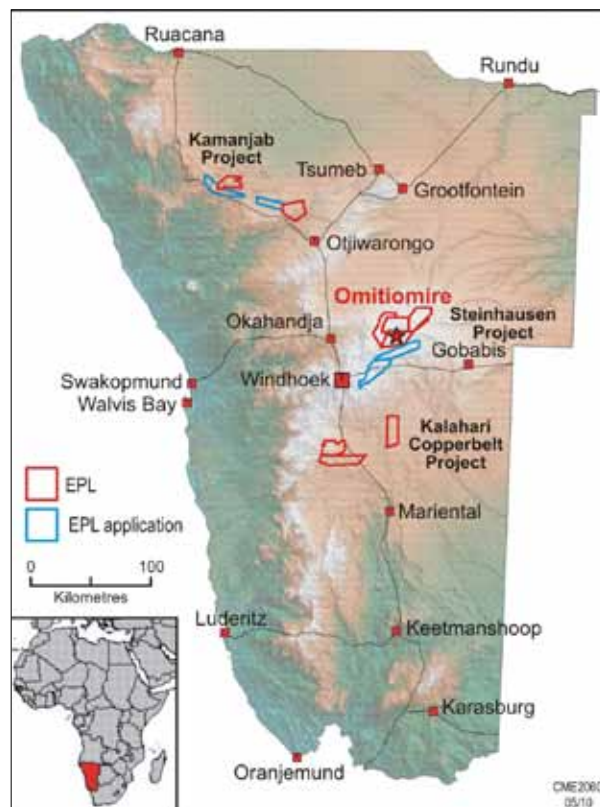


Figure 5: Map of Namibia showing Exclusive Prospecting Licences (red) and EPL applications (blue) held by IBML's wholly-owned Namibian subsidiary, Craton Mining and Exploration (Pty) Ltd

## 5. OVERVIEW OF THE PROJECTS

The Company undertook an extensive drilling programme at the Omitiomire Project, which was completed in late 2009. An updated PFS was subsequently completed in May 2010.

The Omitiomire Resource, reported in accordance with the JORC Code and Guidelines, is shown in Table 5.1 on page 22.

The surrounding area contains numerous copper occurrences and other exploration targets which support the Company's view that the Resource base may be expanded significantly with ongoing exploration.

The Company plans to conduct a DFS subject to the successful completion of the Offer. See below for more information on the proposed DFS.

**5.3.2 Omitiomire Resource Estimate**  
Hellman & Schofield Pty Ltd has prepared an independent Resource estimate, reported in accordance with JORC Code and Guidelines, the results of which are set out in Table 5.1.

Omitiomire is a large copper deposit with favourable metallurgical characteristics and a defined mineral Resource reported in accordance with the JORC Code and Guidelines. Approximately 80% of the Resource is currently in the Inferred category. The copper is present as the mineral chalcocite ( $\text{Cu}_2\text{S}$  – approx. 79% Cu), enabling a high grade concentrate to be produced after mining and treatment of ore.

Cut-off (%Cu)	Indicated (Mt)	%Cu	Cu (t)	Cu (Mlb)
0.10	43	0.34	146,000	322
0.20	30	0.42	128,000	282
0.25	25	0.47	115,000	253
0.35	14	0.59	85,000	187
0.45	9	0.69	64,000	141

Cut-off (%Cu)	Inferred (Mt)	%Cu	Cu (t)	Cu (Mlb)
0.10	159	0.37	580,000	1278
0.20	113	0.45	509,000	1122
0.25	92	0.50	465,000	1025
0.35	60	0.62	368,000	811
0.45	41	0.72	292,000	644

Cut-off (%Cu)	Indicated plus Inferred Resource (Mt)	%Cu	Cu (t)	Cu (Mlb)
0.10	202	0.36	726,000	1600
0.20	143	0.45	638,000	1406
0.25	117	0.50	579,000	1277
0.35	74	0.61	453,000	999
0.45	50	0.71	356,000	785

Table 5.1: Omitiomire Resource: (a) Indicated, (b) Inferred, (c) total (Indicated + Inferred) (Hellman & Schofield, 2010)

The information in this Prospectus relating to the Omitiomire Mineral Resource estimate is based on data compiled by Dr P. L. Hellman. Dr Hellman is a Director and founding partner of Hellman & Schofield Pty Ltd and is a Fellow of the Australian Institute of Geoscientists. Dr Hellman has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which IBML is undertaking to qualify as a Competent Person as defined in the JORC Code. Dr Hellman consents to the inclusion in this Prospectus of the matters based on this information in the form and context in which it appears.

## 5. OVERVIEW OF THE PROJECTS

### 5.3.3 Pre-Feasibility Study

In summary, the outcomes of the PFS are as follows:

#### Mine planning

Mining is proposed to occur by conventional open pit mining. The current base case assumes a final pit (see Figure 6) containing 69 million tonnes of ore at 0.55% Cu and 375 million tonnes of waste. The mine pit in this case was based upon a copper price of US\$5,500 per tonne and the Company anticipates that this may be enlarged in the DFS subject to optimisation studies and the then prevailing copper price.

The life of the mine is estimated at 12 years.

#### Metallurgy and process plant

The sulphide ore has a banded nature, in which almost all of the copper is contained within bands of heavy but friable dark-coloured rock. The intervening bands of harder light-coloured rock, essentially containing no copper, have a lower density. This characteristic of the ore permits the application of gravity separation.

After coarse crushing, copper-bearing material can be readily and cheaply separated from barren material using dense medium separation (**DMS**) to produce a higher grade feedstock for further processing.

The PFS was conducted using a rate of six million tonnes per annum of mined ore at an average grade of 0.55% Cu. In the process plant, crushed ore is fed through a screen, which separates out the -1 mm fine fraction from the coarser fraction (see Figure 7 on page 24). The +1 mm fraction is then passed through DMS cyclones, where essentially barren material is discarded. Around 90% of the resource is sulphide copper. The DMS processing of this material results in around 50% of the +1 mm fraction being discarded.

The DMS product ("sinks" or heavier material) plus the -1 mm fines (about 15% of the run-of-mine ore) comprise around 57% of the sulphide ore mined. The discarded 43% of mined material contains only 5% of the copper. This means that the

grinding and flotation circuits are required to treat only 57% of the mined ore; this feedstock has a grade of approximately 1% Cu.

The final sulphide concentrate produced for sale will be high quality, with low concentrations of potentially deleterious elements (arsenic, bismuth, etc) and an expected copper grade of up to 55% Cu. The high copper grade is achieved because copper is mainly in the form of chalcocite, which contains around 79% Cu; this is a significantly higher concentration than in chalcopyrite which is the main copper mineral in most copper deposits. The copper concentrate also contains some gold, silver and platinum group metals which are potentially payable above specific concentrations.

Based on 95% DMS recovery and 95% flotation recovery, the overall recovery of sulphide copper is expected to be around 90% (i.e. 95% x 95%).

About 10% of the total ore contains a high oxide copper content. The DMS for oxide copper results in a lower upgrading effect compared to the sulphide copper resource. In the DMS, the oxide copper recovery is expected to be around 90% for an improvement in grade of around 1.5 times the run-of-mine grade.

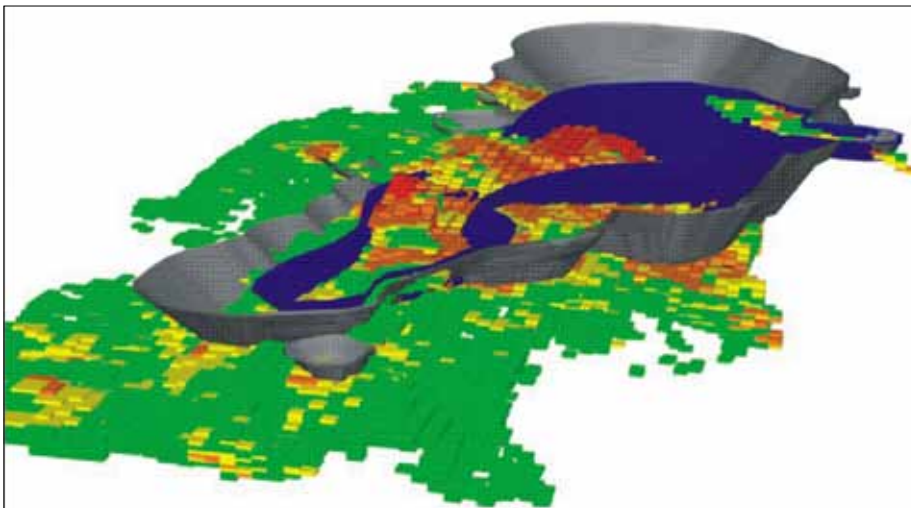


Figure 6: Final pit design of Cut 1 and Cut 4 of the 69 million tonne pit (Isometric view looking north-northwest) (From GTS pre-feasibility study report).

5. OVERVIEW OF THE PROJECTS

Ore containing a high oxide copper content will be batch fed through the processing plant, where a sulphide concentrate will be floated and then the sulphide rougher tailings will pass through an oxide flotation circuit. The flotation recovery of oxide copper from the DMS product is assumed to be 70%. Therefore, the overall recovery of oxide copper from the run-of-mine ore is assumed to be 63% (i.e. 90% x 70%) at a +20% Cu grade. Alternatively, a higher recovery of copper at a lower concentrate grade may be targeted as feed to a small acid leach and solvent extraction – electrowinning (SX-EW) plant. This option will be investigated during the DFS.

**Infrastructure**

Approximately 90 km of water pipeline will need to be constructed to pump 2.2 million cubic metres per annum from a national water carrier. In addition, the aquifer in the source area will need to be developed. The nearest adequate power supply is the Auas substation, from where the provision of a 115 km, 132 kV line is envisaged (see Figure 8).

The Omitiomire deposit straddles the Black Nossob River (which flows infrequently, generally after heavy rain) and the public road MR53, which will need to be diverted to the south of the deposit. The exact position of the deviation will depend on the results of planned sterilisation drilling and an aerial topographic survey.

**Social and environmental impact assessment (SEIA)**

An SEIA for the Omitiomire Project is in progress. Further social and environmental studies will be initiated for the water and power supply routes.

**Cost estimates**

Total capital costs for mine development and process plant in the PFS were estimated to be US\$295 million (sustaining capital excluded) and mine operating expenditure was estimated at US\$10.48 per tonne of ore. These costs were based on a 69 million tonnes pit, and a base case copper price of US\$5,500 per tonne.

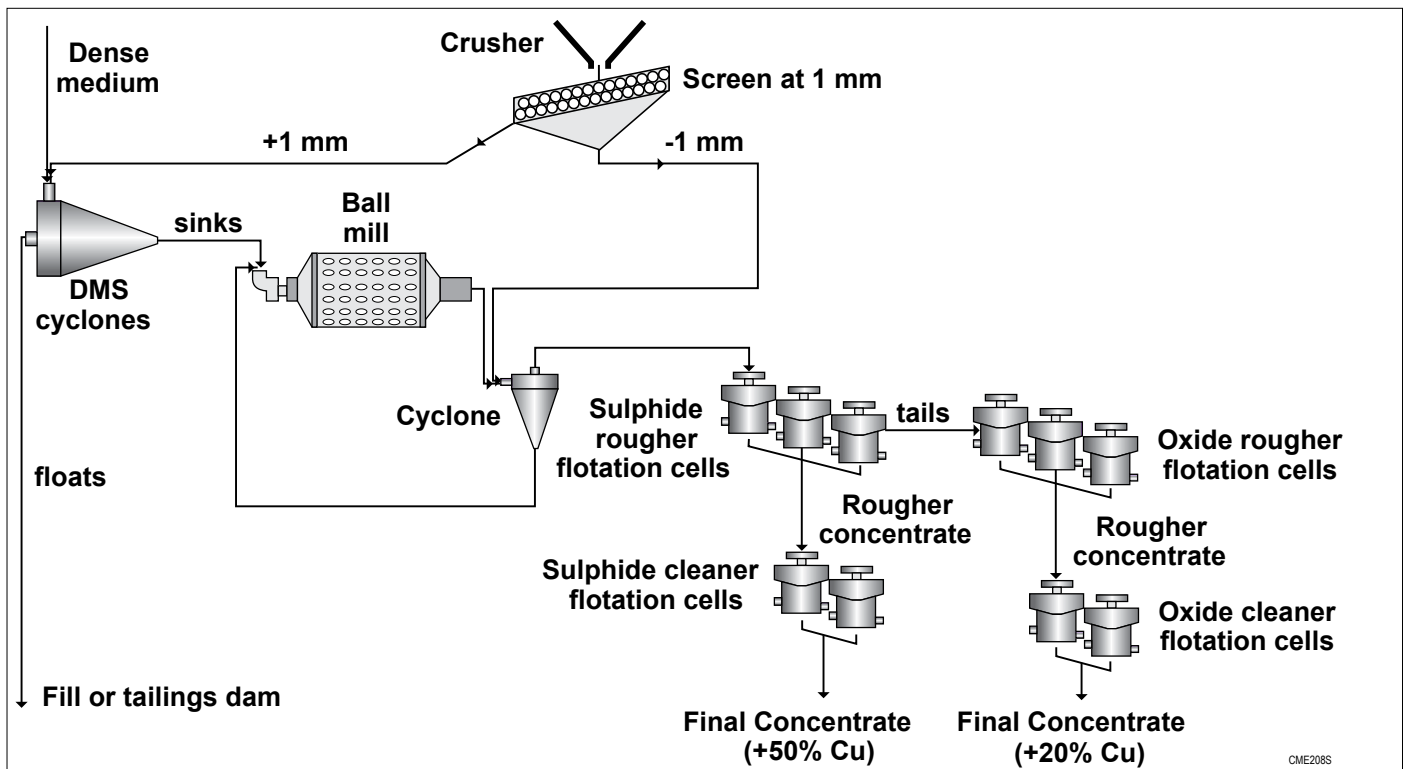


Figure 7: Process flow chart

5. OVERVIEW OF THE PROJECTS

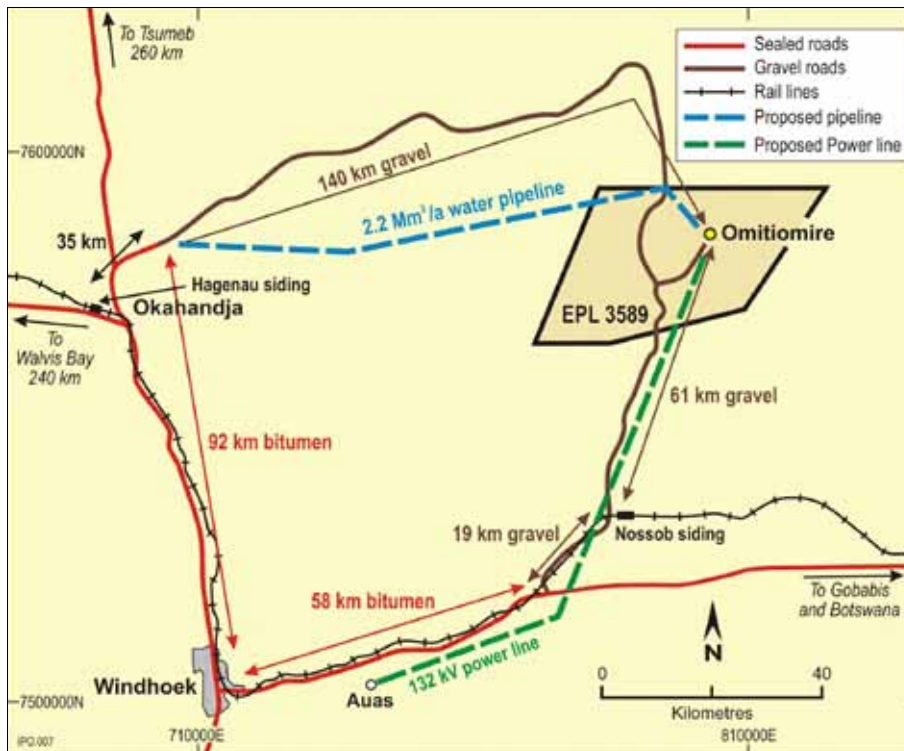


Figure 8: Existing and proposed infrastructure (from GTS pre-feasibility study report)

5.3.4 Definitive Feasibility Study

The Company is preparing to undertake a DFS and related activities utilising funds raised under the Offer. The Company intends to appoint Johannesburg based TWP Projects (Pty) Ltd (**TWP**) as project consultants for the DFS. TWP has experience in the management of feasibility studies and development projects.

It is anticipated that the programme will include:

- (a) upgrading the Resource to JORC Indicated and Measured status;
- (b) extending the Resource to the northeast of the deposit;
- (c) diamond core drilling to provide geotechnical information for planning the mine pit;
- (d) conducting metallurgical test-work and pilot plant studies to improve copper recoveries and lower the expected costs;

- (e) aerial survey of the site for planning the site layout;
- (f) social and environmental impact assessment;
- (g) completion of groundwater study;
- (h) designing of mine site infrastructure, including:
  - i. workforce accommodation;
  - ii. diversion of the Black Nossob River;
  - iii. a 90 km water supply pipeline; and
  - iv. a 115 km power line; and
- (i) more detailed costing of mining operations incorporating variables such as cut-off grade, optimised mine plan, owner fleet vs. contract mining, mine production, water requirements, copper price and potential for mine life extensions.

5.3.5 Access and Compensation

Craton has entered into a Land Access Agreement with the owner of the farm on which the Omitiomire Project is located.

The Land Access Agreement covers compensation and access for the period up to 31 March 2012. See Section 12.1 for further details.

5.3.6 Discovery Potential

Drilling to date has shown that the Omitiomire deposit continues at depth to the northeast. As part of the DFS, deep drilling is planned to test this zone. Close to the Omitiomire Resource, there are other known copper occurrences and geochemical anomalies which have not yet been tested by detailed drilling. These areas will be assessed as part of the sterilisation drilling during the DFS.

Much of the surrounding area of the Omitiomire Project has been covered by detailed soil geochemical surveys, which showed widespread copper-in-soil anomalies. Some of these have been followed up by a first phase of shallow rotary air blast drilling, which intersected copper mineralisation at several sites. Additional reverse circulation drilling is proposed to test these targets.

The results of this preliminary exploration suggest that potential exists for a significant increase in the Resource. Thus, additional discoveries may extend the life of the mine.

5.4 OTHER NAMIBIAN PROJECTS

5.4.1 Steinhausen Project

The Steinhausen Project consists of four granted EPLs and two EPLAs surrounding the Omitiomire Project. The tenements contain numerous known copper occurrences and may become part of an enlarged Omitiomire Project. During the 1970's, shallow drilling on a number of these prospects showed widespread copper mineralisation which was not followed up by more detailed exploration.

5. OVERVIEW OF THE PROJECTS

The Company's exploration approach involves extensive soil geochemical surveys which to date have covered approximately 2,500 km. Extensive geochemical anomalies indicate the potential for additional copper discoveries in the Steinhausen tenements. The Company's exploration objective is to more than double the present resource base established for the Omitiomire Project.

5.4.2 Kamanjab Project

In northern Namibia, Craton's EPL 3372 contains a historic open-cut copper mine (the Kopermyn deposit) from which high-grade copper was recovered during several phases of mining, most recently during the 1970's. Copper is concentrated in sedimentary rocks near the base of the Damara Sequence. IBML's interpretation is that these rock strata are equivalent in age

to those that host the copper deposits of the Central African Copperbelt in Zambia and the Democratic Republic of the Congo (DRC).

The target rock sequence is poorly-exposed but reconnaissance exploration by Craton has identified copper occurrences intermittently developed over 11 km of strike. Drilling, carried out during the first half of 2010, has shown widespread but low-grade copper concentrations. Exploration is continuing on this project.

Other copper occurrences identify the basal Damara Sequence as a regionally-extensive target for stratabound copper deposits of similar style to the deposits of the Central African Copperbelt. The Company has applied for three other tenements, one of

which (EPL 4431) has now been granted.

5.4.3 Kalahari Copperbelt Project

The Kalahari Copperbelt is a major zone of copper occurrences extending over 800 km from northern Botswana to central Namibia (see Figure 10). The deposits are of the same age and the same style as the important deposits of the Central African Copperbelt in Zambia and the DRC.

The Kalahari Copperbelt Project consists of three granted EPLs. EPL 3584 contains 60 km strike of strata containing numerous copper occurrences and extensive untested copper geochemical anomalies.

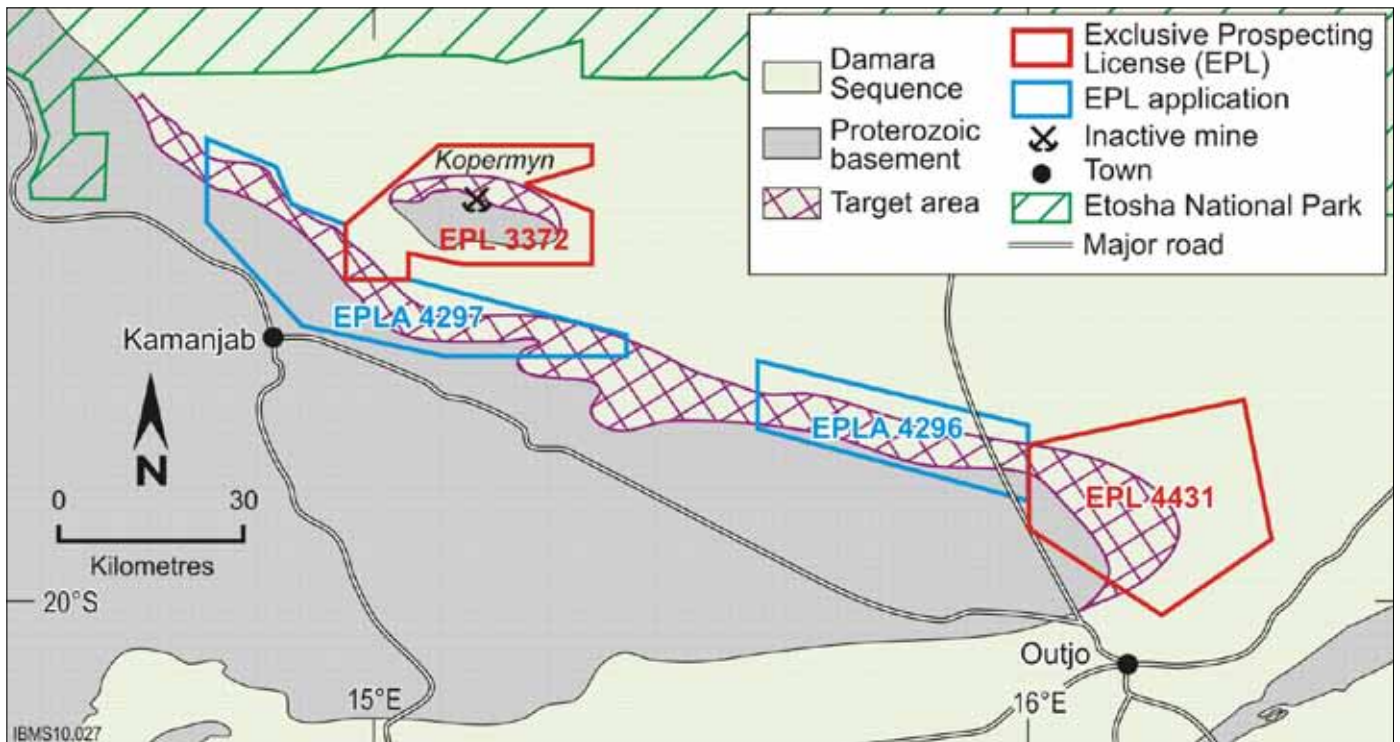


Figure 9: Kamanjab Project. IBML holds two EPLs and two EPLAs covering over 100 km of strike of prospective strata

5. OVERVIEW OF THE PROJECTS

To the east, EPL 4055 hosts the Sib copper occurrence and to the north, EPL 4039 also contains numerous copper occurrences and geochemical anomalies. Craton's exploration programme involves detailed geological mapping and soil geochemical surveys aimed at prioritising targets for more detailed follow-up exploration including drilling.

5.5 AUSTRALIAN PROJECTS

The Company has several early-stage exploration projects in Australia, each held in separate wholly-owned subsidiary companies:

5.5.1 AuriCula Mines Pty Ltd

AuriCula Mines Pty Ltd (**AuriCula**) is in joint venture with Cobar Management Pty

Limited (**CMPL**) over EL 6223 (Shuttleton Tenement) which is located at Shuttleton, NSW, Australia. AuriCula also claims a 100% beneficial interest in EL 6907 and EL 6868 (**Mt Hope Tenements**), located near Cobar, NSW, pursuant to a joint venture agreement with Actway Pty Ltd and CMPL (Actway JV). The Mt Hope Tenements and Shuttleton Tenement cover historic copper mines and associated mineralised zones.

5.5.2 Maranoa Resources Pty Ltd

Maranoa has two granted EPMs in south-central Queensland. One tenement (EPM 14260) covers the Darkwater mafic-ultramafic complex, an under-explored body with known nickel concentrations and potential for discovery of nickel-copper-platinum group element (**PGE**)

mineralisation. The other tenement (EPM 14261) covers a known small cobalt deposit with potential for extensions.

The Directors and senior management team of the Company and its subsidiaries have a well-balanced mix of skills relevant to the requirements of the Company's business activities and its proposed role as a listed entity.

6.1 DIRECTORS

The names and details of the Directors of the Company in office as at the date of this Prospectus are set out below.

A. James Macdonald – Non-Executive Chairman

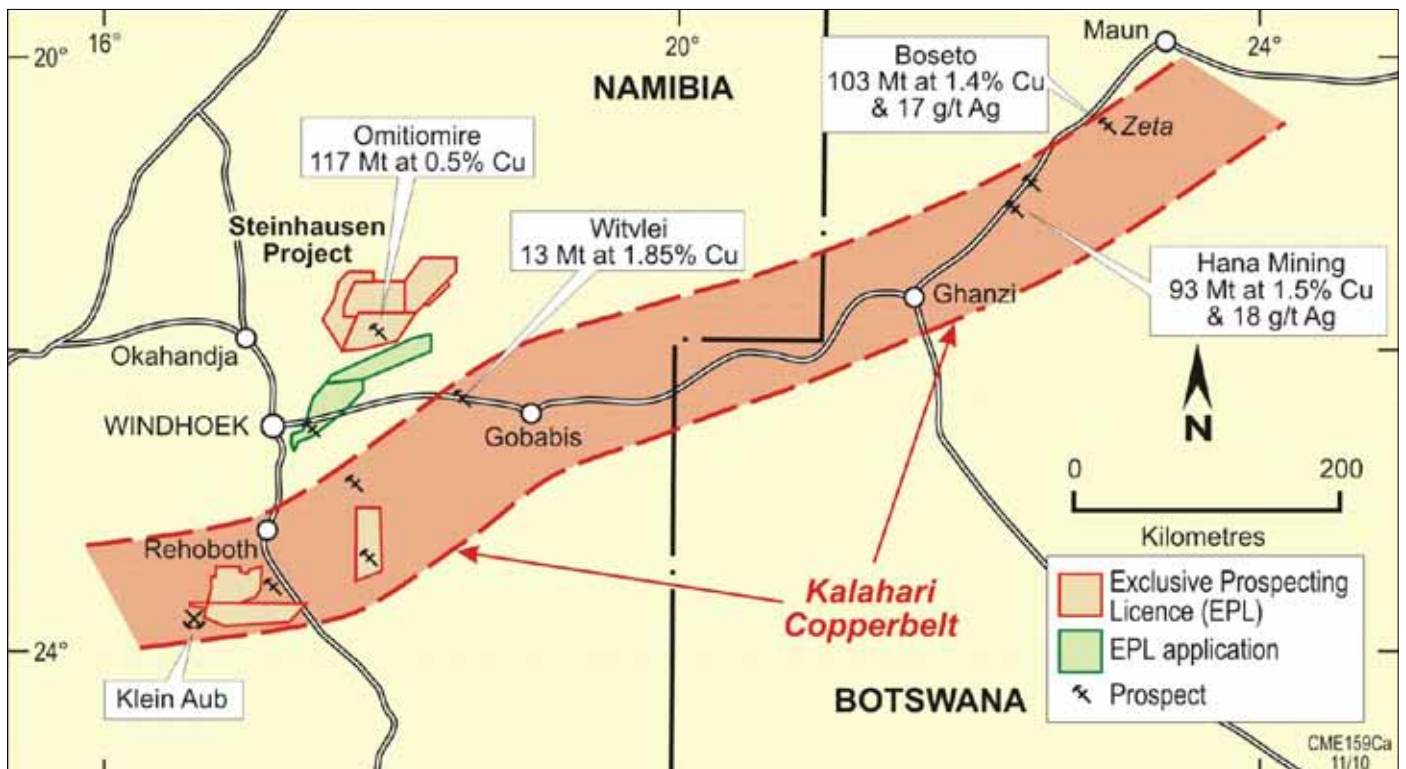


Figure 10: The Kalahari Copperbelt in Namibia and Botswana. IBML holds three EPLs in the Namibian portion of the belt



A photograph of two individuals, a man and a woman, both wearing blue hard hats and blue short-sleeved shirts with the CRATO logo. They are sitting at a table, looking at a clipboard with papers. The man on the left is smiling, and the woman on the right is wearing glasses and looking intently at the documents. The background shows a wooden wall and some white bags.

## DIRECTORS AND MANAGEMENT

**CRATO**  
MINING + EXPLORATION

**CRATO**  
MINING + EXPLORATION

## 6. DIRECTORS AND MANAGEMENT

Dr Macdonald is an experienced geologist having worked for 34 years in that capacity. Much of his experience was gained in the Americas in the areas of project generation, regional and mine-scale exploration, project evaluation, feasibility studies and project management. Dr Macdonald's prior appointments include Exploration Manager for Homestake Mining Company with responsibility for the Andes, Chief Geoscientist for Billiton International Metals based in The Hague and Global Geoscience Leader for BHP Billiton based in Brisbane. More recently, Dr Macdonald has consulted on projects in Asia and on the use of his change-management experience.

Dr Macdonald was appointed as a Director on 1 September 2008. He is also non-executive Chairman appointed 22 September 2010 of ASX-listed Clancy Exploration Limited. He holds the following qualifications: BA(Hons) (Oxford), MSc (Toronto) and PhD (Toronto).

### Frank Bethune – Managing Director

Mr Bethune is a mining engineer with 28 years experience in South Africa, Namibia and Australia. He has considerable expertise in mine planning and mine management in both open pit and underground mines. Mr Bethune formerly held the position of Surface Mining Manager, Australian Region for AngloGold Ashanti Australia Limited, based in Western Australia. Previously, he was Mine Manager at AngloGold Ashanti Australia Limited's Sunrise Dam Mine in Western Australia.

Mr Bethune was earlier General Manager at Navachab gold mine in Namibia from 1997 to 2004. Mr Bethune has also been involved in the project management of pre-feasibility and feasibility studies in both African and Australian mines.

Mr Bethune was appointed as Managing Director on 3 August 2010. He holds a BScEng (Mining) and an MScEng (Mineral Economics) from the University of the Witwatersrand, Johannesburg, and is a Member of the Australasian Institute of Mining and Metallurgy.

### Kenneth Maiden – Executive Director

Dr Maiden is a geologist with 40 years professional experience gained working as an exploration geologist with major resource companies, CSR Limited and MIM Holdings Limited, as a consultant and as an academic geologist with the University of the Witwatersrand, Johannesburg. Dr Maiden has extensive base metal experience gained in a number of regions including South Australia, northwest Queensland, southern Africa, Indonesia and China.

Dr Maiden is a founding Executive Director of the Company and responsible for the generation and implementation of exploration strategies of the Company. Ken Maiden's knowledge of Namibia and its geology were important factors in the Company's involvement in that country. Dr Maiden was appointed a Director of the Company on 29 April 2004. He is also Chairman of ASX-listed Zamia Metals Limited. Ken holds BSc(Hons) and PhD degrees in Geology from the University of New South Wales.

### Alan Humphris – Non-Executive Director

Mr Humphris is an independent investment banker with more than 30 years experience in Australia as a corporate advisor. He was formerly Managing Director of Hambros Corporate Finance Limited and, earlier, he was an Executive Director of JP Morgan Australia Limited, responsible for mergers and acquisitions and other corporate advisory services. He has gained wide corporate finance experience in Australia and internationally, particularly involving China.

Mr Humphris was appointed a Director of the Company on 30 July 2009. He is also a Director of West Minerals Pty Limited and the ASX-listed Zamia Metals Limited, Rey Resources Limited and ASF Group Limited. He holds the following qualifications: BSc (Melb), BEc (econ/acc) (Monash), LLM (Dist) (Leicester, UK), and FCPA.

### Deng Jiniu – Non-Executive Director

Dr Deng Jiniu is a professorial senior engineer and is a resident of Beijing, China. Dr Deng is well known in Chinese geological and mining circles and has been involved in a number of base metal exploration successes. He has been honoured with numerous scientific and technical awards in China.

Dr Deng is Chairman of Qinghai West Resources Co Limited, Director of Qinghai West Rare & Precious Metals Co Limited and

## 6. DIRECTORS AND MANAGEMENT

is a Director of West Minerals Pty Limited.

Dr Deng was appointed as a Director of the Company on 22 December 2006. He holds a Doctorate degree from the China University of Geosciences and Post-doctoral from the Central South University of China.

### Chen Qiang – Alternate to Dr Deng

Mr Chen was appointed by Deng Jiniu as his alternate Director on 17 June 2008. He holds a Master's degree in Mining Engineering from the Beijing University of Science and Technology.

Mr Chen is based in Perth and is experienced in international commodities trading and private equity investment.

From 1991 to 1996, Mr. Chen was the Project Manager of China Metallurgical Import and Export Company Australia Pty Ltd (CMIEC/ Sinosteel) supervising on behalf of CMIEC the Channar Iron Mine JV project between Hamersley Iron Pty Ltd (Rio Tinto) and CMIEC (Sinosteel).

Mr Chen is also the Managing Director of West Minerals Pty Ltd.

### 6.2 SENIOR MANAGEMENT

#### Australia

Managing Director: Frank Bethune

Executive Director – Technical: Ken Maiden

Company Secretary: John Stone (BEc)

Chief Financial Officer: Barry Neal (BEc)

#### Namibia

Exploration Manager and Country Manager: Karl Hartmann

Karl Hartmann is a Director of Craton and a geologist with 27 years experience in underground mining, open-pit mining and exploration. He was formerly employed by major resource companies including Gold Fields Limited and more recently he has consulted for AngloGold Ashanti Limited and Anglo American plc. He has extensive gold and base metals experience in Africa and South America and has previous experience as exploration manager and feasibility study site manager.

Since July 2007, Mr. Hartmann has been instrumental in developing Craton as an exploration company and was appointed as Director of Craton on 8 June 2010. He is a member of AusIMM and SACNASP and holds the following qualifications: BSc (University of Natal) and MSc (Rhodes University).

### 6.3 SOCIAL AND ENVIRONMENTAL POLICY

The Company aims to conduct itself in a manner that makes a positive contribution to the social, environmental and economic conditions in Namibia and Australia in the interests of the Company and its Shareholders.

The Company supports the initiatives of the Namibian Chamber of Mines and the Ministry of Mines and Energy in their commitment to the International Council on Mining and Metals' Sustainable Development Principles and the Voluntary Principles on Security and Human Rights (Voluntary Principles) in relation to security, risk assessment and the maintenance of human rights.



# SUMMARY INDEPENDENT GEOLOGISTS' REPORT



# 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT



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[www.snowdengroup.com](http://www.snowdengroup.com)

*Perth, Brisbane, Vancouver, Johannesburg, London, Belo Horizonte*

08 November 2010

The Directors  
International Base Metals Limited  
Level 8, 275 George Street  
Sydney NSW 2000

Dear Sirs

## **SUMMARY OF THE INDEPENDENT GEOLOGISTS' REPORT ON THE MINERAL ASSETS OF INTERNATIONAL BASE METALS LIMITED**

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### **1 INTRODUCTION**

At your request, Snowden Mining Industry Consultants ("Snowden") has prepared an Independent Geologists' Report on the mineral assets of International Base Metals Limited ("IBML"). This report represents a Competent Person's review and independent assessment of the geology and exploration potential of IBML's project areas located in the Republic of Namibia and Australia. It is our understanding that this report will be included in a Prospectus to be lodged with the Australian Securities and Investment Commission ("ASIC") for a proposed listing on the Australian Securities Exchange ("ASX"). The purpose of the admission document is to offer for subscription a maximum of 150 million ordinary shares at an issue price of A\$0.20 to raise up to A\$30,000,000.

Snowden has provided this summary report on the understanding that Snowden's full Independent Geologists' Report will be available on IBML's website ([www.interbasemetals.com](http://www.interbasemetals.com)).

The objectives of this report are to provide an overview of the geological setting of IBML's project areas and the associated mineralisation; outline the recent and historic exploration work undertaken over each of the project areas and comment on the exploration potential of the project areas.

Snowden has based its assessment of IBML's Namibian project areas on site visits to the project areas during May 2008, a review of technical information compiled by IBML and its consultants and extensive discussions with key company personnel. For the specific purpose of this report, site visits were not carried out to IBML's Australian mineral properties.

A listing of the documents supporting this summary report is provided at the end of the full version of Snowden's Independent Geologists' Report. Consent has been sought from IBML's representatives, Green Team International (Pty) Ltd and Hellman & Schofield Pty Ltd to include technical information and opinions expressed by them. No other entities referred to in this report have consented to the inclusion of any information or opinions and have only been referred to in the context of reporting any relevant activities.

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

### **SNOWDEN**

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This report is provided subject to the qualifications outlined in the full version of Snowden's Independent Geologists' Report.

#### **2 BACKGROUND**

IBML is an Australian based, unlisted mineral exploration company with mineral assets in Namibia and Australia. IBML holds its mineral assets through three wholly owned operating subsidiaries, these are:

- 100% interest in Craton Mining and Exploration Pty Ltd (Namibia):
  - Omitiomire Project;
  - Steinhausen Project;
  - Kalahari Copperbelt Project; and
  - Kamanjab Project.
- a 100% interest in Maranoa Resources Pty Ltd (Queensland):
  - Maranoa Project.
- a 100% interest in AuriCula Mines Pty Ltd (New South Wales):
  - Shuttleton Project; and
  - Mount Hope Project.

In addition, IBML holds equity investments in Zamia Gold Mines Limited ("Zamia") (approximately 8.66% of issued shares). Zamia holds seven EPMs and has applications for six EPMs within the Clermont region of Central Queensland and is focussing on exploration for gold, molybdenum and associated base metals. Zamia's most advanced project is the Anthony Project where, in September 2010, consultants Hellman & Schofield Pty Ltd reported an Inferred Resource of 130 million tonnes ("Mt") at 0.04% molybdenum ("Mo") of primary molybdenum mineralisation and an additional 63 Mt at 0.04% Mo of oxide and transitional mineralisation. Further information on the mineral assets of Zamia is available on Zamia's website (<http://www.zamia.com.au/>).

Snowden understands that IBML also holds a 100% interest in Endolithic Resources Pty Ltd however this company currently does not hold any mineral assets, other than one application for an EPM in the Mount Isa region of Queensland.

#### **3 IBML'S NAMIBIAN PROJECTS**

IBML's mineral interests in Namibia are held through a wholly-owned Namibian-registered private company, Craton Mining and Exploration (Pty) Ltd ("Craton"). Craton has Exclusive Prospecting Licences ("EPLs") and applications totalling some 11,307 km<sup>2</sup> (Table 3.1).

The company's project areas are located in central and northern Namibia (Figure 3.1).

7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

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Project area	Licence number	Licence name	Status	Grant date	Expiry date	Area (km <sup>2</sup> )
Omitiomire	EPL 3589	Omitiomire southwest	Granted	26/04/2007	25/04/2012	988
	EPL 3587	Mabela north	Granted	26/04/2007	25/04/2012	979
	EPL 3588	Glenorkie northeast	Granted	26/04/2007	25/04/2012	73
Steinhausen	EPL 3590	Oorlogsdeel northwest	Granted	26/04/2007	25/04/2012	985
	EPL 4054	Hochfeld	Granted	27/04/2007	26/04/2013	763
	EPLA 4150	Seeis	Application			981
	EPLA 4151	Karamba	Application			960
Kalahari Copperbelt	EPL 3584	Rehoboth South	Application for extension*	26/04/2007	25/04/2010	983
	EPL 4039	Nomeib	Granted	01/07/2008	30/06/2011	886
	EPL 4055	Sib	Granted	27/04/2010	26/04/2013	938
Kamanjab	EPL 3372	Kopermyn	Granted	13/12/2005	12/12/2010	547
	EPLA 4296	Tzaus	Application			499
	EPLA 4297	Vaalberg	Application			787
	EPL 4431	Tzamin	Granted	25/06/2010	24/06/2013	938
<b>Total</b>						<b>11,307</b>

Note: \* Applications for a two year extension lodged by Craton

**Table 3.1 Details of Craton's Namibian licences**



**Figure 3.1 Location of Craton's licences in Namibia**

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

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#### 3.1 Risk Profile

Since gaining independence in 1990, Namibia has become one of Africa's most stable countries. The country boasts one of Africa's most liberal constitutions and one of its most attractive investment regimes, with corruption levels among the lowest in sub-Saharan Africa (though nonetheless higher than in more developed economies). However, prospects for rapid economic growth are limited despite rich mineral resources. The redistribution of white-owned land which has so far proceeded slowly remains a potential source of tension, but the government reportedly will not support Zimbabwe-style land invasions.

The political and security risk in Namibia are both considered low. This implies that business can operate with few problems. According to the Organisation for Economic Co-operation and Development ("OECD") Country Risk Classification (OECD, 2010), Namibia is rated at three out of seven (where zero is the lowest credit risk and seven is the highest). This is on par with countries such as Brazil, Israel, India and Peru.

#### 3.2 Omitiomire Project

IBML's premier project is the Omitiomire Project which hosts the Omitiomire copper deposit. The project is entirely within EPL 3589 which covers some 988 km<sup>2</sup> and lies approximately 120 km northeast of Windhoek in central Namibia (Figure 3.2).

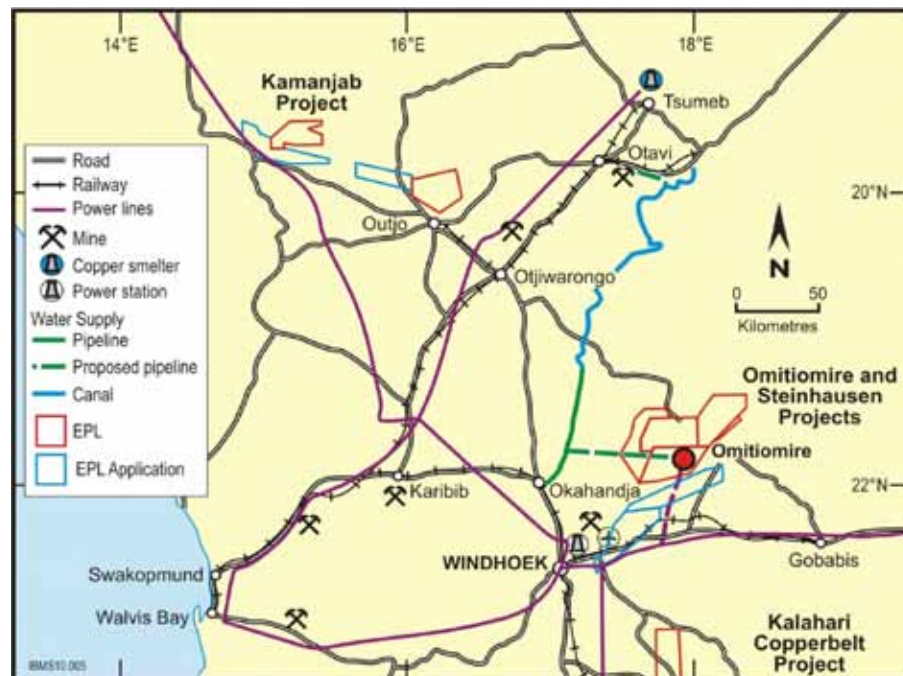


Figure 3.2 Location of Omitiomire deposit and infrastructure

Within the Omitiomire Project, rock outcrop is sparse due to an extensive but thin cover of Kalahari sand. As a result, understanding of the local geology is largely based on geophysical interpretation, limited mapping and drill hole information. The Omitiomire deposit is hosted by the Ekuja basement

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

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dome which comprises quartz-feldspar gneiss, amphibole-biotite-bearing schist and amphibolite. The dome is rimmed by serpentinite and Kuiseb Schist of the Damara Sequence which is structurally emplaced over the rocks of the dome (Figure 3.3). Within the Omitiomire deposit, copper mineralisation occurs as disseminated chalcocite in amphibole-epidote-biotite schists and amphibolites, interbedded with unmineralised quartz-feldspar gneissic rock as well as minor tonalites and pegmatites on the southeastern side of the Ekuja Dome. The Barreshagen mineralisation is of similar style hosted by biotite schist flanked by barren quartz-plagioclase gneiss.

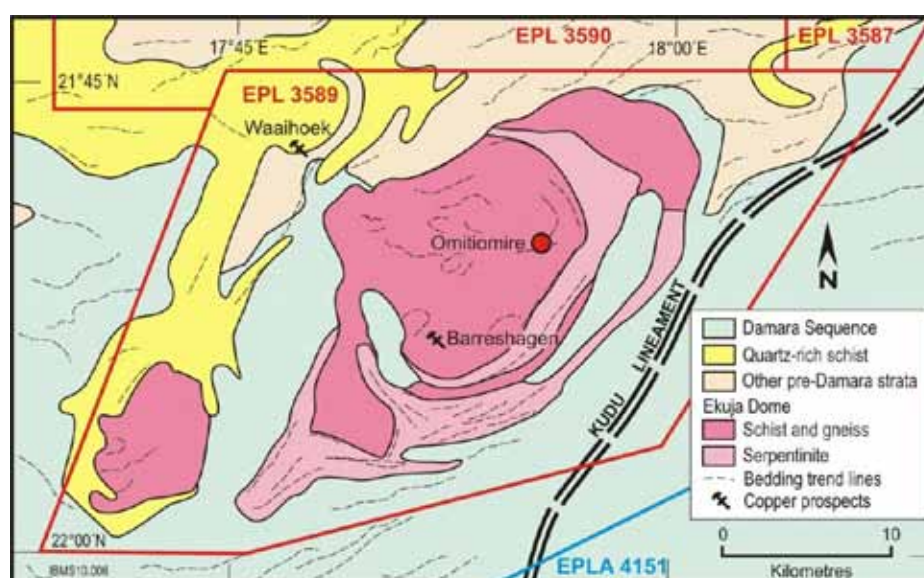


Figure 3.3 Geological interpretation of the Omitiomire area and Ekuja Dome

Since December 2008, IBML has carried out 400m by 400m geochemical soil sampling over the entire Ekuja Dome and adjacent areas, with infill 100m by 100m sampling over anomalous areas. The soil geochemical programme has identified extensive geochemical anomalies, highlighting untested copper potential. This is considered to be highly encouraging, indicating potential for repetitions of mineralisation defined at Omitiomire.

#### 3.2.1 Omitiomire Deposit

The Omitiomire copper deposit lies within a zone of banded schist and gneiss which underlies a unit of massive unmineralised quartz-feldspar (felsic) gneiss. Copper mineralisation occurs mainly as chalcocite which is preferentially concentrated in bands of biotite-epidote-bearing schist, within dark biotite schist or in finely banded quartz-plagioclase-biotite-hornblende schist.

The deposit is a broadly tabular body, extending at least 2,600 m in a north-south direction, 800 m in an east-west direction and generally dipping at a shallow angle to the east. The mineralisation remains open in all directions, although to the east the deposit lies at depths of greater than 200 m. In the north, the deposit plunges at a moderate angle to the north and the most northerly drill holes show no reduction in grade or thickness. Limited drilling to the west and interpreted fault complications have

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resulted in a poor understanding of the potential in this direction. However, soil geochemical sampling and geophysical imagery indicate significant potential for additional mineralisation to the west.

The deposit is partially oxidised to a depth of 40 m and occasionally more deeply along faults, with the development of malachite and chrysocolla. Supergene alteration of chalcocite to covellite is also observed near surface. Minor clay is also recorded in the oxide zone which has had some impact on the metallurgical testwork results.

#### Resource estimation

The Omitiomire Mineral Resource estimate was prepared by Hellman & Schofield in April 2010. The estimate is based on data from IBML's drilling programmes completed in 2009 with some historic drilling included. Drilling at Omitiomire totals almost 42,156 m comprising 28,989 m of RC drilling and 2,929 m of diamond drilling. The majority of the drilling is based on a 100 m by 100 m grid with infill drilling to a 50 m by 100 m, and a 50 m by 50 m spacing within the central portions of the deposit.

The banding of the heavier, copper-bearing mafic rocks and the lighter, barren felsic layers lends itself to pre-concentration by dense-medium separation. Metallurgical test work has shown that banded rocks can be processed more economically than massive rocks due to better upgrades in a dense-medium separation circuit. A Dense-Medium Rock Upgrade Calculation ("DRUC") was incorporated into the resource model to identify the likely dense-medium response of different blocks of ore, based on logging core in relation to banding.

Oxidised material occurs near surface and extends at depth along fault and fracture zones. Hellman & Schofield notes that there is uncertainty in the oxide model and that deeper zones may exist. Based on the current modelling 2% to 3% of the material above a cut-off grade of 0.2% Cu is oxidised. Hellman & Schofield reports that this could be as high as 10%. This has implications for metallurgical processing as recovery is reduced within oxide material and IBML has stated that in the pre-feasibility study ("PFS") metallurgical and financial modelling 23% oxidised material has been modelled using a copper to sulphur assay ratio.

The Omitiomire Mineral Resource estimates at cut-off grades of 0.10% Cu, 0.20%Cu, 0.25% Cu, 0.35% Cu and 0.45% Cu are summarised in Table 3.2. Preliminary mining studies for the PFS indicate that the cut-off grade is likely to lie within this range. Snowden considers that a cut-off grade of 0.25% Cu is realistic. The Mineral Resource estimate has been reported and classified in accordance with the guidelines set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 edition ("JORC Code").

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Cut-off % Cu	Indicated Resource			Inferred Resource			Total Resource		
	Mt	% Cu	Copper kt	Mt	% Cu	Copper kt	Mt	% Cu	Copper kt
0.10	43	0.34	146	159	0.37	580	202	0.36	726
0.20	30	0.42	128	113	0.45	509	143	0.45	638
<b>0.25</b>	<b>25</b>	<b>0.47</b>	<b>115</b>	<b>92</b>	<b>0.50</b>	<b>465</b>	<b>117</b>	<b>0.50</b>	<b>579</b>
0.35	14	0.59	85	60	0.62	368	74	0.61	453
0.45	9	0.69	64	41	0.72	292	50	0.71	356

\* The information in this report relating to the Omitiomire Mineral Resource estimate is based on data compiled by Dr P. L. Hellman. Dr Hellman is a Director and founding partner of Hellman & Schofield Pty Ltd and is a Fellow of the Australian Institute of Geoscientists. Dr Hellman has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which IBML is undertaking to qualify as a Competent Person as defined in the JORC Code. Dr Hellman consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

**Table 3.2 Summary of Omitiomire Resource estimate by cut-off grade\***

#### Pre-Feasibility Study

In February 2008, IBML appointed Green Team International (Pty) Ltd ("GTI"), a Johannesburg based project management company, to undertake components of a PFS for the Omitiomire deposit. The PFS included geotechnical studies, mine design, metallurgical studies, tailings facility design, process plant design, infrastructure assessments and financial evaluation of the project. GTI sub-contracted SRK (Pty) Ltd ("SRK"), Mintek (South African based research institution), Metallicon Process Consulting (Pty) Ltd ("Metallicon") and Matomo Projects (Pty) Ltd ("Matomo") to assist with the evaluation. The PFS report was finalised in May 2010 (GTI, 2010).

The PFS is based on the Mineral Resource estimate prepared by Hellman & Schofield and mine planning for the Omitiomire Project was based on employing open-pit methods to extract the economic part of the resource at a rate of 6 Mtpa. The base case developed in the PFS assumes a final pit containing a mining inventory of 69 Mt at an average grade of 0.55% Cu, based on an economic cut-off grade of 0.24% Cu and an initial plant-feed cut-off grade of 0.35% Cu. Snowden makes no assertion, nor has sighted any assertion by GTI or SRK, that such material has been estimated or classified as ore or as an ore reserve within the guidelines of the JORC Code, 2004. Snowden notes that the resource model used by SRK to develop the mine design classifies 79% of the mineral resource model as Inferred. The JORC Code, 2004 precludes the use of Inferred mineral resources from being used to estimate ore reserves.

The life of mine is estimated at ten years with an additional two years during which stockpiles will be processed.

The PFS has identified that two major surface features transect the optimal pit location, the MR53 district road and the Black Nossob River. Various studies have concluded that plausible diversion options exist for both these features and that neither places an unmanageable risk to the operation.

#### Further exploration potential

Snowden considers that the Omitiomire deposit remains open to the north and south as well as down-dip extensions to the east. Furthermore, there may be potential for additional mineralised zones beneath the current known deposit as the few deeper drill holes indicated additional mineralisation and the soil geochemical anomaly extends to the west suggesting further discovery potential within inferred deeper mineralised zones. In Snowden's opinion, there is good potential for further extensions to the

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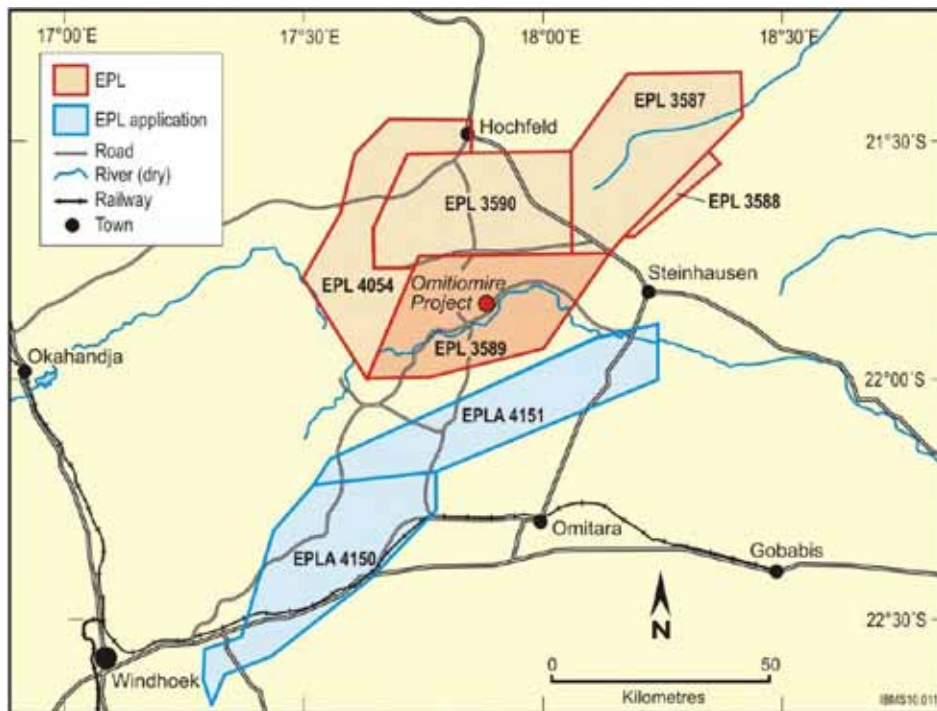
**SNOWDEN**

known deposit and the potential mineralisation extensions to the north and south are a priority for future exploration drilling.

Based on the geochemical soil sampling data, the Ekuja Dome could host a substantial zone of anomalous copper mineralisation along a strike length of greater than 20 km which includes the Omitomire deposit. Snowden considers there is good potential for the discovery of further Omitomire type mineralisation within the project area.

**3.3 Steinhausen Project**

The Steinhausen Project area is located in Central Namibia and stretches from just east of Windhoek for almost 200 km to the northeast (Figure 3.4). The Steinhausen Project area covers a broad regional area which largely surrounds the Omitomire Project (EPL 3589). The project comprises four granted EPLs covering some 2,800 km<sup>2</sup> and two EPL applications (1,941 km<sup>2</sup>). Access to the area is via high quality paved and gravelled roads. Local access is via a network of farm tracks.



**Figure 3.4** Location of the Steinhausen Project area

The Steinhausen Project lies within the southern zone of the Damaran Orogenic Belt, formed as a result of continental collision between the south-moving Angolan Craton and the Kalahari Craton during the Cambrian period. This area consists largely of deformed and metamorphosed Neoproterozoic strata of the Damara Sequence with structurally-controlled 'windows' of pre-Damara basement rocks. The strata have been deformed by south-directed thrusting and possible nappe emplacement followed by folding, and have been metamorphosed to amphibolite facies.

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A number of base-metal prospects and potential mineralisation styles are present within the Steinhausen Project. These include copper associated with basement domes, analogous to the Ekuja Dome which hosts the Omitiomire deposit, sediment-hosted copper deposits, nickel-copper mineralisation in mafic rocks and massive sulphide mineralisation associated with the Matchless Amphibolite Belt.

In addition to the Omitiomire deposit, numerous other copper occurrences are recorded within the Steinhausen Project area, including the Oorlogsdeel, Talana, Voigtland, Esperance and Gum Tree prospects (Figure 3.5). These as well as other prospects have been targeted by previous exploration involving a number of companies, mainly during the 1970s and 1980s.

Previous exploration was undertaken over the project area mainly during the 1970s, targeting a number of copper prospects with trenching and shallow open-hole percussion drilling. Most of the prospects have received no follow-up exploration since that time.

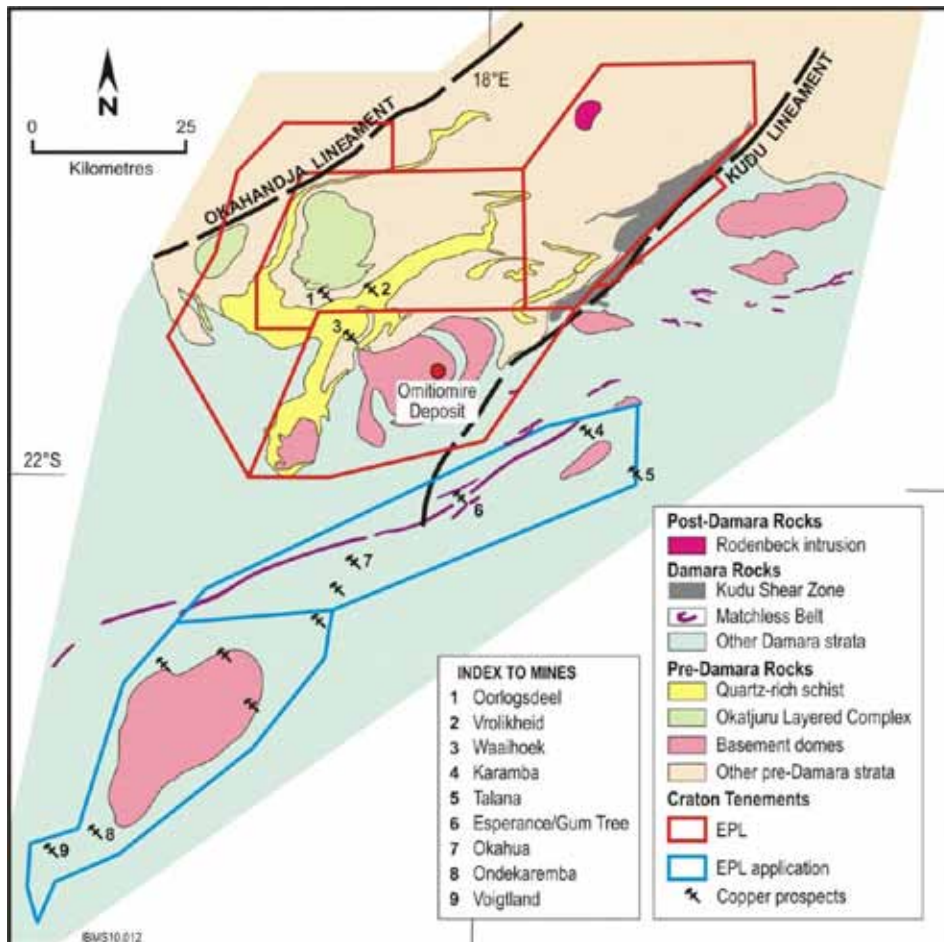


Figure 3.5 Interpreted geology of the Steinhausen Project

7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

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Snowden considers the Steinhausen Project to be strategically located and highly prospective for further Omitiomire-type deposits. Other exploration targets in the project area remain at a relatively early stage of assessment but there is considered to be good potential for the discovery of further significant zones of copper mineralisation. Furthermore, previous geochemical surveying at Omitiomire has demonstrated that both the drainage and soil geochemistry reflect the sub-cropping mineralisation in the local area and may allow for the rapid delineation of additional targets.

Based on the large number of geochemical anomalies and the structural similarity of several of these to the Omitiomire deposit, Snowden considers the Steinhausen Project to be highly prospective for copper mineralisation.

**3.4 Kalahari Copperbelt Project**

IBML's Kalahari Copperbelt Project is located in central Namibia about 200 km south and southeast of Windhoek and covers a total area of approximately 2,807 km<sup>2</sup>. Craton holds 100% equity in three EPLs in the project area (Figure 3.6).

The project is located within the Kalahari Copperbelt of central Namibia, which trends towards the northeast from west-central Namibia for approximately 800 km into Botswana. The Kalahari Copperbelt is interpreted to represent the lateral equivalent of the Zambian Copperbelt, which is hosted within rocks of similar age. The rocks of the Kalahari Copperbelt belong to the lower part of the highly deformed Damara Sequence of Neoproterozoic to Cambrian age.

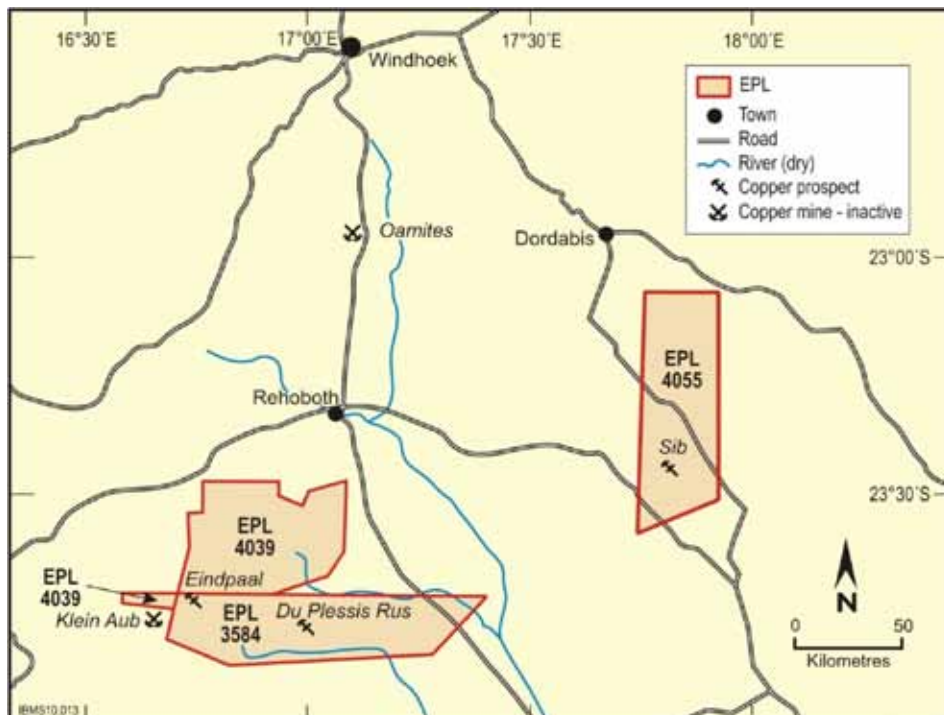


Figure 3.6 Location of the Kalahari Copperbelt Project area

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The Rehoboth Inlier, in the centre of the project area, forms the basement rocks of the Kalahari Craton on which the Damara Sequence was deposited (Figure 3.7). It is composed of Paleoproterozoic to Mesoproterozoic age metamorphic sequences intruded by granitic rocks of the Gamsberg Suite. EPL 3584 and EPL 4039 cover parts of the Rehoboth Inlier in which several copper prospects have features that suggest an affinity to VMS and porphyry copper deposits.

Within the project area, the Kalahari Copperbelt is represented by the Tsumis Group, comprising conglomerate, sandstone, shale and minor limestone. Of particular interest within the Tsumis Group is the Kagas Member of the Klein Aub Formation, which is interpreted to be equivalent to the 'Ore Shale' within the Zambian Copperbelt. The Klein Aub Formation hosts the historic Klein Aub mine, just west and outside of Craton's licences which produced approximately 5.5 Mt at 2% Cu and 50 g/t Ag. The Tsumis Group is overlain by younger Damaran strata (Nosib and Witvlei Groups) which also contain sediment-hosted copper occurrences. EPL 3584 covers strata of the Tsumis Group and extends from just east of the Klein Aub mine and covers 60 km of strike of the Kagas Member to the east where it disappears below Kalahari sand.

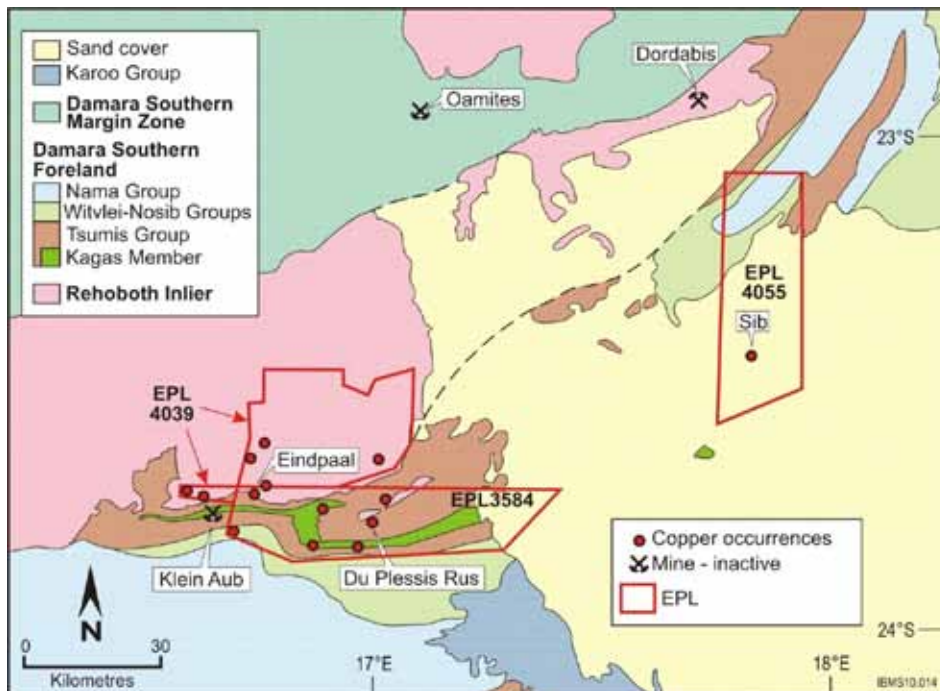


Figure 3.7 Regional geology of the Kalahari Copperbelt Project area

Within the project area, sediment-hosted copper deposits have been recognised since the 1960s. The most significant of these is the historic Oamites mine (outside and to the north of Craton's licence areas), which operated from 1971 to 1985 and produced in the order of 6.5 Mt of ore at an average grade of 1.3% Cu and 12 g/t Ag. At the Sib prospect, in EPL 4055, sandstone-hosted copper mineralisation, within the Nosib and Witvlei Groups, is exposed as two beds in a number of shallow prospecting trenches along several hundred metres of strike length. During the 1960s, Gamma Mining

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and Prospecting Co. (Pty) Ltd conducted pitting, trenching, percussion drilling and diamond drilling. They reported an exploration target with potential for some 640,000 t at and average grade of 0.8% to 0.9% Cu and 3g/t to 7g/t Ag at the Sib prospect.

In Snowden's opinion, the previous mining history of areas within and surrounding the project area and the large number of copper occurrences demonstrate the prospectivity of the area and in particular the Klein Aub Formation. On this basis, Snowden considers sediment-hosted copper mineralisation to represent an early-stage exploration target with moderate to good potential for economic copper mineralisation.

Snowden understands that past exploration largely ignored the potential for porphyry hosted copper mineralisation. Recent work by IBML and its consultants demonstrates that many of the features associated with porphyry copper deposits are present in the Kalahari Copperbelt Project area; however, indications are that these would have limited tonnage potential. Porphyry-hosted copper mineralisation within the Kalahari Copperbelt is considered to be conceptual in nature and as such should be considered to be high-risk.

**3.5 Kamanjab Project**

IBML's Kamanjab Project area is situated in northern Namibia, approximately 350 km north of Windhoek and some 200 km east of the Atlantic Coastline. The project area comprises two EPLs (EPL 3372 and EPL 4431) and two applications for EPLs covering a total of 3,080 km<sup>2</sup> (Figure 3.8). Access to the area is via good quality paved and gravelled roads. Local access is via a network of farm tracks.

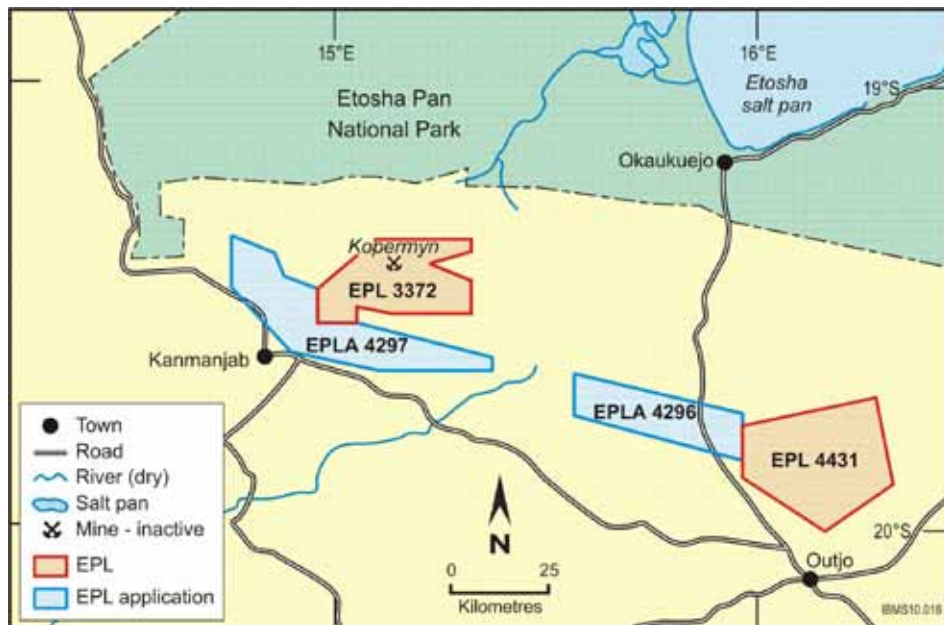


Figure 3.8 Location of the Kamanjab Project area

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The regional geology comprises two Palaeoproterozoic basement inliers flanked by younger Neoproterozoic-aged rocks. The inliers are composed of gneiss, amphibolite, metasedimentary rocks and related intrusive rocks. Unconformably overlying the inliers, but mainly limited to exposures beyond their outer edges, are sedimentary rocks of the Damara Sequence, comprising dolomite, limestone and siliciclastic rocks varying from conglomerate to mudstone. The Damara Sequence strata generally dip away from the centres of the inliers.

Various styles of mineralisation are known in the area, including sediment-hosted copper deposits (Kopermyn deposit) and intrusive-hosted gold. The historic Kopermyn mine lies within the project area (EPL 3372) and comprises a small but relatively high-grade copper deposit that was exploited during the 1950s and 1970s. The majority of previous exploration work was carried out at the Kopermyn copper deposit and field examinations of the exposed mineralisation indicate that remnant copper remains at the deposit. Copper mineralisation associated with the Kopermyn Fault and intersected during IBML's recent drilling programme is encouraging.

IBML has identified the Kopermyn deposit as a stratabound copper style of mineralisation, in which primary copper mineralisation, hosted by conglomerate, has been enriched by supergene processes related to weathering and oxidation. The copper mineralisation occurs within the quartzite and conglomerate unit at the base of the Nosib Group where it unconformably overlies the Khoabendus Group (Figure 3.9). The Nosib Group is correlated with the copper-bearing Roan Group in the Central African Copperbelt and the styles of copper mineralisation are considered to be similar.

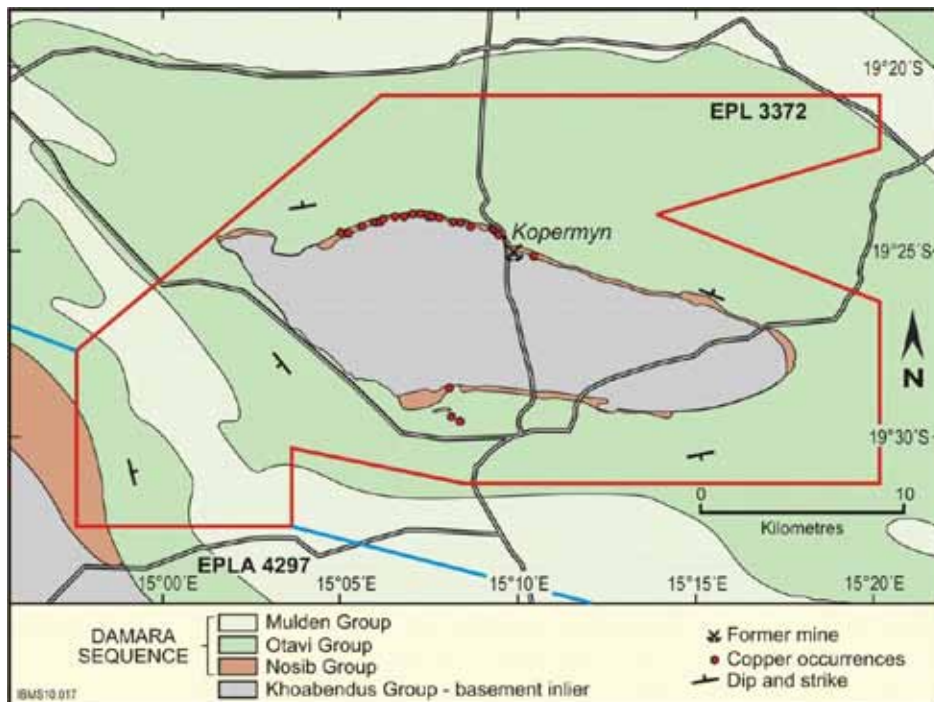


Figure 3.9 Geology of EPL 3372 within the Kamanjab Project area

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

### **SNOWDEN**

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There is good potential for the discovery of additional economic mineralisation along strike from the known deposit and in a similar geological setting. Reconnaissance exploration by IBML has identified a target zone developed intermittently over 11 km of strike in a zone of 1 m to 10 m thick, and up to 50 m thick in places. Proof of concept drilling is currently being undertaken. Additional copper occurrences have been identified within the Nosib Group surrounding the Kamanjab Inlier. The Mineral Resources of Namibia volume, by the Geological Survey of Namibia reports that drilling on the Tzamin prospect (within EPL 4431) has identified an exploration target with potential of some 200,000 t at an average grade of 1.8% to 2.0% Cu and 50 g/t to 60 g/t Ag within chalcocite-bearing sandstone.

In Snowden's opinion there is potential for future mining of the remnant mineralisation at Kopermyn and retreatment of the old tailing material. However no work has been undertaken to determine the economic viability of the mineralisation and the associated tails. Snowden also considers that there is reasonable potential for other Kopermyn-type deposits in the surrounding area and within the target zone identified by IBML's recent reconnaissance exploration. Copper mineralisation was intersected during IBML's recent drilling programme along the Kopermyn Fault. However, further work is required to determine the control on mineralisation.

#### **3.6 Planned Expenditure**

IBML's expenditure for the next two years is focussed on the Omitiomire deposit. Economic studies have shown the viability of the large but low grade Omitiomire deposit is very susceptible to international copper price fluctuations. Results from the PFS are encouraging and, as long as macro-economic factors are favourable, IBML plans to undertake a definitive feasibility study ("DFS") during 2010 and 2011 and to develop a mine by the middle of 2014 with associated infrastructure.

Planned expenditure, which includes provision for resource definition drilling and Mineral Resource estimation, sterilisation and geotechnical drilling, environmental and groundwater studies, infrastructure and preparation of the DFS study, is estimated to total A\$16.0M and an additional A\$1.0M is estimated to be required for the construction of water and power infrastructure. The timeline for this work and the completion of the DFS is 18 months. In Snowden's opinion the timeline and planned expenditure proposed by IBML are reasonable and as expected for the delineation and possible development of copper mining and processing operations at Omitiomire.

In addition to the above activities, IBML plans to continue exploration activities within the broader Omitiomire Project area and the Steinhausen, Kalahari Copperbelt and Kamanjab Project areas during the next two years. The exploration budget for two years is included in Table 3.3. In Snowden's opinion, this level of expenditure is appropriate considering the existing exploration targets and potential for additional targets within the project areas.

Within the Kamanjab Project the joint venture agreement with Antofagasta Minerals S.A. ("Antofagasta Minerals") over EPL 3372, dated November 2009, provided for Antofagasta Minerals to spend no less than US\$0.5M on or before the first anniversary, with the right to withdraw at any stage thereafter. Antofagasta Minerals has completed their exploration programme for the first year and has withdrawn

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

### SNOWDEN

from the project. The company has however expressed interest in a continued relationship with IBML with respect to the Kalahari Copperbelt EPLs.

Project	Exploration activity	Year 1 (A\$)	Year 2 (A\$)	Total (A\$)
Omitiomire	Regional soil sampling	15,000	-	15,000
	Detailed soil sampling and mapping	31,000	-	31,000
	Geological research and consultants		62,000	62,000
	Drilling	154,000	738,000	892,000
	Sub-total	200,000	800,000	1,000,000
Steinhausen	Soil sampling	100,000	269,000	369,000
	Drilling	-	262,000	262,000
	Magnetic survey	12,000	34,000	46,000
	Geological research and consultants	30,000	62,000	92,000
	Data research	31,000	-	31,000
Sub-total	173,000	627,000	800,000	
Kalahari	Regional orientation and specialist studies	77,000	-	77,000
	Soil sampling and mapping	292,000	123,000	415,000
	Magnetic survey	16,000	15,000	31,000
	Geological research and consultants	100,000	100,000	200,000
	Drilling	38,000	739,000	777,000
Sub-total	523,000	977,000	1,500,000	
Kamanjab	Regional orientation studies	16,000	15,000	31,000
	Soil sampling and mapping	15,000	154,000	169,000
	Geological research and consultants	69,000	100,000	169,000
	Magnetic survey	31,000	-	31,000
Sub-total	131,000	269,000	400,000	
<b>Total</b>		<b>1,027,000</b>	<b>2,673,000</b>	<b>3,700,000</b>

Table 3.3 Planned exploration expenditure for IBML's Namibian projects

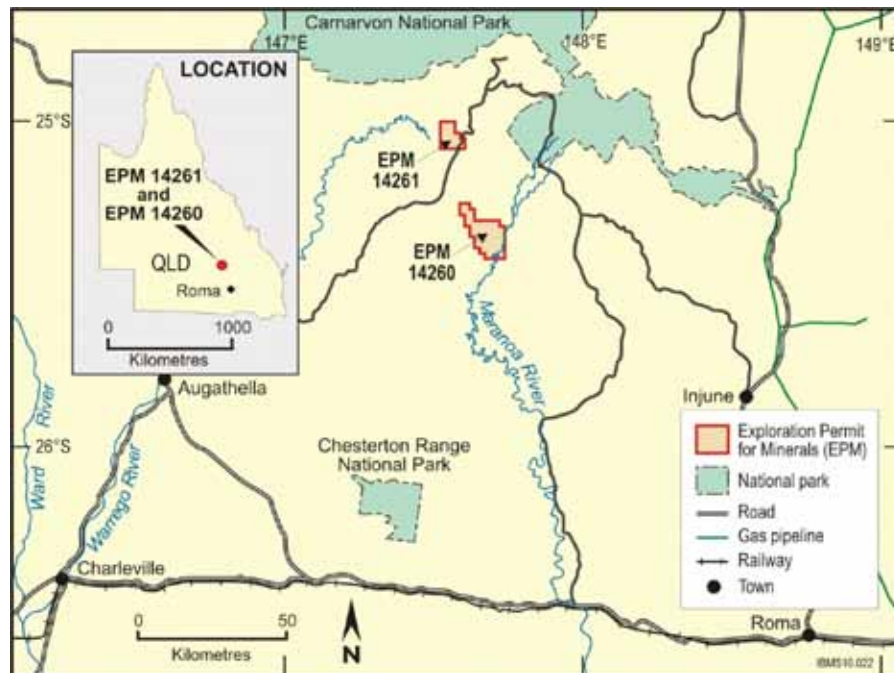
### 4 MARANOVA PROJECT

The Maranoa Project is located in Queensland, Australia approximately 150 km northeast of Charleville and 600 km northwest of Brisbane (Figure 4.1). Maranoa Resources Pty Ltd ("Maranoa"), a wholly owned subsidiary of IBML, holds two granted Exploration Permits for Minerals ("EPMs") that cover a total area of approximately 217 km<sup>2</sup> (Table 4.1). IBML is principally targeting nickel/copper/platinum deposits in what it considers to be a region similar to the Noril'sk district of Arctic Russia.

Project area	Licence number	Licence name	Status	Grant date	Expiry date	Area (km <sup>2</sup> )
Darkwater	EPM 14260	Darkwater	Granted	13/04/2005	12/04/2013	155
Mount Tabor	EPM 14261	Mount Tabor	Granted	29/09/2009	28/09/2014	62
<b>Total</b>						<b>217</b>

Table 4.1 Details of Maranoa's Queensland licences

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

**SNOWDEN**

**Figure 4.1 Location of the Maranoa Project area**

The Maranoa project covers units of the Surat Basin, which forms part of the Great Australian Basin. Sedimentary rocks of the Jurassic-aged Precipice Sandstone, Evergreen Formation and Hutton Sandstone outcrop within the project area. Tertiary-aged, plateau-forming flood basalts are present in the south of the project area around Mount Hutton and in the north around the Carnarvon Gorge. Within EPM 14260, the Darkwater ultramafic intrusive body crops out over an approximate area of some 400 m by 800 m. Detailed magnetic geophysical imagery shows that the Darkwater intrusion is a composite body, with an extent of some 10 km and is comprised of a number of connected intrusive bodies.

In Snowden's opinion there is potential for the discovery of significant mineralisation associated with the known mafic/ultramafic bodies but the appropriate focussing mechanism is required to concentrate sulphides from a large magma intrusive into an economic deposit. The presence of such a deposit remains to be demonstrated and the project area remains at an early-stage of assessment.

Snowden considers that sediment-hosted base metal targets within the Maranoa Project area are also at an early stage of assessment. However there is reasonable potential for further discoveries given the presence of known mineralisation at Mount Manganese and elsewhere.

IBML's exploration programme for the Darkwater project area (EPM 14260) and the Mount Tabor project area (EPM 14261) for the next two years is directed towards geophysical and geochemical surveying for target definition. In Snowden's opinion, the planned exploration and level of expenditure is appropriate considering the early stage and conceptual nature of the targets within the project areas

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

### **SNOWDEN**

#### **5 SHUTTLETON AND MOUNT HOPE PROJECTS**

The Shuttleton and Mount Hope Projects are located 70 km and 160 km respectively south-southeast of Cobar in western New South Wales, Australia and cover a total area of approximately 132 km<sup>2</sup> (Table 5.1). AuriCula Mines Pty Ltd ("AuriCula"), a wholly owned subsidiary of IBML, is in joint venture with Cobar Management Pty Ltd ("CMPL") over EL 6223 located at Shuttleton. Auricula also has a joint venture agreement with Actway Pty Ltd ("Actway") and CMPL over EL 6907 and EL 6868 located at Mt Hope. IBML retains a 10% interest in the Shuttleton Project whereas its claimed beneficial interest in the Mount Hope Project remains at 100% pending further exploration expenditure.

Project area	Licence number	Licence name	Status	Grant date	Expiry date	Area (km <sup>2</sup> )
Shuttleton	EL 6223	Shuttleton	Application for extension	05/04/2004	04/04/2010	38
Mount Hope	EL 6868	Mount Hope south	Granted	06/09/2007	06/09/2011	26
	EL 6907	Mount Hope	Granted	11/10/2007	11/10/2011	68
<b>Total</b>						<b>132</b>

**Table 5.1 Details of AuriCula's New South Wales licences**

##### **5.1 Shuttleton Project**

Exploration drilling programmes undertaken by CMPL and Actway identified a number of narrow, steeply plunging structurally controlled shoots with moderate to high copper grades. The joint venture partners consider these shoots to be analogous to the mineralisation currently being mined at the CSA mine at Cobar. Snowden considers that there is reasonable potential for the delineation of narrow, high grade mineralisation within the Shuttleton Project.

##### **5.2 Mont Hope Project**

Mineralisation at the Mount Hope area represents a Cobar-type mineralised "pipe" located along regionally extensive north-trending faults and hosted within sedimentary units of the Cobar Supergroup. Snowden considers the Mount Hope Project to be strategically located and the presence of numerous historic workings and encouraging drill hole intercepts demonstrate a high level of prospectivity. However, further focussed exploration is required to determine the economic viability of the various prospects.

##### **5.3 Proposed exploration**

Under the terms of the joint venture, IBML has no expenditure commitment on the Shuttleton and Mount Hope Projects within the next two years. Snowden understands that the joint venture partners plan to spend approximately A\$388,500 in 2010 and a similar level of expenditure is planned for 2011. Snowden understands that CMPL has agreed to sole fund exploration at Mount Hope for a minimum of A\$250,000 before it can withdraw from the project.

#### **6 DECLARATIONS BY SNOWDEN**

##### **6.1 Independence**

Snowden is an independent firm of consultants providing a comprehensive range of specialist technical and financial services to the mining industry in Australia and overseas through offices in Perth, Brisbane, Johannesburg, Cape Town, Vancouver, London and Belo Horizonte.

## 7. SUMMARY INDEPENDENT GEOLOGISTS' REPORT

### **SNOWDEN**

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This report has been prepared independently and in accordance with the VALMIN and JORC Codes. The authors do not hold any interest in IBML, its related parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Snowden's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

#### **6.2 Qualifications**


This report was prepared by Mr Terry Parker (Principal Consultant) and was reviewed by Mr Trevor Bradley (Divisional Manager Corporate Services) of Snowden's Perth office.

Mr Terry Parker (BSc(Hons) Geology, MBA, FAusIMM, CPGeo) is a geologist with 40 years experience working in Africa, the Middle East and Australia, involved in exploration and mining for gold, copper, nickel, bauxite and industrial minerals. He has a Diploma in Surface Mining (Quarry Manager, WA) and has been a mine manager in WA for ten years. Terry has an MBA specialising in mineral economics. He has consulted to the mining industry worldwide for 15 years, including five years for Snowden in Perth (1995 to 1999), two years for Snowden in Johannesburg, South Africa (2008-2010) and eight years for industrial minerals (2000-2008). He has consulted on a wide range of commodities, including gold, copper, nickel and industrial minerals and participated in numerous independent technical reviews, audits, valuations and competent person's reports for mineral resources and ore reserves (surface mining).

Mr Trevor Bradley [LLM, B(App)Sc (Hons), MAIG] is a geologist with more than 20 years of international mining experience in the areas of mine development, geology, exploration, resource definition and operations. He holds a Masters Degree with Distinction in Natural Resource Law and Policy from the Centre for Energy, Petroleum, Mineral Law and Policy in the United Kingdom and has worked extensively throughout Western Australia, Indonesia and Mongolia for companies such as KCGM, Rio Tinto, Dominion, Aurora Gold and Centerra Gold. As a corporate consultant, he is involved in independent technical reviews, audits and valuations of mining and exploration assets.

Yours faithfully

#### **Snowden Mining Industry Consultants**



Mr Terry Parker  
*BSc (Hons) Geology, MBA, FAusIMM, CPGeo*

**Principal Consultant – Corporate Services**



Mr Trevor Bradley  
*B(App)Sc (Hons), LLM (Distinction), MAIG.*

**Principal Consultant and Divisional Manager  
Corporate Services**



A photograph of a large, layered rock formation, possibly a quarry or mine entrance. The rock face is composed of various shades of brown, tan, and grey, with distinct horizontal and vertical layering. A white rectangular text box is overlaid on the right side of the image. In the bottom left corner, a few people are visible, including one wearing a blue shirt and a hat, and another wearing a black hat. The ground in the foreground is rocky and uneven.

## INDEPENDENT REPORTS ON TENEMENTS

# 8. INDEPENDENT REPORTS ON TENEMENTS



14 November 2010  
 The Directors  
 International Base Metals Limited  
 Level 8, 275 George Street  
 SYDNEY NSW 2000  
 AUSTRALIA

Dear Sirs

**International Base Metals Limited - Initial Public Offering  
 Namibian Legal Report on Tenements (Report)**

This Report has been prepared for inclusion in a prospectus to be dated on or about the date of this Report (**Prospectus**) to be issued by International Base Metals Limited (ACN 100 373 635) (**Company**).

Engling, Stritter & Partners have acted as special Namibian counsel for the Company in respect to the preparation of this Report on the Company’s interests in Namibia, through its wholly owned subsidiary, Craton Mining & Exploration (Pty) Ltd (**Craton**).

**1. Regulatory framework in Namibia**

In Namibia all mineral rights are vested in the State and are regulated by the *Minerals (Prospecting and Mining) Act* of 1992 (**Minerals Act**). Accordingly, the right to prospect or mine is granted by the State subject to the conditions of the Minerals Act.

Mining rights cannot simply be amended, sold or transferred at the instance of the holder. An application for a new licence, the renewal thereof or a transfer of a licence requires the consent of the Minister of Mines and Energy (**Minister**), who exercises an administrative discretion in granting or refusing it. Such discretion is not an unfettered discretion and must be properly exercised with due regard to the provisions and objectives of the Minerals Act. In certain circumstances, the decision of the Minister can be reviewed and set aside by the Namibian High Court.

**2. Terms and conditions of Exclusive Prospecting Licences (EPLs)**

A holder of an EPL is entitled to carry on exclusive prospecting operations in the area and in respect of the mineral specified in the licence.

With prior permission of the Mining Commissioner a holder of an EPL is also entitled to:

- (a) remove any mineral other than a controlled mineral (“controlled minerals” including minerals specified in the precious metals group: i.e. gold, silver, platinum etc) for any purpose including sale or disposal; and

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**Consultant:**  
 Carl-Heinz Scriba AIAC, B.Proc

## 8. INDEPENDENT REPORTS ON TENEMENTS

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- (b) carry on such other operations, including the erection or construction of accessory works, as may reasonably be necessary for, or in connection with its prospecting operations or the sale or disposal of minerals.

The Minister may grant an EPL or a renewal for an EPL, on such terms and conditions as may be determined by him, including conditions supplementary to those contained in the Minerals Act.

### 2.1 Standard terms and conditions of EPLs

Standard conditions that are imposed include:

- (a) the holder of an EPL shall continue without undue interruption or delay, prospecting operations within one month of the date of issue of the licence in substantial conformity with the proposed work programme, schedule and budget which accompanied the original application for the licence;
- (b) the holder of an EPL shall observe any requirements, limitations or prohibitions on his or her prospecting operations as may, in the interest of environmental protection, be imposed by the Minister from time to time;
- (c) the Minister may, in the interest of reasonable development of the prospecting operations, impose from time to time such additional terms and conditions as he may deem fit;
- (d) the holder of the EPL shall adhere to the environmental contract entered into with the Government of Namibia; and
- (e) the funds raised anywhere in respect of the EPL shall be committed to the licence and shall be banked at a financial institution in Namibia.

### 2.2 Terms of an EPL under the Minerals Act

Under the Minerals Act, in addition to any term and condition contained in an EPL, it is deemed to be a term of the EPL that the holder shall:

- (a) in the employment of employees, give preference to Namibian citizens;
- (b) carry out training programmes;
- (c) make use of products or equipment manufactured or produced in Namibia but with due regard to the need of ensuring technical and economic efficiency;
- (d) prepare for the approval of the Mining Commissioner:
  - (i) an environmental impact assessment indicating the extent of any pollution of the environment before any prospecting operations are being carried out and an estimate of any pollution likely to be caused by such operations; and
  - (ii) if any pollution is likely to be caused, an environmental management plan indicating the proposed steps to be taken in order to minimize or prevent to the satisfaction of the Mining Commissioner any pollution of the environment in consequence of any prospecting operations; and

## 8. INDEPENDENT REPORTS ON TENEMENTS

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- (e) from time to time as circumstances change to revise such environmental management plan.

EPL holders are also obliged to keep records, maintain plans and maps, prepare statements of income and expenditure, comply with exploration performance and reporting obligations and adhere to safe work practices.

### 2.3 Duration and renewal of EPLs

An EPL is valid for a period, not exceeding three years, as may be determined by the Minister at the time of granting the licence and may be renewed for further periods not exceeding two years. An EPL cannot be renewed on more than two occasions, unless the Minister deems it desirable, with respect to the development of the mineral resources of Namibia, that an EPL be renewed for a third or subsequent occasion.

In respect of an EPL renewal, the prospecting area would be reduced to 75% of the area of the original licence, and 50% in respect of the second and subsequent renewals, unless approval is granted by the Minister for a larger area, granted in the interest of the development of the mineral resources of Namibia and on good cause shown by the holder of the EPL.

## 3. Mining licence

The holder of an EPL may apply for a mining licence in respect of the whole or any portion of the prospecting area. Mining licences are granted for the development and operation of a mine following the discovery of a commercially viable deposit under an EPL. Successful applicants must show they have sufficient technical and financial capacity to develop and operate a mine. Surface rights and compensation of landowners

Since ownership of private land does not vest a land owner with ownership of minerals found on the land, it is not necessary for a mineral licence holder to be the owner or tenant of private land on which exploration or mining operations are to take place.

Section 52(1) of the Minerals Act provides however, that the holder of a mineral licence shall not exercise any rights conferred on such holder under the Minerals Act in, or under, any private land (private land means land other than State land) until such time as:

- (a) the licence holder has entered into an agreement in writing with the owner of such private land, containing terms and conditions relating to the payment of compensation;
- (b) the owner has in writing waived their right to such compensation; or
- (c) the licence holder has been granted an ancillary right under the Minerals Act.

### 3.1 Land Access Agreement

On 8 October 2010, Craton entered into a Surface Rights and Compensation Agreement with Mr Jacob Steyn (**Land Access Agreement**). The Land Access Agreement relates to EPL 3589 which covers the privately owned property of Mr Jacob Steyn, being Farm Omitiomire No 439, in the Magisterial District of Windhoek (**Property**).

## 8. INDEPENDENT REPORTS ON TENEMENTS

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The Land Access Agreement commenced retrospectively on 1 October 2010 and terminates on 31 March 2012, subject to Craton's right to terminate the agreement earlier by giving 30 days notice to such effect. Prior to the commencement of mining operations a new agreement would have to be negotiated between the parties, with the proviso that normal prospecting activities will be allowed to continue during such negotiations.

The Land Access Agreement makes provision for payment of compensation and stipulates the rights of access and use of the Property by Craton and its obligations in relation thereto which are wider than the obligations stipulated by the Minerals Act. Craton is, in terms of the agreement, entitled to exercise its rights under EPL 3589, and undertake prospecting and exploration activities for minerals in, on and under the Property.

It is our opinion that the Land Access Agreement can be regarded as suitable under Namibian law and is fit for its purpose.

#### 4. EPLs held by Craton

As at the date of this Report, Craton holds 10 EPLs, applied for and granted under the Minerals Act. Applications for a further five EPLs are pending as at the date of this Report. The details of the EPLs can be summarised as follows:

Tenement	Project Name	Tenement Name	Status
EPL 3587	Steinhausen	Mabela	Granted
EPL 3588	Steinhausen	Glenorkie	Granted
EPL 3589	Omitiomire	Omitiomire	Granted
EPL 3590	Steinhausen	Oorlogsdeel	Granted
EPL 4054	Steinhausen	Hochfeld	Granted
EPL 4150	Steinhausen	Seeis	New Application Pending
EPL 4151	Steinhausen	Karamba	New Application Pending
EPL 3372	Kamanjab Project	Kopermyn	Granted (Renewal Pending)
EPL 4296	Kamanjab Project	Tzaus	New Application Pending
EPL 4297	Kamanjab Project	Vaalberg	New Application Pending
EPL 4431	Kamanjab Project	Tzamin	Granted
EPL 3584	Kalahari Copper Belt Project	Rehoboth South	Granted (Renewal Pending)
EPL 4039	Kalahari Copper Belt Project	Nomeib	Granted
EPL 4055	Kalahari Copper Belt Project	Sib	Granted
EPL 4570	Kalahari Copper Belt Project	Kowas	New Application Pending

We note that applications for EPL 4150 and EPL 4151 were lodged on 1 August 2008 and are pending as at the date of this Report. Applications for EPL 4296 and EPL 4297 were lodged on 19 June 2009 and are also pending as at the date of this Report. An application for EPL 4055 was lodged in April 2008 and is pending as at the date of this Report.

On 9 August 2010 an application in respect of EPL 4570 was lodged by Craton. We are informed by Craton that an earlier application by another applicant had also been lodged. Accordingly, the application by Craton will only be considered where the prior application is abandoned or not granted (which is, in our view, unlikely).

## 8. INDEPENDENT REPORTS ON TENEMENTS

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An application for renewal was lodged on 25 January 2010 in respect of EPL 3584 and is pending at the date of this Report. The application for renewal is in respect of the whole of the area of the licence. Craton advanced reasons within their renewal application for the renewed licence to remain with the whole of the area for which the licence was originally issued. EPL 3584 was due to expire on 25 April 2010. However, in accordance with the terms of the Minerals Act, the licence remains on foot while the renewal is pending.

An application for the renewal of EPL 3372 was lodged by Craton on 10 September 2010, at the date of this Report approval is pending. The EPL is due to expire on 12 December 2010 however, in accordance with the Minerals Act, the EPL will not expire during the period in which the application for its renewal is being considered. As this will be a second renewal, the prospecting area would ordinarily be reduced to 50% of the area of the original licence. However, the area in this instance will be reduced to 39883Ha (ie less than 50% of original size). The original licence area was 85600Ha.

Consistent with standard terms imposed on licence holders as described in section 2.1 of this Report, EPL 3372, EPL 3587, EPL 3588, EPL 3590, EPL 4054, EPL 4431, EPL 4039 and EPL 4055 have been granted subject to the condition that the funds raised anywhere in respect of the licence shall be committed to the licence and banked at a financial institution in Namibia. EPL 3589 (the Omitiomire deposit), and EPL 3584 had not been issued subject to such a condition. The said condition can however be imposed upon a renewal of a licence.

Further details in relation to the EPLs are included in the tenement schedule at Schedule 1 to this Report.

### 5. Good standing of EPLs held by Craton

#### 5.1 Compliance with terms, conditions and expenditure requirements

The documents that we considered give no indication of any non-compliance with any conditions of any mineral licences held by Craton, and we are not aware of any non-compliance. An indication that Craton is adhering to all its obligations in terms of the Minerals Act is that over the period April 2010 to September 2010, the Ministry of Mines and Energy has granted applications for EPLs and renewal applications, which it could and most probably would have refused, if Craton was not in compliance with any of the provisions of the Minerals Act.

We have been provided with receipts for the payment of licence fees in respect of the mineral licences held by Craton and can confirm that all licence fees have been paid up to date.

A notice of preparedness to grant the renewal of EPL 3372 stipulated that the licence would not be issued unless the applicant presented to the Minister of Mines and Energy evidence indicating that certain previously disadvantaged Namibians have been allocated shares in Craton. Before the licence would be issued, the applicant was obliged to "submit a proposed plan and a commitment on how the applicant would empower the nearby community once a mine-able deposit is found." The said renewal of EPL 3372 was however issued without Craton having strictly complied with the aforesaid conditions, and an application for a second renewal is currently pending. A Trust was established by Craton which has as one of its objects, the advancement of the community. Since the Ministry had issued the renewal, we assume that the Minister is not enforcing this condition or has waived same.

## 8. INDEPENDENT REPORTS ON TENEMENTS

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### 5.2 Reporting requirements

We have been furnished with copies of quarterly reports concerning all EPLs that are currently held by Craton for the last quarterly periods of the EPL's ending during July to September 2010, and are satisfied that Craton has adhered to its obligations as to the lodging of reports.

### 5.3 Environmental contracts

Craton's EPL's have each been granted subject to a condition that Craton is obliged to enter into an environmental contract with the Ministry of Environment and Tourism and the Ministry of Mines and Energy (**Environmental Contracts**). Under the Environmental Contracts Craton is obliged to submit an environmental report to the Ministry of Environment and Tourism every six months. Craton is also obliged to ensure that sufficient funds are available to affect appropriate rehabilitation of environmental damage, and must ensure that rehabilitation of exploration trenches, holes or pits will take place within eight weeks of the completion of exploration of any sight.

We have attended on the Ministry of Mines and Energy and were provided with copies of the documents constituting the Environmental Contracts pertaining to all of Craton's mineral licences, except for EPL 3588, and EPL 3584, in respect of which the contracts were not on the Ministries files, as well as letters from the Ministry of Environment and Tourism confirming that "environmental clearance" is given. EPL 3588 and EPL 3584 were issued on 26 April 2007 and EPL 3588 was renewed on 4 October 2010. Since a renewal of EPL 3588 was granted, we assume that an environmental contract in respect of such licence is in place. There is no indication of a breach of any terms of the said contracts. We have further been provided with proof of submittance of bi-annual environmental reports in respect of the said mineral licences, including EPL 3588 and EPL 3584, in respect of which such a report was due at the date of this Report, which is a further indication that all environmental contracts are in place.

## 6. Qualification

This Report is subject to the following qualifications:

### 6.1 This Report is solely based on:

- (i) The *Extract from the Register of Mineral Licences* pertaining to the licences held by Craton;
- (ii) Copies of quarterly reports relating to the EPL's that are granted referred to above;
- (iii) Receipts of licence fee payments relating to the EPL's and referred to above;
- (iv) Copies of the following documents made available to us on or prior to the date hereof by Craton:

	Reference		Document
1	EPL 3587	1.1	Renewal Application
		1.2	Notice to Applicant of Preparedness to Grant a Renewal Application for an Exclusive Prospecting Licence No. 3587

8. INDEPENDENT REPORTS ON TENEMENTS

		1.3	Exclusive Prospecting Licence No. 3587
		1.4	Environmental Contract for EPL 3587
2	EPL 3588	2.1	Renewal Application
		2.2	Notice to Applicant of Preparedness to Grant a Renewal Application for an Exclusive Prospecting Licence No. 3588
		2.3	Exclusive Prospecting Licence No. 3588
3	EPL 3589	3.1	Renewal Application
		3.2	Notice to Applicant of Preparedness to Grant a Renewal Application for an Exclusive Prospecting Licence No. 3589
		3.3	Exclusive Prospecting Licence No. 3589
		3.4	Environmental Contract for EPL 3589
4	EPL 3590	4.1	Renewal Application
		4.2	Notice to Applicant of Preparedness to Grant a Renewal Application for an Exclusive Prospecting Licence No. 3590
		4.3	Exclusive Prospecting Licence No. 3590
		4.4	Environmental Contract for EPL 3590
5	EPL 4054	5.1	Application for an Exclusive Prospecting Licence
		5.2	Notice to Applicant of Preparedness to Grant a new Application for an Exclusive Prospecting Licence No. 4054
		5.3	Exclusive Prospecting Licence No. 4054
		5.4	Environmental Contract for EPL 4054
6	EPL 4150		Application for an Exclusive Prospecting Licence
7	EPL 4151		Application for an Exclusive Prospecting Licence
8	EPL 3372	8.1	Renewal Application
		8.2	Exclusive Prospecting Licence No. 3372
		8.3	Notice to Applicant of Preparedness to Grant a Renewal Application for an Exclusive Prospecting Licence No. 3372 (12.09.08)

8. INDEPENDENT REPORTS ON TENEMENTS

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		8.4	Environmental Contract for EPL 3372
9	EPL 4296		Application for an Exclusive Prospecting Licence
10	EPL 4297		Application for an Exclusive Prospecting Licence
11	EPL 4431	11.1	Application for an Exclusive Prospecting Licence
		11.2	Exclusive Prospecting Licence No. 4431
		11.3	Notice to Applicant of Preparedness to Grant a new Application for an Exclusive Prospecting Licence No. 4431
		11.4	Environmental Contract for EPL 4431
12	EPL 3584	12.1	Renewal Application
		12.2	Exclusive Prospecting Licence No. 3584
		12.3	Notice to Applicant of Preparedness to Grant Application for an Exclusive Prospecting Licence No. 3584
13	EPL 4039	13.1	Application for an Exclusive Prospecting Licence
		13.2	Notice to Applicant of Preparedness to Grant a new Application for an Exclusive Prospecting Licence No. 4039
		13.3	Environmental Contract for EPL 4039
		13.4	Exclusive Prospecting Licence No. 4039
14	EPL 4055	14.1	Application for an Exclusive Prospecting Licence
		14.2	Notice to Applicant of Preparedness to Grant a new Application for an Exclusive Prospecting Licence No. 4055
		14.3	Environmental Contract for EPL 4055
		14.4	Exclusive Prospecting Licence No. 4055
15	EPL 4570	15.1	Application for an Exclusive Prospecting Licence

6.2 This Report is intended to provide the results of our legal due diligence to date of issue. Unless otherwise indicated, this Report is based solely upon the information provided to us to date in the manner described above to date of issue. This Report is limited to legal matters which directly concern the Exclusive Prospecting Licences held or applied for by Craton. This Report should not be treated as a detailed record of all matters relating to Craton. The summaries contained in this Report are not intended to be exhaustive.

## 8. INDEPENDENT REPORTS ON TENEMENTS

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- 6.3 This Report is based on the documentation and information made available to us by Craton, which documentation we assume to be true, complete, accurate, up to date and not misleading.
- 6.4 Unless stated otherwise, we have reviewed copy documents and have assumed that each of the copies of documents provided confirm to the originals.
- 6.5 We have assumed that each party to the documents provided has duly complied with the provisions of the relevant document and that each of the documents provided remains in full force and effect and incorporates all amendments made to it, is complete and has not been terminated or revoked. We have assumed that each document provided is valid and binding on each of the parties to it and that each party had the capacity, power and authority and took all action necessary to execute and deliver the relevant contract including, without limitation, filing the contract with any appropriate authority.
- 6.6 We have carried out searches solely at the Ministry of Mines and Energy and we have not carried out any additional searches nor made any other enquiries.
- 6.7 This Report is to be construed in accordance with Namibian law and our liability in respect of this Report is to be governed by Namibian law. We express no views with respect to the laws of any jurisdiction other than Namibian law, or in relation to any documents or agreements which may be subject to or governed by the law of any other jurisdiction.
- 6.8 This Report is confined to a review of what is revealed by the documents and information made available to us by Craton and certain publicly available information. This Report does not constitute investment advice, nor a part of any advice on investment decisions Craton should make its own independent assessment and the significance of the matters described herein and the business prospects of the subject matter hereof.
- 6.9 We have not commented on nor been requested nor required to comment on the tax or accounting implications of information disclosed to us or on the value or financial condition of Craton or the business to be carried on by Craton.
- 6.10 We have not carried out a detailed review of the tax affairs of Craton nor been requested nor required to comment thereon and have not advised in relation to the tax aspects concerning the subject matter of this Report.
- 6.11 We have not conducted an environmental review, and assume that any provisions contained in any relevant Act or obligations in terms of common law in Namibia and terms and conditions in mineral licences pertaining to environmental liability that are held by Craton have been complied with.
- 6.12 Except for the Land Access Agreement relating to EPL 3589, we have not reviewed any document pertaining to and have not reported on any agreement between Craton and the owners of the land on which the Exclusive Prospecting Licences are held containing terms and conditions relating to the payment of compensation, a waiver of such right or the existence of an ancillary right in respect of such land.
- 6.13 We have not carried out any physical inspections or site visits.

## 8. INDEPENDENT REPORTS ON TENEMENTS

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- 6.14 No investigation has been made of the original documents referred to in the Report, the location of the boundaries of the licences or the existence of any interest by parties other than Craton in the mineral licenses held by Craton.
- 6.15 We have not independently verified and are not able to verify the accuracy of the documents and information provided by Craton and/or its professional advisors.
- 6.16 All references to Craton include the Company where the context admits.

Yours sincerely



**AXEL STRITTER**  
**ENGLING, STRITTER & PARTNERS**

8. INDEPENDENT REPORTS ON TENEMENTS

**Schedule 1 – Tenements Schedule**  
**Licences held by: Craton Mining and Exploration (Pty) Ltd**

Type	Number	Mineral	Status	Share	Issue	Expiry	Region/District	Area size
EPL	14/2/1/4/2/3587	Base and rare metals and precious metals	Granted	100%	26 April 2007	25 April 2012	Otjozondjupa/Omaheke Okahandja/Gobabis	979 km <sup>2</sup>
EPL	14/2/1/4/2/3588	Base and rare metals and precious metals	Granted	100%	26 April 2007	25 April 2012	Omaheke, Gobabis	101km <sup>2</sup>
EPL	14/2/1/4/2/3589	Base and rare metals and precious metals	Granted	100%	26 April 2007	25 April 2012	Otjozondjupa/Khomas/Omaheke Gobabis/Okahandja/Windhhoek	988km <sup>2</sup>
EPL	14/2/1/4/2/3590	Base and rare metals and precious metals	Granted	100%	26 April 2007	25 April 2012	Otjozondjupa, Okahandja	985km <sup>2</sup>
EPL	14/2/1/4/2/4054	Base and rare metals and precious metals	Granted	100%	27 April 2010	26 April 2013	Otjozondjupa/Khomas, Okahandja/Windhhoek	763km <sup>2</sup>
EPL	14/2/1/4/2/4150	Base and rare metals and precious metals	Pending	100%	New application	NA	Khomas, Windhoek	981km <sup>2</sup>
EPL	14/2/1/4/2/4151	Base and rare metals and precious metals	Pending	100%	New application	NA	Khomas/Omaheke, Windhoek/Gobabis	960km <sup>2</sup>
EPL	14/2/1/4/2/3372	Base and rare metals and precious metals	Granted	100%	13 December 2005	12 December 2010	Kunene, Kamanjab	547km <sup>2</sup>

## 8. INDEPENDENT REPORTS ON TENEMENTS

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Type	Number	Mineral	Status	Share	Issue	Expiry	Region/District	Area size
EPL	14/2/1/4/2/4296	Base and rare metals and precious metals	Pending	100%	New application	NA	Kunene, Outjo	499km <sup>2</sup>
EPL	14/2/1/4/2/4297	Base and rare metals and precious metals	Pending	100%	New application	NA	Kunene, Outjo	787km <sup>2</sup>
EPL	14/2/1/4/2/4431	Base and rare metals and precious metals	Granted	100%	25 June 2010	24 June 2013	Kunene, Outjo	938km <sup>2</sup>
EPL	14/2/1/4/2/3584	Base and rare metals and precious metals	Pending	100%	26 April 2007	25 April 2010	Hardap, Rehoboth	983km <sup>2</sup>
EPL	14/2/1/4/2/4039	Base and rare metals and precious metals	Granted	100%	1 July 2008	30 June 2011	Hardap, Rehoboth	886km <sup>2</sup>
EPL	14/2/1/4/2/4055	Base and rare metals and precious metals	Granted	100%	27 April 2010	26 April 2013	Khomas, Windhoek	938km <sup>2</sup>
EPL	14/2/1/4/2/4570	Base and rare metals and precious metals	Pending	100%	New application	NA	Khomas, Windhoek	999km <sup>2</sup>

## 8. INDEPENDENT REPORTS ON TENEMENTS

# hetherington

Exploration & Mining Title Services Pty Ltd  
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www.hemts.com.au

## INTERNATIONAL BASE METALS LIMITED

### INDEPENDENT EXPLORATION TENEMENTS REPORT

#### 1. INTRODUCTION

##### 1.1 Scope of Instructions

The following report has been prepared independently and in compliance with the Valmin Code.

Hetherington Exploration & Mining Title Services Pty Ltd (“HEMTS”) has been instructed by International Base Metals Limited (“the Company”) to conduct searches of and outline the rights conferred by the exploration tenements in which the Company instructs it has an interest in New South Wales and Queensland, as set out in the attached Schedule (“the Schedule”).

##### 1.2 Qualifications

Russell Hetherington has approximately 33 years experience in exploration and mining tenement management across Australia. Russell Hetherington is a member of the Australian Mining and Petroleum Law Association and a member of the Business Law Section of the Law Council of Australia.

##### 1.3 Independence

HEMTS is independent from the Company within the meaning of the Valmin Code. HEMTS’s costs of preparing this report have been calculated at its normal charge-out rate.

#### 2. COMMENTARY ON THE TENEMENTS

##### 2.1 NEW SOUTH WALES TENEMENTS

###### 2.1.1 General

Unless otherwise stated, the following information has been sourced from the New South Wales Department of Industry and Investment (“the Department”), the National Native Title Tribunal (“NNTT”) and the New South Wales State Heritage Register.

Much of the information obtained from the Department has been obtained from the Department’s Tenement Administration System (“TAS”). The TAS Register may contain errors and is not always reliable. Where possible, the information obtained from TAS has been verified against other available information, such as Exploration Licence instruments, electronic maps, etc.

The New South Wales tenements are comprised of Exploration Licences No’s 6223 (“EL 6223”), 6868 (“EL 6868”), and 6907 (“EL 6907”) (collectively referred to as “the NSW Exploration Licences”).

Basic details of the NSW Exploration Licences are set out in the Schedule.

The NSW Exploration Licences have been granted pursuant to the terms of the Mining Act 1992 (“the NSW Mining Act”).

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## 8. INDEPENDENT REPORTS ON TENEMENTS

Auricula Mines Pty Ltd (“Auricula”) is the registered holder of EL 6223 and Actway Pty Ltd (“Actway”) is the registered holder of EL 6868 and EL 6907. Auricula is a wholly owned subsidiary of the Company. The Company advises that EL 6868 and EL 6907 are being explored pursuant to the terms of a joint venture agreement with Actway.

The NSW Exploration Licences all apply to Group 1 minerals, which are metallic minerals such as gold, silver, copper, etc.

The NSW Exploration Licences allow exploration by all methods (although some methods require additional approval by the Environment Branch of the Department or other government instrumentalities).

### 2.1.2 Exclusions

The terms of the instruments of grant issued for the NSW Exploration Licences exclude land vested in the Commonwealth of Australia and any land subject to a National Park, regional park, historic site, nature reserve, karst conservation reserve or Aboriginal area which existed at the date of grant.

There is no National Park land within any of the NSW Exploration Licences.

Time does not permit an investigation into whether there is any land vested in the Commonwealth of Australia, historic site, nature reserve, regional reserve, karst conservation reserve or Aboriginal area, although it is considered unlikely that there are large areas of such land within the NSW Exploration Licences.

### 2.1.3 Other Titles and Applications

EL 6907 fully overlaps subsequent Mineral Claim Applications No's 72, 73, 74, 75, 76 and 77 (1992).

These Mineral Claim Applications were applied for on 15 November 2006. As EL 6907 was applied for prior to 15 November 2006, Mineral Claim Applications No's 72, 73, 74, 75, 76 and 77 may not be granted otherwise than to or with the written consent of Actway Pty Ltd (Section 183 NSW Mining Act).

### 2.1.4 Encumbrances

There are no encumbrances registered against any of the NSW Exploration Licences. The Company advises it is in a joint venture agreement with Actway. It would be prudent to register the joint venture agreement with the Department in accordance with the terms of Section 161 of the NSW Mining Act.

### 2.1.5 State Forests and State Conservation Areas

State Forests are not excluded from Exploration Licences, but exploration activities within State Forests are subject to specific requirements.

There is no State Forest land within any of the NSW Exploration Licences.

Approximately 1 per cent of the EL 6907 area is subject to the Nombinnie State Conservation Area.

Approximately 41 per cent of the EL 6868 area is subject to the Nombinnie State Conservation Area.

State Conservation Areas are exempted areas under the NSW Mining Act and pursuant to the requirements of Section 30 of the NSW Mining Act and Section 47J(7) of the National Parks and Wildlife Act 1974 (“NPW Act”), the licence holder may not exercise rights pursuant to the Exploration Licence within State Conservation Areas except with the consent of the Minister for Mineral and Forest Resources, given with the approval of the Minister for the Environment (see also Section 2.1.6 below). A Review of Environmental Factors must also be prepared and submitted for approval according to Department guidelines at least 6 weeks prior to the commencement of any prospecting operations.

## 8. INDEPENDENT REPORTS ON TENEMENTS

### 2.1.6 Exploration Licence Conditions

The conditions attached to the NSW Exploration Licences relate to environmental management of exploration, drilling requirements, reporting requirements, expenditure commitments, clearing of vegetation, rehabilitation of disturbed land and lodgement of security deposits.

Each of the NSW Exploration Licences also contains conditions relating to Native Title (see Section 2.1.9 below).

In addition to the foregoing, the following conditions apply to the relevant NSW Exploration Licences:

- Condition No 4 of EL 6868 and EL 6907 provides that the licence holder must not commence prospecting operations in a State Conservation Area without obtaining prior written consent from the Minister and subject to any conditions that may be stipulated (see above Section 2.1.5).
- Condition No 5 of EL 6868 and EL 6907 provides that the licence holder must not carry out any operations in sensitive areas without the written approval of the Department and subject to any conditions that may be stipulated.

### 2.1.7 Expenditure and Reporting Requirements

Compliance with the expenditure and reporting requirements of an Exploration Licence is important because those matters are considered by the Department when determining whether or not to renew that Exploration Licence, and if so, whether to renew the Exploration Licence in full, or to require a 50 per cent reduction in the Exploration Licence area upon renewal.

The current annual expenditure commitment for each of the NSW Exploration Licences is noted in the Schedule. The Department advises that the aggregate expenditure commitment over the term of EL 6868 and the aggregate expenditure commitment over the term of EL 6907 have not been met.

The annual report for September 2010 for EL 6868 is outstanding and has not been submitted to the Department.

### 2.1.8 Access and Compensation

It is necessary to enter into a written access arrangement with any landholders prior to carrying out exploration on land which is owned or occupied (Section 140 NSW Mining Act). Any landholder is entitled to compensation for all compensable loss caused to such land by exploration (Section 263 NSW Mining Act). In the event that an arrangement cannot be reached with landholders, the matter can be referred to arbitration, and if not resolved, to the Land and Environment Court for determination.

It is necessary for the holder of an Exploration Licence to obtain the prior written consent of the owner of any dwelling house, garden or improvement before carrying out exploration within 200 metres of the relevant dwelling house, within 50 metres of the relevant garden or on the land subject to the relevant improvement (Section 31 NSW Mining Act).

### 2.1.9 Native Title

None of the NSW Exploration Licences are affected by a Native Title Claim.

The issue of whether or not a Native Title Claim applies to the land subject to the NSW Exploration Licences is irrelevant to the requirement to comply with the Native Title processes prescribed by the Native Title Act 1993 (Commonwealth) ("the NTA") if the relevant land is land where Native Title exists or may exist ("Native Title land"). The threshold question when considering Native Title issues is therefore whether or not the relevant land is Native Title land or, in other words, whether or not Native Title has been extinguished. If Native Title has been extinguished, then it is not necessary to consider whether or not there is a Native Title Claim in respect to the relevant land before carrying out exploration.

## 8. INDEPENDENT REPORTS ON TENEMENTS

If Native Title has not been extinguished, then it will (except in very specific circumstances) be necessary to comply with Native Title processes before carrying out exploration. The presence of a registered Native Title Claim simply means that it will be necessary to reach an agreement with the Native Title Claimants before proceeding with the relevant exploration activity. This may not be the case where there is currently no registered Native Title Claim, although in that case it is still necessary to undergo the Right to Negotiate process prescribed by the NTA.

As a general statement, it can be said that Native Title has been extinguished in most of New South Wales. Nonetheless, it is likely that all of the NSW Exploration Licences contain at least some Crown land. The status of any Native Title in land cannot be determined with certainty until a thorough search of each parcel of land is carried out. Such searches are beyond the scope of this report.

Each of the NSW Exploration Licences contain the “Minister’s consent” condition. This means that before carrying out exploration on Native Title land within the NSW Exploration Licences, the Minister’s consent must be obtained. The Minister will not grant that consent until the Right to Negotiate process prescribed by the NTA has been undergone.

### 2.1.10 Aboriginal Places and Objects

An Aboriginal object is any material evidence relating to Aboriginal habitation of an area. An Aboriginal place is a place declared as such by the Minister administering the National Parks and Wildlife Act 1974 (“NPW Act”), because that place is deemed to have special significance to Aboriginal culture. An Aboriginal place may or may not contain Aboriginal objects.

There is one Aboriginal heritage listed item within EL 6868, known as the Palor Tank Quarry Site.

Aboriginal places and objects are registered on the Aboriginal Heritage Information Management System (“AHIMS”) of the Department of Environment, Climate Change and Water (“the DECCW”). A search of AHIMS indicates that there are places and objects located within or in close proximity to the NSW Exploration Licences.

Under the NPW Act it is an offence to harm an Aboriginal object:

- Which the person knows is an Aboriginal object (a “knowing offence”)
- Whether or not a person knows it is an Aboriginal object (a “strict liability offence”).

The maximum penalty for a knowing offence is \$550,000 for an individual or \$1.1 million for a corporation and a 2 year gaol term. The maximum penalty for a strict liability offence is \$110,000 for an individual or \$220,000 for a corporation.

A person must not harm or desecrate an Aboriginal place. The maximum penalty is \$550,000 for an individual or \$1.1 million for a corporation and a 2 year gaol term.

A person or organisation who exercises due diligence in determining that its actions would not harm Aboriginal objects has a defence against prosecution for the strict liability offence if the person or organisation later unknowingly harm an object without an Aboriginal Heritage Impact Permit. The due diligence defence is not available for activities which harm Aboriginal places.

This NSW Minerals Industry Due Diligence Code of Practice for the Protection of Aboriginal Objects sets out a procedure which, when followed, will satisfy the due diligence requirement. If a person or company can demonstrate that due diligence has been exercised and determined that it was unlikely that Aboriginal objects would be harmed, then a defence exists to prosecution under the strict liability offence under Section 86(2) of the NPW Act.

It should be emphasised that the issue of Aboriginal places and objects is entirely separate to that of Native Title.

## 8. INDEPENDENT REPORTS ON TENEMENTS

### 2.1.11 Heritage Sites

There are no items listed on the State Heritage Inventory within any of the NSW Exploration Licences. Whilst the geographical location of some entries on the State Heritage Inventory is unclear, the Company must exercise normal caution when carrying out exploration. If the Company comes across what may be a heritage item in the course of exploration, it should check with the local Shire Council and/or the New South Wales Heritage Council.

### 2.1.12 Future Obligations

The holder has an ongoing obligation to comply with the terms and conditions of grant of the NSW Exploration Licences, including satisfaction of the expenditure conditions, unless otherwise varied by the Department.

Rehabilitation of any current and future exploration disturbances will be necessary and will need to be conducted in accordance with the conditions of the NSW Exploration Licences, as well as any conditions of any additional consent that might be issued in accordance with the requirements of law or those conditions.

The activities conducted under the authority of the NSW Exploration Licences are likely to result in the creation of environmental liabilities for the holders. The environmental liabilities will commence when exploration causes on-site ground disturbance. When any disturbed area has been satisfactorily rehabilitated, the environmental liability in respect to that area will cease.

If exploration is conducted on Native Title land, additional costs in respect to making an application for the Minister's consent to conduct activities on Native Title land, the "Right to Negotiate", Native Title consultation, negotiation and compensation payments and cultural heritage site clearances should be anticipated.

The holders of the NSW Exploration Licences may apply to renew the NSW Exploration Licences for further terms. The renewal applications should be lodged between two months and one month prior to the relevant expiry date.

The NSW Mining Act requires the holder of the NSW Exploration Licences to periodically reduce by half the area of each of the NSW Exploration Licences. Pursuant to Section 114(6) of the NSW Mining Act, the holder of the NSW Exploration Licences may make application to the Department to vary these reduction requirements.

It is likely that the proposed Mining Regulation 2010 will come into force later this year and if this is the case, fees payable pursuant to that Regulation in New South Wales will increase.

## 8. INDEPENDENT REPORTS ON TENEMENTS

### 2.2 QUEENSLAND TENEMENTS

#### 2.2.1 General

Unless stated otherwise, the following information was obtained from the Queensland Department of Employment, Economic Development and Innovation (“DEEDI”), the Queensland Department of Environment and Resource Management (“DERM”) and the National Native Title Tribunal (“NNTT”).

The exploration tenements are comprised of Exploration Permit for Minerals (“EPM”) No’s 14260 and 14261, collectively referred to as “the Queensland Exploration Tenements”.

Basic details of the Queensland Exploration Tenements are set out in the Schedule.

Maranoa Resources Pty Ltd is the registered holder of the legal interests of each EPM referred to in the Schedule. Maranoa Resources Pty Ltd is a wholly owned subsidiary of the Company.

EPM 14260 and EPM 14261 are both granted pursuant to the Mineral Resources Act 1989 (“the MRA”). Both tenements have been granted in respect of all minerals, other than coal.

#### 2.2.2 Exclusions

With the exception of the exclusions referred to in Table 1 below, EPM 14260 and EPM 14261 have been granted in respect of both Native Title land and non-Native Title land.

Reference should be made to Table 1 and the following paragraphs which summarise the areas excluded from the Queensland Exploration Tenements.

**Table 1 - Exclusions**

Tenement	MRA Exclusions/Restrictions	Environmentally Sensitive Areas Exclusions/Restrictions
EPM 14260	None Noted	None Noted
EPM 14261	None Noted	None Noted

Reference to the MRA Exclusions/Restrictions column indicates exclusions/restrictions in respect to the relevant EPM as a result of provisions of the MRA. In the majority of cases, any applications for or granted mining claims, mining leases or mineral development licences as at the date of application of the relevant EPM, are excluded from the grant of the EPM pursuant to Section 132 of the MRA. There are no such exclusions for the Queensland Exploration Tenements.

References in the Environmentally Sensitive Areas Exclusions/Restrictions column indicate areas that are excluded/restricted from the EPM grant pursuant to the requirements of the relevant Environmental Authority (“EA”). In this case, the exclusions are divided into three categories. See Section 2.2.5 of this document for details of the various categories and the effect of these exclusions/restrictions. There are no such exclusions/restrictions for the Queensland Exploration Tenements.

#### 2.2.3 EPM Conditions

The following conditions apply to the Queensland Exploration Tenements:

- General Conditions;
- Specific Conditions;
- Conditions of the relevant EA (see Section 2.2.5); and
- Conditions of the relevant Native Title agreement, if applicable (see Section 2.2.4).

## 8. INDEPENDENT REPORTS ON TENEMENTS

The General Conditions set out the obligations and procedures with which the holder of the Queensland Exploration Tenements must comply during exploration. These conditions address issues such as notification of landowners before commencing exploration and other matters concerning relationships with landowners.

The Specific Conditions require the holder of the Queensland Exploration Tenements to follow a specific program of works and expenditure commitments outlined in the EPM grant document. The Specific Conditions also detail areas that are specifically excluded from the EPM upon grant.

The conditions of the relevant EA issued in respect to each of the granted Queensland Exploration Tenements (see Section 2.2.5) form part of the relevant conditions of grant. It is a condition of the EA that the holder of the EPM complies with all conditions contained in the Code of Environmental Compliance for Exploration Permits and Mineral Development Licences 2001 (“the Environmental Code”).

Comments on the Native Title requirements for each EPM are set out in Section 2.2.4.

### 2.2.4 Native Title

EPM 14260 and EPM 14261 have been applied for over Native Title land and non-Native Title land. Where noted below, the holder must comply with all relevant Native Title conditions when conducting exploration activities on any Native Title land within the tenements.

Reference should be made to Table 2 which provides a summary for the current Native Title status for each EPM included in this report. Reference should be made to the following paragraphs for details of the various Native Title categories and how each of these categories will affect exploration on the relevant EPM.

**Table 2 – Native Title Summary**

Tenement	Native Title Agreement Category	Native Title Party	Comment
EPM 14260	NTPCs	QC 08/5 Bidjara People (Note 1)	No Native Title requirements.
EPM 14261	NTPCs	QC 08/5 Bidjara People	Determined prior to grant.

Note 1- QC 08/5 is not a registered Native Title party under the NTPCs with respect to EPM 14260. There are no registered Native Title parties for this EPM.

### Native Title Protection Conditions (“NTPCs”)

EPM 14260 and EPM 14261 were granted subject to compliance with the NTPCs. The NTPCs require the holder to serve a copy of the proposed program of works on any registered Native Title party prior to commencing any exploration activities. The registered Native Title Party is entitled to a period of time to review the program of works. If the registered Native Title Party does not have any amendments to the program of works and does not require a site clearance to be conducted, exploration can commence without delay. The NTPCs detail annual payments (administrative payments) due to the registered Native Title Party and cost associated with site clearances and other matters.

As QC 08/5 was not registered until after grant of EPM 14260, there were no registered Native Title Parties under the NTPCs for EPM 14260. As such, the majority of the conditions of the NTPCs have no effect over EPM 14260. In this case, however, it is likely that the holder will treat the claimants for QC 08/5 as if the claimants are a registered Native Title Party to ensure compliance with the requirements of the Aboriginal Cultural Heritage Act 2003 (“ACHA”). Refer to Section 2.2.12 of this report for further information on this issue.

## 8. INDEPENDENT REPORTS ON TENEMENTS

In August 2008, Maranoa Resources Pty Ltd entered into an agreement with the then registered Native Title Parties being the Bidjara 3 People and the Bidjara 4 People. For a short period of time it is understood that this agreement superseded the NTPCs in respect of EPM 14260, however this agreement terminated on 29 September 2008, when the Bidjara 3 and Bidjara 4 Native Title Claims were discontinued. In any event, the statutory requirement for the holder to comply with the NTPCs in respect of the Queensland Exploration Tenements continues.

### 2.2.5 Environmental Authorities

The Queensland Exploration Tenements have been issued with Level 2 (Code Compliant) EA's. The required security deposits are listed in the Schedule. It is a requirement for a Level 2 (Code Compliant) EA that the holder complies with all conditions of the Environmental Code when conducting exploration activities on the relevant EPM.

The Environmental Code imposes various exclusion zones around Category A and Category B Environmentally Sensitive Areas ("ESAs") within which exploration activities involving the use of machinery cannot be performed (1000 metres for Category A and 500 metres for Category B). The Environmental Code also refers to Category C ESAs within which exploration activities cannot be performed, unless the holder has obtained consent from the relevant administrative authority.

As noted in Section 2.2.2, EPM 14260 and EPM 14261 do not have excluded/restricted areas due to Category A, B or C ESAs.

### 2.2.6 Expenditure and Reporting Requirements

It is a condition of the granted Queensland Exploration Tenements that the holder complies with the relevant expenditure commitments. The expenditure commitments for the Queensland Exploration Tenements are set out in the Schedule.

The total expenditure commitment for EPM 14260 to the end of Year 5 (12 April 2010) was \$725,000. The total actual expenditure to the end of Year 5 was only \$229,566. This represents a significant shortfall in expenditure which is a condition of tenure.

The Year 5 expenditure commitment was \$300,000 however the actual expenditure was only \$40,332. As no expenditure variation was requested prior to the anniversary date this represents a breach of the current tenement conditions. It is current DEEDI policy that action will not be taken against a singular expenditure breach.

If the tenement holder fails to comply with the Year 6 expenditure commitment \$200,000 causing breaches in consecutive years, DEEDI is likely to take non-compliance action against the EPM. This is likely to result in the issue of a Notice to Show Cause why the Minister should not cancel the EPM or issue a monetary fine for the said breach. If the holder successfully complies with the Year 6 expenditure conditions, it is unlikely DEEDI will take any action.

Annual Exploration Reports must be lodged in respect to the Queensland Exploration Tenements within one month of the anniversary date of grant. A Statement of Expenditure conducted on exploration is also due at the same time.

Whenever the holder relinquishes any sub blocks from an EPM, it is required to lodge a relinquishment report. This report is due for submission within 2 months of DEEDI accepting the relinquishment.

Compliance with the reporting requirements and expenditure commitments of the Queensland Exploration Tenements is important because those matters are considered by DEEDI when determining whether or not to renew the Queensland Exploration Tenements. Further, compliance with such requirements and commitments may also affect DEEDI's decision to renew the Queensland Exploration Tenements in full, or to require a reduction in area. Non-compliance with these conditions could also give rise to "show cause" action which may lead to termination of the EPM by DEEDI.

## 8. INDEPENDENT REPORTS ON TENEMENTS

There are no expenditure or exploration reports outstanding for the Queensland Exploration Tenements as at the date of this report.

### 2.2.7 Access and Compensation

In accordance with the requirements of the MRA, a "Notice of Intention of Initial Entry on Occupied Land" must be served on each affected landowner at least five business days before the intended entry for exploration purposes. Compensation is not normally payable to landowners for exploration conducted pursuant to the Queensland Exploration Tenements, although land must be rehabilitated at the conclusion of operations. Compensation may be payable, if rehabilitation is not properly completed.

### 2.2.8 Rent

Upon grant, the holder of the Queensland Exploration Tenements is required to make annual rental payments to DEEDI in respect to the retained area of the EPMs.

The rate of rental is subject to annual increases commensurate with appropriate price indices. The current rent rate (GST not applicable) is \$120.35 per sub-block for the Queensland Exploration Tenements (Schedule 5 Mineral Resources Regulation 2003 (QLD)).

As at the date of preparing this report, there are no outstanding rental payments in respect to the Queensland Exploration Tenements.

### 2.2.9 Encumbrances

Section 156 of the MRA deals with recording of agreements, arrangements, dealings or interests in the Queensland Exploration Tenements and provides that an agreement, arrangement, dealing or interest recorded under this Section shall, subject to being otherwise legally enforceable, take priority over other unrecorded or any subsequently recorded agreement, arrangement, dealing or interest.

The Register maintained by DEEDI in respect to the Queensland Exploration Tenements shows that there are no dealings currently recorded against the tenements.

### 2.2.10 Royalties

No Annual Royalty Return or associated royalty payments are required in respect of the Queensland Exploration Tenements, unless mineral production has occurred. In the case of standard exploration activities conducted on an EPM, this is unlikely.

### 2.2.11 Aboriginal Cultural Heritage

The activities conducted under the authority of the Queensland Exploration Tenements are required to comply with the Aboriginal Cultural Heritage Act 2003 (QLD).

The Aboriginal Cultural Heritage Act 2003 (QLD) provides that there exists a "cultural heritage duty of care" and, therefore, all reasonable and practicable measures must be taken to ensure that Aboriginal cultural heritage is not harmed (Section 23 Aboriginal Cultural Heritage Act 2003 (QLD)). The "Cultural Heritage Duty of Care Guidelines", published by Gazette on 16 April 2004, outline how the cultural heritage duty of care requirement is met.

If a breach of the cultural heritage duty of care is demonstrated, the maximum penalties are \$750,000 for a corporation and \$75,000 for an individual.

It is recommended that an assessment of any proposed exploration activity be compared against the "Cultural Heritage Duty of Care Guidelines" in order to determine whether, or to what extent, Aboriginal cultural heritage may be affected by the activity. It is also recommended that a search of the Cultural Heritage Register and Cultural Heritage database be conducted prior to commencement of exploration activities.

## 8. INDEPENDENT REPORTS ON TENEMENTS

In general, compliance with all terms and conditions of the NTPCs over the entire tenement area will demonstrate compliance with the Duty of Care guidelines.

### 2.2.12 Future Obligations

Rehabilitation of any current and future exploration disturbances will be necessary and the relevant requirements are detailed in the Environmental Code.

The activities conducted under the authority of the Queensland Exploration Tenements are likely to result in the creation of environmental liabilities for the holders. The environmental liabilities will commence when exploration causes on-site ground disturbance. When any disturbed area has been satisfactorily rehabilitated, the environmental liability in respect to that area will cease.

If exploration is conducted on Native Title land, additional costs in respect to Native Title consultation, negotiation and compensation payments and cultural heritage site clearances would be anticipated.

The holders of the Queensland Exploration Tenements may apply to renew granted Queensland Exploration Tenements for further terms. Any renewal applications should be lodged between six months and three months prior to the relevant expiry date. Rental as outlined in the report is payable annually on the anniversary of grant of the EPM.

The MRA requires the holder of the granted Queensland Exploration Tenements to periodically reduce the area of each of the granted Queensland Exploration Tenements. Reference should be made to the Schedule for details of the reduction requirements applicable to the granted Queensland Exploration Tenements. Pursuant to Section 139 of the MRA, the holder of the granted Queensland Exploration Tenements may make application to DEEDI to vary these reduction requirements.



**RUSSELL HETHERINGTON**  
2 November 2010

8. INDEPENDENT REPORTS ON TENEMENTS

SCHEDULE

NEW SOUTH WALES

PROJECT	TENEMENT	STATE	REGISTERED HOLDER	APPLICATION DATE	GRANT DATE	EXPIRY DATE	STATUS	AREA (UNITS)	SECURITY		EXPENDITURE COMMITMENT (PA)	REGISTERED ENCUMBRANCES	MINERALS
									REQUIRED	HELD			
Shuttleton	EL 6223	NSW	Auricula Mines Pty Ltd	21/11/2003	05/04/2004	04/04/2010	Renewal Pending	13	\$10,000	\$10,000 (bank certificate)	\$43,000	None	Group 1
Mt Hope South	EL 6868	NSW	Actway Pty Ltd	21/05/2007	06/09/2007	06/09/2011	Current	17	\$10,000	\$10,000 (bank certificate)	\$47,000	None	Group 1
Mt Hope	EL 6907	NSW	Actway Pty Ltd	27/10/2006	11/10/2007	11/10/2011	Current	46	\$10,000	\$10,000 (bank certificate)	\$76,000	None	Group 1

QUEENSLAND

PROJECT	TENEMENT	STATE	REGISTERED HOLDER	COMMENCEMENT OF TERM	EXPIRY DATE	STATUS	AREA (Sub-blocks)	SECURITY		EXPENDITURE COMMITMENT (PA)	RENT (CURRENT TERM)	REGISTERED ENCUMBRANCES	MINERALS
								REQUIRED	HELD				
Mt Tabor	EPM 14260	QLD	Maranoa Resources Pty Ltd (100%)	13/04/2005	12/04/2013	Granted	Year 6- 50 Year 7- 50 Year 8- 50	\$2,500	\$2,500	Year 6- \$200,000 Year 7- \$200,000 Year 8- \$250,000	\$6,620 (including GST)	None noted	All Minerals other than Coal
Mt Tabor	EPM 14261	QLD	Maranoa Resources Pty Ltd (100%)	29/09/ 2009	28/09/2014	Granted	Year 2- 20 Year 3- 10 Year 4- 5 Year 5- 3	\$2,500	\$2,500	Year 2- \$30,000 Year 3- \$60,000 Year 4- \$60,000 Year 5- \$60,000	\$2,648 (GST exclusive)	None noted	All Minerals other than Coal

8. INDEPENDENT REPORTS ON TENEMENTS





A photograph of a rusty metal gate with barbed wire in a dry, open landscape under a blue sky with scattered clouds. The gate is made of thick, rusted metal pipes and is partially open, leaning against a diagonal support. The background shows a vast, dry field of yellowish-brown grass and some sparse trees under a bright blue sky with light, wispy clouds. The overall scene suggests a rural or agricultural setting in a semi-arid region.

## FINANCIAL INFORMATION

# 9. FINANCIAL INFORMATION

## 9.1 OVERVIEW

This section of the Prospectus contains a summary of the consolidated historical and pro forma historical financial information for the Company that the Directors consider relevant for potential investors.

The Company owns 100% of the following entities:

- (a) AuriCula Mines Pty Ltd (Australian exploration company);
- (b) Craton Mining and Exploration (Pty) Ltd (Namibian exploration company);
- (c) Endolithic Resources Pty Ltd (Australian exploration company);
- (d) Kopermyn Explorations (Pty) Limited (Namibian exploration company);
- (e) Maranoa Resources Pty Ltd (Australian exploration company); and
- (f) Omitiomire Mining Company (Pty) Ltd (Namibian exploration company).

All of the information contained in Part 9 is to be read in conjunction with the risk factors described in Part 11, the summary of significant accounting policies in Part 9.9, the Investigating Accountant's Report (IAR) prepared by BDO Securities (NSW-VIC) Pty Ltd (BDO Securities) in Part 10, and other information contained in this Prospectus.

## 9.2 BASIS OF PREPARATION AND PRESENTATION

The financial information that is presented and explained in this Part 9 has been prepared in accordance with the measurement and recognition principles of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial information also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial information is presented

in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

## 9.3 HISTORICAL PRO FORMA FINANCIAL INFORMATION

Historical financial information has been extracted from the consolidated financial statements of the Company for the financial years ended 30 June 2008, 30 June 2009 and 30 June 2010. The 30 June 2009 and 30 June 2010 financial statements were audited by BDO (30 June 2009: BDO Kendalls Audit and Assurance (WA) Pty Ltd; 30 June 2010: BDO Audit (NSW-VIC) Pty Ltd) in accordance with Australian Auditing Standards. The 30 June 2010 historical pro forma balance sheet has been adjusted on the basis of material transactions that have occurred post balance sheet date and that all IPO transactions stated in Part 9.5 have occurred or will occur as a consequence of the IPO proceeding. Part 9 comprises:

- (a) the summary consolidated historical and pro forma balance sheets of the Company (Part 9.4);
- (b) the summary consolidated historical income statements of the Company (Part 9.9); and
- (c) pro forma historical financial information is referred to as the Historical Financial Information.

The Historical Financial Information does not include any costs associated with operating as a listed public company.

## 9.4 ACTUAL AND PRO FORMA BALANCE SHEETS

Set out in Table 9.1 are the audited consolidated balance sheets of the Company for the three years ended 30 June 2008, 30 June 2009 and 30 June 2010, and

the 30 June 2010 balance sheet adjusted for the minimum subscription capital raised as part of this IPO and certain other pro forma adjustments, listed in Part 9.5.

## 9.5 PRO FORMA ADJUSTMENTS TO THE HISTORICAL CONSOLIDATED BALANCE SHEET

The pro forma consolidated balance sheet has been prepared from the audited balance sheet as at 30 June 2010, adjusted for the following transactions:

- (a) Minimum Subscription
 

The issue of new Shares in the Company under a minimum subscription scenario is expected to raise \$25 million. Expenses associated with the minimum subscribed Offer (including legal, advisory, accounting, listing and administrative fees) are estimated to be \$2.3 million, all of which has been directly offset against contributed equity; and
- (b) Other Pro Forma Adjustments (see Table 9.2 on page 82).

## 9.6 NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEET

Cash and cash equivalents, other cash assets and trade payables (see Tables 9.3 to 9.5 on page 82)

## 9.7 PRO FORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Set out in Table 9.6 on page 83 are the historical and pro forma consolidated statement of changes in equity of the Company.

## 9. FINANCIAL INFORMATION

Actual and Pro Forma Balance Sheets

	Note	FY08 Audited \$000	FY09 Audited \$000	FY10 Audited \$000	FY10 Pro Forma \$000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents <sup>(1)</sup>	9.6	2,493	298	2,095	27,784
Trade and other receivables		204	72	311	311
Other current assets	9.6	-	-	34	-
<b>TOTAL CURRENT ASSETS</b>		<b>2,697</b>	<b>370</b>	<b>2,440</b>	<b>28,095</b>
<b>NON-CURRENT ASSETS</b>					
Available-for-sale financial assets <sup>(2)</sup>		1,184	390	851	851
Plant & equipment		204	123	162	162
Other assets		164	165	160	160
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,552</b>	<b>678</b>	<b>1,173</b>	<b>1,173</b>
<b>TOTAL ASSETS</b>		<b>4,249</b>	<b>1,048</b>	<b>3,613</b>	<b>29,268</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	9.6	699	297	588	530
Short-term provisions		86	46	33	33
<b>TOTAL CURRENT LIABILITIES</b>		<b>785</b>	<b>343</b>	<b>621</b>	<b>563</b>
<b>TOTAL LIABILITIES</b>		<b>785</b>	<b>343</b>	<b>621</b>	<b>563</b>
<b>NET ASSETS</b>		<b>3,464</b>	<b>705</b>	<b>2,992</b>	<b>28,705</b>
<b>EQUITY</b>					
Contributed equity	9.7	13,839	17,363	24,300	50,088
Reserves	9.7	1,565	(544)	(112)	(112)
Retained losses	9.7	(11,940)	(16,114)	(21,196)	(21,271)
<b>TOTAL EQUITY</b>		<b>3,464</b>	<b>705</b>	<b>2,992</b>	<b>28,705</b>

Table 9.1

## Notes:

<sup>1</sup>. Historical movements in cash and cash equivalents primarily relate to the timing of capital raisings and exploration expenditure.

<sup>2</sup>. Available-for-sale financial assets primarily relate to investment held in Zamia Metals Limited (Zamia) and Copper Range Limited (Copper Range), which are both Australian Securities Exchange listed companies and former subsidiaries of the Company. Available-for-sale financial assets are reported at fair value, being the quoted price of the marketable securities as at the balance date. Revaluation gains or losses in each year are reported directly in equity, through the Available-for-sale investments revaluation reserve.

## 9. FINANCIAL INFORMATION

Other Pro Forma adjustments relate to ordinary shares issued post 30 June 2010 as follows:

	Date	Shares issued	Gross proceeds \$000	Issue costs \$000	Net proceeds \$000
Placement	1 Jul 2010	6,666,667	1,000	(40)	960
Placement	29 Oct 2010	13,333,333	2,000	—	2,000
Share based payments	Aug & Nov 2010	878,747	132*	—	132*
		20,878,747	3,132	(40)	3,092

Table 9.2

\* issued for no payment

Cash and cash equivalents:

	FY08 Audited \$000	FY09 Audited \$000	FY10 Audited \$000	FY10 Pro Forma \$000
Cash at bank and in hand	2,493	298	2,095	2,095
6,666,667 ordinary shares issued at \$0.15 each				1,000
13,333,333 ordinary shares issued at \$0.15 each				2,000
Share issue costs				(40)
Issue pursuant to this Prospectus of 125 million ordinary shares at an issue price of 0.20 each				25,000
Share issue costs				(2,271)
				27,784

Table 9.3

Other current assets:

	FY08 Audited \$000	FY09 Audited \$000	FY10 Audited \$000	FY10 Pro Forma \$000
Prepayments – unallocated share raising costs	-	-	34	-

Table 9.4

Trade payables:

	FY08 Audited \$000	FY09 Audited \$000	FY10 Audited \$000	FY10 Pro Forma \$000
Trade payables	455	93	64	64
Amount owing to a Director to be paid with shares	-	-	57	-
Sundry payables and accruals	244	204	466	466
	699	297	587	530

Table 9.5

## 9. FINANCIAL INFORMATION

## Pro Forma Consolidated Statement of Changes in Equity

	Contributed equity \$000	Reserves \$000	Retained Losses \$000	Total Equity \$000
<b>Balance at 1 July 2007</b>	<b>3,852</b>	<b>2,166</b>	<b>(2,315)</b>	<b>3,703</b>
Total comprehensive (loss)/income for the year		(1,002)	(9,625)	(10,627)
Shares issued during the year	8,667	-	-	8,667
Share issue costs	(634)	-	-	(634)
Share based payments	1,954	401	-	2,355
<b>Balance at 30 June 2008 (Audited)</b>	<b>13,839</b>	<b>1,565</b>	<b>(11,940)</b>	<b>3,464</b>
Correction of error <sup>(1)</sup>	-	(1,097)	1,097	-
Total comprehensive (loss)/income for the year	-	(1,257)	(5,271)	(6,528)
Shares issued during the year	2,848	-	-	2,848
Share issue costs	(67)	-	-	(67)
Options exercised	312	-	-	312
Share based payments	431	245	-	676
<b>Balance at 30 June 2009 (Audited)</b>	<b>17,363</b>	<b>(544)</b>	<b>(16,114)</b>	<b>705</b>
Total comprehensive (loss)/income for the year	-	432	(5,083)	(4,650)
Shares issued during the year	7,000	-	-	7,000
Share issue costs	(159)	-	-	(159)
Share based payments	96	-	-	96
<b>Balance at 30 June 2010 (Audited)</b>	<b>24,300</b>	<b>(112)</b>	<b>(21,196)</b>	<b>2,992</b>
Ordinary share placement 1 July 2010	1,000	-	-	1,000
Ordinary share placement 29 October 2010	2,000	-	-	2,000
Share based payment 3 August 2010	75	-	(75)	-
Share based payment 10 November 2010	57	-	-	57
Pre-IPO capital raising costs	(40)	-	-	(40)
Issue of ordinary share pursuant to this Prospectus	25,000	-	-	25,000
Expenses of the Offer	(2,304)	-	-	(2,304)
<b>Balance at 30 June 2010 (Pro Forma)</b>	<b>50,088</b>	<b>(112)</b>	<b>(21,271)</b>	<b>28,705</b>

Table 9.6

Notes:

<sup>1</sup> The Namibian dollar denominated loan from the Parent to its fully owned subsidiary Craton Mining and Exploration (Pty) Ltd was incorrectly treated as an Australian dollar denominated loan. Also some prior period foreign exchange translations of the overseas subsidiary had been taken to the profit and loss account rather than the Foreign Exchange Translation Reserve. The effect is that the foreign exchange gain/loss previously recognised in the books of the subsidiary up to 30 June 2009 have been reversed and the elements of equity restated at that date. Correction of the error has not resulted in a change in total consolidated equity but has decreased reserves by \$1,096,507 and decrease accumulated losses by the same amount.

## 9.8 CONTINGENT LIABILITIES

## 9. FINANCIAL INFORMATION

There were no contingent liabilities as at 30 June 2010.

### 9.9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian equivalents to International Financial Reporting Standards ('AIFRS') are shown below:-

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

#### Compliance with IFRS

The consolidated financial statements of International Base Metals Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted at the end of the reporting period based on the applicable income tax rates for each jurisdiction where the Company and its subsidiaries operate and generate income.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases

of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

International Base Metals Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

#### (c) Principles of consolidation for Subsidiaries:

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of International Base Metals Limited ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. International Base Metals Limited and its subsidiary together are referred to in

this financial report as the Group or the Consolidated Entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts.

#### (e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured

## 9. FINANCIAL INFORMATION

## (f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except, where the amount of GST incurred is not recoverable from the Australian Tax Office or VAT is not recoverable from the Namibian Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are shown inclusive of GST/VAT. The net amount of GST/VAT recoverable from, or payable to, the taxation authorities is included with other receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis except for the GST/VAT component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

## (g) Trade and other payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

## (h) Share-based payments

The cost of equity-settled transactions is recognised in the majority of cases as an expense in the income Statement, together with a corresponding increase in equity.

## (i) Foreign currency translation

Functional and presentation currency: Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency'). The consolidated financial

statements are presented in Australian dollars, which is International Base Metals Limited's functional and presentation currency.

## Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

## Group companies:

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable

## (j) Exploration and development expenditure

All exploration, evaluation and development expenditure on all the Company's exploration tenements is expensed as incurred. Directors believe this treatment where expenditure is expensed rather than capitalised is more relevant with understanding the Company's financial position, complies fully with AASB 6 and is cash flow neutral

## (k) Financial instruments

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

## Available-for-sale financial assets:

The Group classifies its investments as available-for-sale assets, which comprise of marketable securities. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting period. Such investments are stated at fair value, with any resultant

## 9. FINANCIAL INFORMATION

gain or loss recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is the quoted bid price at the balance date. Financial instruments classified as available-for-sale investments are recognised/derecognised by the entity on the date it commits to purchase/sell the investments.

#### Impairment:

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired, in the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

#### Fair value:

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

#### (l) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 9.10 SUMMARY OF CONSOLIDATED HISTORICAL FINANCIAL PERFORMANCE

Table 9.7 on page 87 summarises the consolidated historical financial performance of the Company and does not comply with all the disclosures required by AIFRS applicable to annual reports prepared in accordance with the Corporations Act.

### 9.11 MANAGEMENT DISCUSSION AND ANALYSIS ON HISTORICAL FINANCIAL INFORMATION

Management discussion and analysis should be read in conjunction with the description of the basis upon which the information has been prepared (Part 9.2).

The Company reported losses of \$9.6m, \$5.3m and \$5.1m in FY08, FY09 and FY10, respectively. Losses in each year primarily reflect the level of exploration expenditure in each period.

The Company derived revenue during the Review Period from administrative and geological services provided to Zamia Metals Limited (**Zamia**) and Copper Range Limited (**Copper Range**). The substantial decrease in revenue from FY08 to FY10 resulted from the relationship with Copper Range being wound down, several geologists transferring from the Company to Zamia and the price charged to Zamia for administrative services being decreased.

The level of exploration expenditure in each year primarily reflects funding available, with cash being generally less available in FY09 and FY10 following the Global Financial Crisis.

The Company actively managed administrative expenses down and substantially reduced its workforce during the Review Period, resulting in decreased administrative and employee benefits expenses from FY08 to FY10.

Payments in FY08 and FY09 primarily represent payments to Directors and employees.

The Company owns shares in Zamia and Copper Range. Revaluation changes in the fair value of available-for-sale financial assets in each year reflect changes in the market value of Zamia and Copper Range shares.

## 9. FINANCIAL INFORMATION

Consolidated Statement of Changes in Equity

	Contributed equity \$000	Reserves \$000	Retained Losses \$000
Revenue from continuing operations	1,615	1,059	311
Other income	-	12	36
<b>Expenditure</b>			
Exploration expenditure	(6,609)	(2,294)	(3,590)
Employee benefits expense	(1,948)	(1,946)	(449)
Administrative expenses	(1,277)	(871)	(811)
Share-based payments	(535)	(449)	-
Consultants' expenses	(543)	(383)	(121)
Occupancy expenses	(229)	(210)	(354)
Other overhead expenses	(100)	(189)	(104)
Loss before income tax	(9,625)	(5,271)	(5,083)
<b>Loss for the year</b>	<b>(9,625)</b>	<b>(5,271)</b>	<b>(5,083)</b>
<b>Other comprehensive income</b>			
Changes in the fair value of available-for-sale financial assets			
- Revaluation	(1,007)	(1,203)	484
- Reclassification	-	-	(24)
Exchange differences on translation of foreign currency	5	(54)	(28)
<b>Total other comprehensive income/(loss)</b>	<b>(1,002)</b>	<b>(1,257)</b>	<b>432</b>
<b>Total comprehensive (loss) for the year</b>	<b>(10,627)</b>	<b>(6,528)</b>	<b>(4,650)</b>

Table 9.7



# INVESTIGATING ACCOUNTANT'S REPORT



# 10. INVESTIGATING ACCOUNTANT'S REPORT



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Level 19, 2 Market St  
Sydney NSW 2000  
GPO Box 2551, Sydney NSW 2001  
Australia

15 November 2010

The Directors  
International Base Metals Limited  
Level 8  
275 George Street  
SYDNEY NSW 2000

Dear Sirs

## INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION

### 1 INTRODUCTION

In accordance with your request, this Investigating Accountant's Report ("**Report**") on the historical financial information of International Base Metals Limited ("**the Company**") has been prepared for inclusion in a Prospectus to be dated on or about 15 November 2010 in connection with the proposed initial public offering of the Company on the Australian Securities Exchange.

This Report has been prepared in accordance with the general disclosure requirements of the Corporations Act 2001 to assist investors to make an informed assessment of the financial performance and financial position of the Company.

The expressions defined in the Glossary of the Prospectus have the same meaning in this Report.

The nature of this Report is such that it can be given only by an entity which holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission. BDO Securities (NSW-VIC) Pty Limited ("**BDO Securities**") holds the appropriate licence under the Corporations Act 2001.

### 2 SCOPE

You have engaged BDO Securities to prepare a report on the historical and pro-forma financial information of the Company as set out in the Financial Information Section of the Prospectus and incorporating:

- the historical balance sheets and income statements for the financial years ended 30 June 2008, 30 June 2009 and 30 June 2010 ("**Historical Financial Information**");
- the pro-forma balance sheet as at 30 June 2010, which assumes the completion of the pro-forma transactions and adjustments as contemplated by the Prospectus and as included in the Financial Information Section of the Prospectus ("**Pro-forma Balance Sheet**").

The historical and pro-forma financial information in the Prospectus is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 AFS Licence No. 222438  
BDO is the brand name for the International BDO Network and for each of the member firms. BDO in Australia is a national association of separate entities. Liability of each entity is limited by a scheme approved under the Professional Standards Legislation other than for acts or omissions of financial services licences.

## 10. INVESTIGATING ACCOUNTANT'S REPORT



This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information and Pro-forma Balance Sheet to which it relates, for any purpose other than for which it was prepared.

In relation to the information presented in this Report:

- Support by another person, corporation or an unrelated entity has not been assumed;
- The amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- The going concern basis of accounting has been adopted.

### 2.1 Review of Historical Financial Information

The Historical Financial Information set out in the Financial Information Section of the Prospectus has been extracted from the audited financial statements of the Company.

The Directors of the Company are responsible for the preparation of the Historical Financial Information.

We have conducted our review of the Historical Financial Information in accordance with the Australian Auditing and Assurance Standard AUS 902 "*Review of Financial Reports*". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- analytical procedures on the audited financial performance of the Company for the relevant historical period;
- a review of audit work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Financial Information Section of the Prospectus; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### 2.2 Review of Pro-forma Historical Balance Sheet

Our review of the best-estimate assumptions underlying the Company's Pro-forma Balance Sheet was conducted in accordance with Australian Auditing and Assurance Standard AUS 902 "*Review of Financial Reports*".

The Directors of the Company are responsible for the preparation and presentation of the Pro-forma Balance Sheet, including the determination of the best-estimate assumptions, which include Pro-Forma Transactions, on which they are based.

Our procedures consisted primarily of enquiry and comparison and such other analytical review procedures we considered necessary. These procedures included discussion with the Directors of the Company and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:

- the Pro-forma Transactions do not provide a reasonable basis for the preparation of the Pro-forma Balance Sheet; and

## 10. INVESTIGATING ACCOUNTANT'S REPORT



- in all material respects the Pro-forma Balance Sheet is not properly prepared on the basis of the measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies of the Company disclosed in the Financial Information Section of the Prospectus.

The Pro-forma Balance Sheet has been prepared by the Company to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur.

There is a considerable degree of subjective judgement involved in the preparation of the Pro-forma Balance Sheet. Actual results may vary materially from the Pro-forma Transactions and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks and sensitivities set out in Section 11 Risk Factors of the Prospectus.

Our review of the Pro-forma Balance Sheet that is based on best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Pro-forma Balance Sheet included in the Prospectus.

### 3 CONCLUSION

#### 3.1 Review Statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information, as set out in the Financial Information Section of the Prospectus:

- has not been properly prepared; and
- does not present fairly the historical financial performance of the Company in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in the Financial Information Section of the Prospectus.

#### 3.2 Review Statement on Pro-forma Balance Sheet

Based on our review of the Pro-forma Balance Sheet, which is not an audit, and based on an investigation of the reasonableness of the Company's best-estimate assumptions giving rise to the Pro-forma Balance Sheet, nothing has come to our attention that causes us to believe that:

- the Pro-forma Balance Sheet has not been properly prepared on the basis of the Pro-Forma Transactions; and
- the measurement principles and accounting policies as set out in the Financial Information Section of the Prospectus do not provide reasonable grounds for the preparation of the Pro-forma Balance Sheet.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the Pro-forma Balance Sheet. Accordingly, we do not confirm or guarantee the achievement of the Pro-forma Balance Sheet, as future events, by their very nature, are not capable of independent substantiation.

### 4 SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside the ordinary course of business have come to our attention that would require comment on, or adjustment to, the information referred to in our Report that would cause such information to be misleading or deceptive.

## 10. INVESTIGATING ACCOUNTANT'S REPORT



### 5 INDEPENDENCE AND DISCLOSURE OF INTERESTS

BDO Securities does not have any interest in the outcome of this Offer other than the right to receive normal professional fees for the preparation of this Report and other related advice.

Except for the above, BDO Securities has not received, nor will receive, any pecuniary or other benefit, whether direct or indirect, for or in connection with the making of this Report.

BDO Securities was not involved in the preparation of any other part of this Prospectus and did not authorise or cause the issue of any other part of the Prospectus. Accordingly, BDO Securities makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

BDO Securities consents to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

The Directors of the Company have agreed to indemnify and hold harmless BDO, BDO Securities and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors of the Company for the purpose of this Report.

### 6 GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide Investors with general information only and does not take into account the objectives, financial situation or needs of any specific Investor. It is not intended to take the place of professional advice and Investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, an Investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

We have included our Financial Services Guide as *Appendix A* to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully  
BDO SECURITIES (NSW-VIC) PTY LIMITED

Sebastian Stevens  
Director

## 10. INVESTIGATING ACCOUNTANT'S REPORT



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Level 19, 2 Market St  
 Sydney NSW 2000  
 GPO Box 2551, Sydney NSW 2001  
 Australia

### FINANCIAL SERVICES GUIDE

Dated 15 November 2010

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 ("BDO Securities" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

#### 1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 222438
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

#### 2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients on securities and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

#### 3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

#### 4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$25,000 for preparing the Report.

Except for the fees referred to above, neither BDO Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### 5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

#### 6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### 7 ASSOCIATIONS AND RELATIONSHIPS

BDO Securities is a wholly owned subsidiary of BDO (NSW-VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of "BDO".

From time to time BDO Securities or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

#### 8 INDEPENDENCE

BDO Securities is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in the Regulatory Guide 112 issued by the Australian Securities and Investments Commission in October 2007. BDO Securities operates independently of the other members of BDO International in Australia.

#### 9 COMPLAINTS RESOLUTION

##### 9.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Securities, GPO Box 2551, Sydney NSW 2001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

##### 9.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOS"). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Securities is a member of FOS (Member Number 11281).

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
 GPO Box 3  
 MELBOURNE VIC 3001  
 Toll free: 1300 78 08 08  
 Facsimile: (03) 9613 6399

#### 10 CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead of this FSG.

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 AFS Licence No. 222438  
 BDO is the brand name for the International BDO Network and for each of the member firms. BDO in Australia is a national association of separate entities. Liability of each entity is limited by a scheme approved under the Professional Standards Legislation other than for acts or omissions of financial services licensees.





A landscape photograph showing a field of tall, dry grass in the foreground. In the middle ground, there is a rocky hill with some green vegetation. In the background, there are more hills and mountains under a clear blue sky. A white rectangular box is overlaid on the right side of the image, containing the text "RISK FACTORS" in orange capital letters.

## RISK FACTORS

# 11. RISK FACTORS

This Section identifies areas the Directors regard as major risks associated with an investment in the Company. Prospective investors should read the whole of this Prospectus in order to fully appreciate the risks of investing in the Company before any decision is made to subscribe for Shares offered pursuant to this Prospectus.

There are numerous risks associated with investing in any form of business and with investing in the share market generally. There are also a number of specific risks associated with the Company's business and its involvement in the mining industry. Base metal exploration, development and production have inherent risks, which may have a material effect on the Company's future performance and the value of its securities. Prospective investors should consider whether acquiring Shares offered pursuant to this Prospectus is a suitable investment having regard to their own individual investment objectives, financial circumstances, and the risk factors set out below. If in any doubt, investors should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

This following summary is not an exhaustive list of the risk factors to which the Company is exposed.

## 11.1 GENERAL INVESTMENT RISKS

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and commercialisation activities, as well as on its ability to fund those activities and its future profitability. The impact of these risk factors on the Company is largely beyond the Company's control.

## 11.2 EXPLORATION RISKS

The mineral tenements of the Company as described in this Prospectus are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The estimated exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

## 11.3 OPERATIONAL AND TECHNICAL RISKS

The operations of the Company may be affected by various factors, including:

- (a) any failure to locate or identify mineral deposits;
- (b) a failure to achieve predicted grades in exploration and mining;
- (c) commodities prices (especially the copper price) and exchange rates;
- (d) risks associated with the renewal of tenements, leases or licences upon expiry of their current term;
- (e) risks associated with the grant of regulatory approvals and permits to commence mining operations;

- (f) operational and technical difficulties encountered in mining;
- (g) difficulties in commissioning and operating plant and equipment;
- (h) mechanical failure or plant breakdown;
- (i) unanticipated metallurgical problems which may affect extraction costs;
- (j) adverse weather conditions;
- (k) industrial and environmental accidents;
- (l) industrial disputes; and
- (m) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Specifically, the Company may be unable to procure a mining licence for the Omitiomire Project area or receive the requisite approvals and funding for ultimate mine development.

## 11.4 OPERATING IN DEVELOPING COUNTRIES

The Company's current primary projects are located in Namibia and any potential projects that it may acquire an interest in may be located in Namibia or other developing countries. Operating in such regions carries additional risks including but not limited to the failure of infrastructure and loss or damage due to any number of unpredictable circumstances. Furthermore, retaining and attracting technical personnel to live and work in such areas is challenging and may delay the Company from achieving its objectives if it cannot satisfactorily address this issue.

## 11.5 OPERATING IN NAMIBIA

Namibia and other developing countries may be subject to political, economic and other uncertainties, some of which may not be found in other countries such as Australia, the United Kingdom or the United States. Future government activities concerning the economy, foreign ownership or the operation and regulation of facilities

## 11. RISK FACTORS

such as mines or mineral exploration operations, could have a significant effect on the Company.

The Board anticipates that the value of the Company's exploration and mining interests will most likely be derived from its Namibian copper operations (although it is noted that these risks may apply in other developing countries that the Company may operate in). As a result, the Company may be exposed to a number of risks customary for international operations, including but not limited to:

(a) Political Risk

The Company's investment in exploration projects in Namibia may be exposed to adverse political developments that could affect the economics of the project. The government of Namibia has supported the Company with its exploration activities to date but there is no assurance that this support will continue.

(b) Uncertainty of Laws and Enforcement of Laws

The government of Namibia has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, as the legal system in Namibia develops, changes in such laws and regulations, their interpretation or enforcement may have a material adverse effect on the Company's

business operations.

(c) Repatriation of Profits and Adverse Taxation Consequences

There is no certainty that any future profits can be repatriated. Further, any material changes in taxation legislation in relation to the returning of capital or profits from Namibia may affect the viability and profitability of the Company.

(d) Namibia Sovereign Risk

The Company may be hindered or prevented from enforcing its rights with respect to a governmental instrument because of the doctrine of sovereign immunity.

(e) Funds Held in Namibia

Significant funds raised under the Offer may be held in financial institutions in Namibia. Whilst Namibian financial institutions are regulated, there are risks associated with repatriation, exchange controls and currency exchange risk.

### 11.6 OCCUPANTS AND OWNERS OF LAND

Some of the exploration tenements held by the Company are on land occupied or owned by third parties.

While access to the land on which the Company's primary project, the Omitiomire Project, has been secured until 2012, should the Company be unable to obtain access to its tenements on terms acceptable to the occupier or owner of the land upon which the tenements are located, or the term of the Land Access Agreement is not extended, then there is a risk that this may cause delays to or prevent any mining operations on the tenements.

### 11.7 JOINT VENTURE RISK

Certain terms of the arrangements between AuriCula and its joint venture participants, in relation to the Mt Hope Tenements have not

been formally documented. The Company, through AuriCula, is currently in the process of documenting those arrangements. There is a risk that such formal documentation may not be concluded, in which case, AuriCula will have to rely on the existing arrangements.

### 11.8 TITLE RISKS

Mining and exploration licences are subject to periodic renewal and Ministerial discretion. In particular, there is no guarantee that applications for future exploration licences or production licences will be approved. Renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the exploration licences comprising the Company's projects.

Interests in tenements in Australia and Namibia are governed by the respective legislation and are evidenced by the granting of licences or leases over tenements. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

The imposition of new conditions or the inability to meet conditions may adversely affect the operations, financial position and/or performance of the Company.

### 11.9 RESOURCE ESTIMATE RISKS

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new

## 11. RISK FACTORS

information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans, which adversely affect the Company's operations.

### 11.10 POTENTIAL ACQUISITIONS

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

### 11.11 FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements that are subject to risks and uncertainties. Consequently, the actual expenditure of the Company may be different from the expectations both expressed and/or implied in this Prospectus.

### 11.12 COMMODITY PRICE VOLATILITY

Commodity prices, including the market price of copper and other minerals, may substantially impact on the economics of mining projects and on exploration and development programmes and, consequently, on the Company's share price. Commodity prices react to the economic climate and to market forces and other factors beyond the Company's control. A severe decline in the price of copper would have a material adverse effect on the Company.

### 11.13 EXCHANGE RATE RISK

Some of the Company's costs and future revenues will be incurred in foreign currencies. However, the Company's financial results are reported in Australian dollars. The Company's currency exposure is primarily to the US dollar, the Australian dollar and the Namibian dollar. The Namibian dollar is currently pegged to the South African Rand. Adverse movements in the exchange rates of the currencies to which the Company is exposed could materially impact the income and expenditure of the Company.

### 11.14 SHARE MARKET CONDITIONS

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### 11.15 INSURANCE RISKS

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance of all risks associated with base metal exploration and production is not always available and where available the costs can be prohibitive.

### 11.16 TAXATION

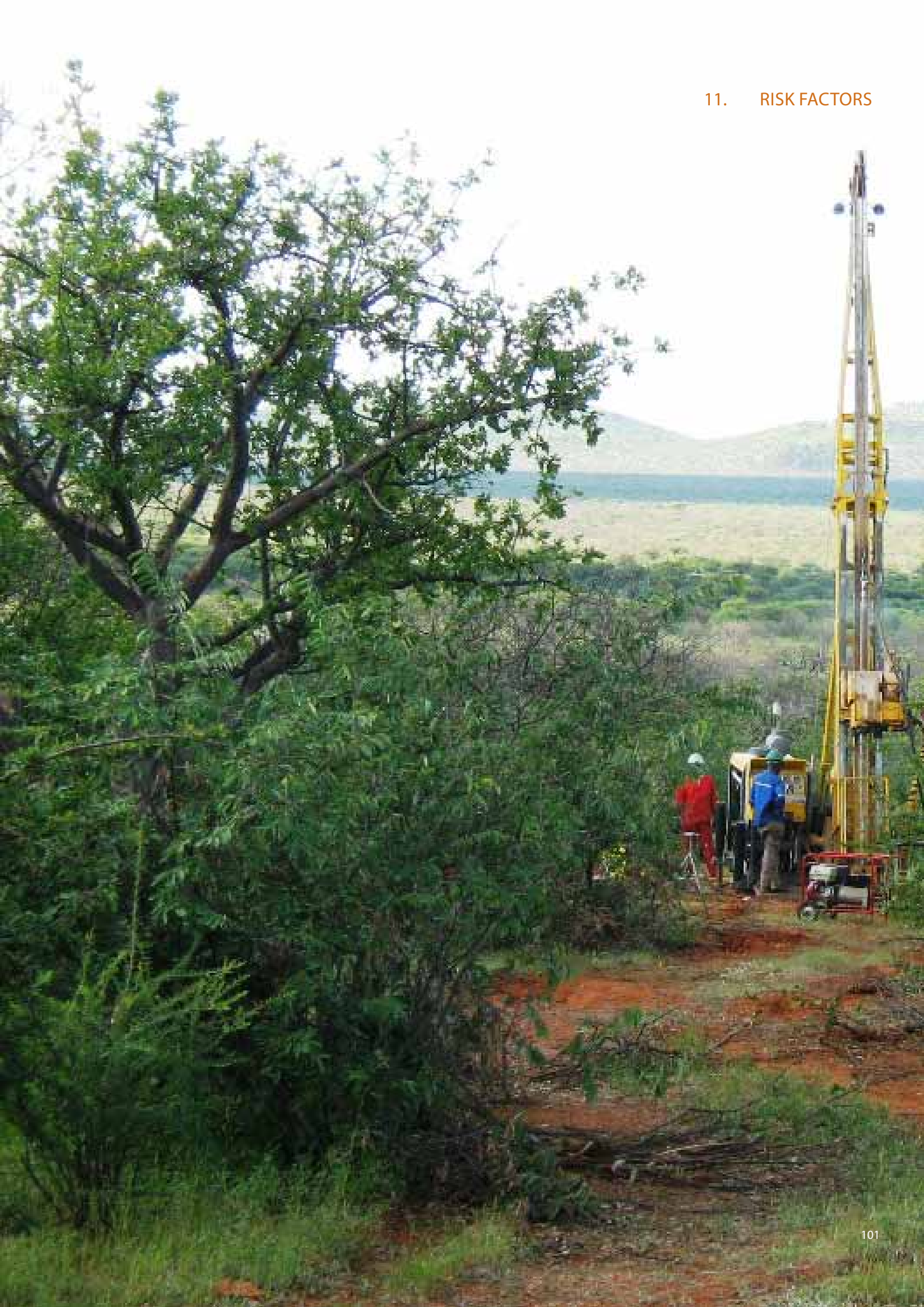
Any profits that may ensue to the Company in its Australian operations, in the event that mining operations commence, will be subject to Australian taxation laws. The Federal government is currently proposing to introduce a Minerals Resource Rent Tax, which will potentially apply to some of the Company's operations. We note that the Minerals Resource Rent Tax as currently proposed only applies to resources mined in Australia. Accordingly, this tax, if introduced, will not apply to any Namibian mining operations undertaken by the Company.

### 11.17 COMMERCIALISATION RISKS

Even if the Company discovers commercial quantities of base metals, there is a risk the Company will not achieve a commercial return. The Company may not be able to transport the base metals at a reasonable cost or may not be able to sell the base metals to customers at a rate which would cover its operating and capital costs.

### 11.18 COMPETITION RISKS

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.



## 11. RISK FACTORS

### 11.19 FUTURE CAPITAL NEEDS

The Company's activities will require substantial expenditures. There can be no guarantees that funds will be raised to successfully achieve all the objectives of the Company's overall business strategy. Further funding may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. Any inability to obtain funding as needed may adversely affect the business and financial condition of the Company and, consequently, its performance.

### 11.20 RELIANCE ON KEY PERSONNEL

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its Directors and senior management. The loss of any one or more of the Directors or management could have an adverse impact on the performance and the prospects of the Company.

Various other activities relating to the Company's projects require personnel with appropriate industry experience and qualifications and, in some cases, the loss of such key personnel may have an impact on the relevant activities of the Company.

The Company will endeavour to appropriately secure and retain the services of key personnel on competitive market terms.

The Company is obliged to give preference to Namibian citizens in employment for its

Namibian operations. There can be no guarantee that suitable employees can be sourced in Namibia or that the ramifications of employing a foreign employee will not adversely affect the Company's operations.

### 11.21 JOINT VENTURE PARTIES, CONTRACTORS AND CONTRACTUAL DISPUTES

The Directors are unable to predict the risk of:

- (a) financial failure or default by a participant in any joint venture to which the Company is, or may become, a party;
- (b) insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or
- (c) insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity.

### 11.22 PAYMENT OBLIGATIONS

Under the exploration tenements and certain other contractual agreements to which the Company is or may in the future become a party, the Company is, or may become subject to payment and other obligations. Failure to meet these work commitments will render the tenement or licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

### 11.23 GOVERNMENT AND REGULATORY RISKS

Government action or policy change (either Australian or Namibian governments), particularly in relation to access to lands and infrastructure, compliance with

environmental regulations, taxation and royalties, may adversely affect the Company's operations and financial performance. Most of the Company's operations are governed by a series of Namibian laws, regulations and decrees. Breaches or non-compliance with these laws, regulations and decrees can result in penalties and other liabilities for violation or breach including, without limitation, withdrawal of the relevant permit. These may have a material adverse impact on the financial position, financial performance, cash flows, growth prospects and share price for the Company. These laws, regulations and decrees may be amended from time to time which may also have a material adverse impact on the financial position, financial performance, cash flows, growth prospects and share price for the Company. While the Company is familiar with the Namibian regulatory regime and will undertake all reasonable due diligence in assessing and managing the risks associated with investing and having mining operations in Namibia (and other countries in which it may invest), the legal and political conditions of the country and any changes thereto are outside the control of the Company.

### 11.24 ENVIRONMENTAL RISKS

Base metal exploration, development and production can be hazardous to the environment. The Company intends to conduct its activities in an environmentally responsible manner. However, the Company could be subject to liability due to risks inherent to its activities. The Company may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

## 11. RISK FACTORS

The Company's operations are subject to the relevant environmental risks inherent in the exploration and mining industry.

The Company is subject to relevant environmental laws and regulations in connection with all its operations. Non-compliance with these laws may result in cessation of exploration and production and incur substantial liabilities.

### 11.25 NATIVE TITLE

The decision of the High Court of Australia in *Mabo and Others v The State of Queensland (No. 2)* in 1992 recognised the concept of Aboriginal Native Title to land being the collection of rights held by certain Aboriginal peoples to use lands according to their traditional customs, laws and beliefs. Following this decision, the Native Title Act 1993 (Cth) and complementary state Native Title legislation (together, the **NTA**) were created to regulate the recognition and protection of Native Title, set out procedures under which Aboriginal people claim Native Title and be afforded certain procedural rights, including the "right to negotiate" and claim compensation.

Indigenous persons may lodge an application in the Federal Courts for a determination of Native Title in an area. The fact that a claim has been lodged does not necessarily mean that Native Title exists over the area claimed. Similarly, the absence of a claim does not necessarily indicate that Native Title does not exist in relation to that area. Some of the Australian Tenements may be subject to the Native Title Act, which is discussed in further detail within the Independent Report on Australian Tenements (Section 8). Uncertainty associated with Native Title issues may impact on the Company's future

plans. Further Native Title claims may be made in the future in respect of land subject to the Queensland Tenements which may adversely affect the Company's activities on the Queensland Tenements.

Further information on Native Title and how it may affect the Company's mining interests is set out in the Independent Report on Australian Tenements in Section 8.

### 11.26 ABORIGINAL CULTURAL HERITAGE

Commonwealth and state Aboriginal heritage protection legislation aim to protect any places, objects and folklore that are of particular significance to Aboriginal people, in accordance with Aboriginal traditions. It is unlawful to prospect or mine on lands on which Aboriginal objects or Aboriginal places are situated, unless authorised by an Act, authority, permit, lease, licence, or otherwise approved by the relevant Minister. While none of the Company's Australian tenements are currently subject to Aboriginal Cultural Heritage claims, Cultural Heritage claims may be made in the future in respect of land subject to the Australian tenements which may adversely affect the Company's activities on the Australian tenements.

### 11.27 BLACK ECONOMIC EMPOWERMENT

The Namibian Government has proposed policies for the advancement of black economic empowerment. In implementing any such policies, the Namibian Government has sought and may seek to require companies to transfer an equity interest in the company holding or applying for mineral licences to either a Namibian Government entity or to what are referred to as certain previously disadvantaged

Namibians, as a condition of the grant or transfer of such mineral licences.

### 11.28 SPECULATIVE NATURE OF INVESTMENT

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.



# MATERIAL CONTRACTS



# 12. MATERIAL CONTRACTS

## 12.1 LAND ACCESS AGREEMENT

The Company has entered into a Land Access Agreement with the owner of the land on which the Omitomire Project is located (**Owner**) (together, the **Parties**), dated 8 October 2010. The Agreement will terminate on 31 March 2012. The Company may terminate the Land Access Agreement by giving not less than 30 days written notice to the Owner.

The Owner grants to the Company a non-exclusive right to enter onto Farm No.439 "Omitomire" (**Property**) and to undertake prospecting and exploration activities for minerals contained within the Property (**Activities**).

The Activities will consist of some or all of:

- (a) general activities, including geological, geophysical and geochemical surveys and line cutting (**General Activities**);
- (b) feasibility study prospective activities, including pitting and trenching and borehole drilling operations by means of percussion and diamond drills for which an amount of N\$10,000 per month for the Property is payable to the Owner (**Feasibility Study Prospecting Activities**);
- (c) sinking of prospecting shafts, bulk sampling pits and/or the establishment of a pilot plant including a dump site for waste rock, workshops and all other purposes incidental thereto, for which an amount of N\$20,000 (AUD\$3,084.69) per month, plus Namibian value added tax (VAT), for the Property is payable to the Owner; and
- (d) Prior to the commencement of bona-fide mining operations a new agreement will be negotiated between the Parties, with the proviso that normal prospecting activities will be allowed to continue during such negotiations.

In consideration for the rights granted by the Owner to the Company, the Company will pay the Owner:

- (a) no compensation for ad hoc visits of less than four days; plus
- (b) N\$2,000 per month (approximately AUD\$308) plus VAT, for each month or portion thereof during which the Company conducts General Activities on the Property; plus
- (c) N\$10,000 (approximately AUD\$1,542.35) for those months during which Feasibility Study Prospecting Activities take place; plus
- (d) N\$300 per percussion drill hole and N\$600 per diamond or RC drill hole (plus VAT), (together, **Payments**).

These Payments will be paid by the Company to the Owner:

- (a) in respect of August 2010 on the commencement of this Agreement; and
- (b) monthly in arrears at the end of every month.

Additional compensation may be paid if the Company, by any operation or act of negligence on the part of the Company or the Company's employees or contractors cause damage to the Property, diminution of the surface value of the Property, total or partial interruption of the right of occupation or damage or loss of grazing and/or crops, infrastructure and livestock, including game, or payable in accordance with section 52(2) of the Namibian Minerals (Prospecting and Mining) Act 1992.

## 12.2 LEAD MANAGER AGREEMENT

The Company has entered into a Lead Manager Agreement (**Agreement**) with Austock Securities Limited (**Lead Manager**), dated 15 November 2010.

The Company appoints the Lead Manager on an exclusive basis, and the Lead Manager

accepts the appointment to arrange and lead manage the Offer (as described in the Prospectus). Under the Agreement, the Lead Manager acknowledges the Company's appointment of Sinonew Advisory Capital Limited (**Sinonew**) as a financial adviser to the Company and that Sinonew may be paid fees by the Company where the Company receives valid Applications from investors introduced by Sinonew (**Sinonew Funds**).

The Company must pay the Lead Manager the following fees:

- (a) a capital raising fee payable on the settlement date (by way of a deduction from the subscriptions received by the Lead Manager) comprising two components, being:
  - (i) a lead management fee of 1.0% (plus GST) of the Gross Proceeds; plus
  - (ii) a selling fee of the greater of \$500,000 (plus GST) or 3.0% (plus GST) of the total proceeds raised under the Offer (Gross Proceeds) less the Sinonew Funds; and
- (b) a discretionary incentive fee, payable at the sole discretion of the Company having regard to the success of the Offer and the performance of the Lead Manager, of up to 1.0% (plus GST) of the Gross Proceeds (less the Sinonew Funds) payable from the proceeds of the Offer within three days of the shares being listed on ASX.

The Lead Manager will also be entitled to a termination fee of \$50,000 (plus GST) payable within seven days of the Company withdrawing the Offer or the Lead Manager terminating this agreement.

The Lead Manager may terminate without cost or liability by notice to the Company at any time after the Lead Manager becomes aware of the happening of any one or more of the events set out in the Agreement

## 12. MATERIAL CONTRACTS

**(Termination Events).**

Termination Events include:

- (a) the Company fails to lodge the Prospectus with ASIC on or before the Lodgement Date (or such later date approved in writing by the Lead Manager, in its absolute discretion);
- (b) the Lead Manager reasonably forms the opinion that:
  - (i) a statement contained in the Prospectus is or becomes misleading or deceptive; or
  - (ii) a matter is omitted from the Prospectus that is required to be included in that document (having regard to the provisions of Chapter 6D of the Corporations Act, the Listing Rules and any other applicable requirements);
- (c) in the Lead Manager's reasonable opinion a statement contained in the Prospectus is misleading or deceptive or a matter is omitted from the Prospectus;
- (d) the Prospectus, or any aspect of the Offer, does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- (e) the Company issues or, in the Lead Manager's reasonable opinion, becomes required to issue a Supplementary Prospectus because of a circumstance set out in section 719 of the Corporations Act;
- (f) there is, or is likely to be, a material adverse effect including any material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects from those respectively disclosed in the Prospectus;
- (g) after lodgement of the Prospectus, the Company withdraws the Prospectus or the Offer;
- (h) the Company is prevented from allotting and issuing the Offer Shares within the time required by the timetable, ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government agency;
- (i) an event specified in the Lead Manager Agreement, is delayed for any length of time, regardless of the cause of such delay;
- (j) a closing certificate is not given by the time required by, and in accordance with, the Lead Manager Agreement;
- (k) the S&P/ASX 200 Index at the close of trading of any trading day is 10% or more below the level of that index as at the close of trading immediately before entry into this agreement;
- (l) any of the following occur:
  - (i) a Director of the Company is charged with an indictable offence relating to any financial or corporate matter;
  - (ii) any government agency commences any public action against the Company or any of its Directors in their capacity as a Director of the Company, or announces that it intends to take such action; or
  - (iii) any Director of the Company is disqualified from managing a corporation;
- (m) the office of a Director of the Company is vacated by force of section 206C of the Corporations Act;
- (n) the Company or a related body corporate (as defined in the Corporations Act) is insolvent or there is an act or omission which may result in the Company or a related body corporate becoming insolvent;
- (o) the Due Diligence Report or any other information supplied by or on behalf of the Company to the Lead Manager in relation to the Company or any of its subsidiaries, or the Offer in final form, is untrue, incomplete, misleading or deceptive or proves to be or becomes untrue, incomplete, misleading or deceptive;
- (p) any forecast that appears in an offer document becomes incapable of being met or, in the reasonable opinion of the Lead Manager, is unlikely to be met in the projected time;
- (q) ASX withdraws, revokes or amends any ASX waivers;
- (r) unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted to:
  - (i) the Company's admission to the official list of ASX;
  - (ii) the official quotation of all of the offer Shares on ASX; or
  - (iii) on or before the settlement date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary condition) or withheld or ASX makes an official statement to any person or indicates to the Company or the Lead Manager that official quotation of the offer Shares will not be granted;
- (s) any person whose consent to the issue of the Prospectus is required by section 720 of the Corporations Act who has previously consented to the issue of the Prospectus withdraws such consent or any person otherwise named in the Prospectus with their consent (other than the Lead Manager) withdraws such consent;
- (t) any of the following notifications are made:
  - (i) ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act or ASIC issues an order under section 739(1) of the Corporations Act;
  - (ii) ASIC issues an order under sections 739(3) or 739(4) of the Corporations Act;
  - (iii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the

## 12. MATERIAL CONTRACTS

- Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities & Investments Commission Act 1989 (Cth) in relation to the Prospectus;
- (iv) any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of their name in the offer documents or to be named in the offer documents withdraws that consent; or
- (v) any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the offer documents;
- (u) any person makes an application for an order under Part 9.5 of the Corporations Act, or to any government agency, in relation to the Prospectus or the offer, ASIC commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the offer or the Prospectus, except where (other than where the relevant act is taken by ASIC) the relevant application, notice, prosecution or proceeding is disposed of or withdrawn to the Lead Manager's reasonable satisfaction and in any event within two Business Days of commencement or notice and before 5.00pm on the Business Day before settlement;
- (v) any government agency commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Company or any member of the group, or prosecutes or commences proceedings against the Company, any member of the group or in respect of any mining project;
- (w) a representation or warranty made or given, or deemed to have been made or given, by the Company under this agreement proves to be, or has been, or becomes, untrue or incorrect;
- (x) any information supplied by or on behalf of the Company or any of its subsidiaries to the Lead Manager in respect of the offer, the Company and/or its subsidiaries is or is found to be false or misleading or deceptive or likely to mislead or deceive;
- (y) any of the following occurs:
- (i) the commencement of legal proceedings against the Company or its subsidiaries or against any director or officer of the Company or any subsidiary in that capacity; or
  - (ii) any regulatory body commences any inquiry or public action against the Company or its subsidiaries;
- (z) the Company fails to perform or observe any of its obligations under this agreement or an obligation of the Company becomes incapable of being performed or observed or unlikely to be performed or observed by the required time for observance or performance;
- (aa) a closing certificate which is required to be given, is untrue, incorrect or misleading;
- (bb) a contravention by the Company or any of its Subsidiaries, of the Corporations Act, the Trade Practices Act 1974 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth), its Constitution or any of the ASX Listing Rules;
- (cc) a change in the senior management or Board of Directors of the Company is announced or occurs (other than a change fully and fairly disclosed in the Prospectus);
- (dd) any material contract of the Company is varied, terminated, rescinded or altered or amended without the prior consent of the Lead Manager or any material contract is breached or found to be void or voidable;
- (ee) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, Namibia or South Africa, a new law, or a governmental agency, any Federal or State authority of Australia, Namibia or South Africa adopts or announces a proposal to adopt a new policy, which would have a Material Adverse Effect on the offer or the Company;
- (ff) any of the following occurs:
- (i) a general moratorium on commercial banking activities in Australia, Namibia, South Africa, New Zealand, the United States of America, the United Kingdom, Canada, Japan or any member of the European Union is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - (ii) trading in all securities quoted or listed on ASX, the Namibian Stock Exchange, the Johannesburg Stock Exchange, the London Stock Exchange, the New York Stock Exchange, Tokyo Stock Exchange, Shanghai Stock Exchange, Hong Kong Stock Exchange or Singapore Stock Exchange is suspended or limited in a material respect; or
  - (iii) the occurrence of any other adverse change or adverse disruption to the financial, political or economic conditions or currency exchange rates or controls or financial markets in Australia, Namibia, South Africa, Canada, New Zealand, Japan, Russia, the People's Republic of China, the United States of America, Hong Kong or a member of the European Union or the international financial markets or any change or development involving a prospective adverse change in national or international political, economic or financial conditions; or

## 12. MATERIAL CONTRACTS

(iv) hostilities not existing at the date of this agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, Namibia, Botswana, Angola, Zambia, Zimbabwe, South Africa, Democratic Republic of Congo, Mozambique, Canada, New Zealand, the United States of America, the United Kingdom, Japan, Russia, a member of the European Union, the People's Republic of China, North Korea, Iran or Hong Kong, or a national emergency is declared by any of those countries, or a major terrorist act is perpetrated anywhere in the world.

### 12.3 SINONEW CAPITAL MANDATE

The Company has entered into a letter agreement (**Sinonew Mandate**) with Sinonew Capital Advisory Limited (**Sinonew**) pursuant to which Sinonew has been appointed as financial adviser to the Company in respect to the proposed listing and the Offer. Under the Sinonew Mandate, Sinonew will provide advisory services relating to the Offer and the Prospectus and disclosure material relating to the Offer (**Disclosure Material**) and facilitate introductions with investors in China and Hong Kong both prior to, and for the purposes of, the Offer (**Services**). The Sinonew Mandate is valid for six months, commencing on 15 September 2010. Sinonew is to be:

- (a) paid an advisory fee of \$8000 per month;
- (b) paid a success fee equal to 2% of:
  - (i) the total funds raised prior to the IPO; and
  - (ii) the funds raised under the IPO by parties in China, Hong Kong and other parties introduced by Sinonew;
- (c) rebated 50% of the total monthly retainer against the success fee; and
- (d) subject to the Company being admitted to the Official List, be issued 150,000 Options for every \$1,000,000 raised directly by Sinonew, exercisable at \$0.35 each within three years from the date of admission.

### 12.4 LOAN FACILITY TERM SHEET

The Company has entered into an unsecured Loan Facility with its wholly owned subsidiary, Craton (Borrower) pursuant to which an initial loan of \$12,000,000 was drawn down by the Borrower on an as-needed basis over a two year period (Facility). The Facility may be supplemented as required based upon the success of Craton's exploration activities (Exploration). The estimated costs of the exploration programme are \$20-25 million.

The Facility commenced on 1 July 2007 and expires on 20 June 2012. The Facility may be extended at the discretion of the Company.

Interest is calculated on the balance outstanding on a daily basis using the BankWest Banking Group Limited overdraft interest rate as at the last business day of each calendar month plus 2% subject to an upper limit, being of the prime rate used by Namibian banks less 3% per annum.

Facility repayments (**Repayments**) are to be made as soon as practicable subject to the financial position of the Borrower. The Borrower shall review its financial position at the end of the term and advise the Company, or their representatives, of the Borrowers' capacity to make a repayment and the timing and amount of any repayments. The Company reserves the right to request repayment of the Facility, outstanding in full or in part by providing written notice to the Borrower at the end of the loan term. The Borrower will have a minimum of 60 days to repay the outstanding monies due under the Facility. If there is a default by the Borrower of any of the terms and conditions of the Facility, the Company reserves the right to request immediate repayment, in full or in part, of the Facility outstanding.

## 12. MATERIAL CONTRACTS

### 12.5 FRANK BETHUNE LETTER OF OFFER

Pursuant to a letter of offer (**Letter of Offer**), the Company has appointed Frank Bethune as the Managing Director of the Company (**Employment**). Mr Bethune's broad responsibilities will be, amongst others, the creation of value for the Shareholders of IBML and the formation of a strategic business plan for the Company.

Mr Bethune will be paid \$325,000 per year (plus 9% superannuation) (**Base Salary**). The Base Salary will be reviewed annually and will increase by a minimum of 5% per year. If the Company becomes admitted to the Official List, the Base Salary will be increased to \$350,000 per annum and Mr Bethune will also be entitled to a \$30,000 gross cash bonus and the issue of 100,000 Shares (subject to the requirements of the ASX Listing Rules and Corporations Act, including Shareholder approval).

Mr Bethune will also be entitled to receive 750,000 ordinary Shares on the date that is two years from the commencement of his employment (**Bethune Shares**). Mr Bethune will only be entitled to the Bethune Shares where he has remained continuously employed by the Company for a period of more than two years. Mr Bethune has also been granted 3,350,000 Grant 1 Rights and 3,350,000 Grant 2 Rights (together, **Rights**) which are convertible into Shares upon the satisfaction of the criteria set out in the table below. The amount of Rights set out in the table will be convertible into that same amount of Shares upon satisfaction of the corresponding Condition A and Condition B within the relevant Exercise Period.

Mr Bethune will be entitled to four weeks paid annual leave and up to 10 days paid personal leave/carer's leave in each year of service.

	Vesting Conditions		Number of Rights	Exercise Period
	Condition A	Condition B: Minimum Share Price for five consecutive days		
Grant 1 Rights	The Company is admitted to the Official List	20 cents	670,000	Commencing the later of: a) the date that is the end of the ASX imposed escrow period of the Shares; and b) Two years from the date on which Employment commenced.  Expiring on the date that is three years from the date on which the Company is admitted to the Official List of the ASX.
		25 cents	670,000	
		30 cents	670,000	
		35 cents	670,000	
		40 cents	670,000	
Grant 2 Rights	The completion of a successful definitive feasibility study (DFS)	20 cents	670,000	Commencing the later of: a) the date on which the Company completes a successful DFS; and b) two years from the date on which Employment commenced.  Expiring on the date that is four years from the date on which the Company completes a successful DFS
		25 cents	670,000	
		30 cents	670,000	
		35 cents	670,000	
		40 cents	670,000	

Table 12.1

The Employment may be terminated without reason or cause by:

- (a) the Company with 12 months written notice; or
- (b) Mr Bethune with three months written notice.

Where the Employment is terminated by the Company for reasons other than:

- (a) engaging in serious misconduct;
- (b) being charged with any offences which in the reasonable opinion of the Company, brings the Company or Mr Bethune into disrepute;
- (c) is disqualified from being able to act as a director; or

- d) if a sequestration order is made against Mr Bethune or Mr Bethune appoints a controlling trustee pursuant to section 188 of the Bankruptcy Act 1966 (Cth),

Mr Bethune shall be entitled to a termination payment equivalent to the sum of the Base Salary and all superannuation, long service and annual leave entitlements associated with the Base Salary. Further, where Mr Bethune's Employment has exceeded two years, all issued but unvested Rights may be converted into Shares if the relevant Vesting Conditions are satisfied within six months after the termination. After this six month period, all unexercised and unvested Rights

## 12. MATERIAL CONTRACTS

will expire.

### 12.6 SERVICES AGREEMENT WITH ZAMIA METALS LIMITED

The Company has entered into a services agreement (**Services Agreement**) with Zamia Metals Limited ACN 120 348 683 (**Zamia**) for the provision of the services of the Company's personnel and the use of the Company's equipment, office premises and administrative and technical services (**Services**). Zamia is the holder of mining tenements in Queensland and carries on the business of minerals exploration in relation to those tenements.

The Services Agreement commenced on 1 July 2010 for a fixed term of 12 months (**Term**), unless terminated earlier pursuant to the terms of the Services Agreement. At the end of the Term, both Zamia and the Company have an option to renew the Services Agreement for a further 12 months.

Zamia will pay the Company all fees and expenses owing to the Company for the use of the Company's equipment, office premises and personnel. Zamia will pay to the Company a monthly retainer of \$25,000 with any balance payable within 30 days of the date of an invoice issued by the Company.

The Company may terminate the Services Agreement without cause by providing six months notice to Zamia. Zamia may terminate the Services Agreement:

- (a) without cause by providing three months notice to the Company; or
- (b) immediately where:
  - (i) the Company fails to perform the Services in accordance with the terms and conditions of the Services Agreement after a period of 90 days following the receipt of a notice requiring the Company to remedy its failure to perform the Services;
  - (ii) the Company commits any material

breach of the provisions of the Services Agreement;

- (iii) the Company is guilty of serious misconduct which in the reasonable opinion of the Board of Zamia, may injure the reputation of Zamia; or
- (iv) the Company resolves to go into liquidation, has a petition for its winding up presented or enters into any scheme of arrangement with any of its creditors or if a provisional liquidator, receiver and manager or administrator is appointed in respect of it.

The Company must procure and maintain throughout the Term, at its own cost and expense, a worker's compensation insurance covering liability to the personnel engaged or employed in providing the services pursuant to the Services Agreement.

### 12.7 CONSULTANCY AGREEMENT – KENNETH MAIDEN

The Company has entered into a consultancy agreement (**Maiden Agreement**) with Kraton Geoscience Pty Ltd (ACN 069 950 287) (**Kraton Consultant**) pursuant to which the Kraton Consultant is engaged to provide consulting, management, administrative and geological services (**Support Services**) to the Company. The Kraton Consultant has nominated its employee, Dr Kenneth Maiden, as the person responsible for the provision of the Support Services to the Company. The term of the Maiden Agreement expires on 31 December 2010 (unless terminated earlier) and may only be extended on terms in writing by the Company and the Kraton Consultant.

The Support Services are to include:

- (a) the provision of overall technical direction to the Company on corporate objectives; establishment of exploration priorities; close liaison with the

Exploration Manager – Namibia in the review and assessment of exploration projects; design of exploration programmes and budgets; prioritisation of exploration targets; and application of appropriate exploration techniques;

- (b) the provision of technical reports, including periodic reports to the Chief Executive Officer and Board; technical content of Annual Reports and Quarterly Reports; technical summaries as required to Shareholders and potential investors; and Company promotional material as required;
- (c) generation of new business opportunities for the Company through identifying and assessing new exploration and acquisition opportunities;
- (d) management of the technical filing system of the Company;
- (e) overseeing the Company's Australian projects, including farm-out JVs; and
- (f) the provision of a 'Chief Geologist' service to the Company in ensuring that geological staff are adequately trained; assisting the Exploration Manager – Namibia in mentoring junior staff; representing the Company at appropriate industry meetings and conferences; liaising closely with geological research appropriate to the Company's projects; remaining up to date with geological concepts appropriate to the Company's projects; and maintaining contact with the exploration industry and reporting on trends and opportunities within the industry.

In return for the provision of the Support Services by Dr Maiden, the Company must pay the Kraton Consultant a retainer of \$7,500 per month, plus a daily consulting rate of \$300 for each day of services provided by Dr Maiden (Consulting Fee).

## 12. MATERIAL CONTRACTS

Dr Maiden must be available to the Company for a minimum of three days per week averaged out over the course of the term (except for four weeks each year).

The Agreement may be terminated in writing by the Company with immediate effect at any time where:

- (a) the Kraton Consultant or Dr Maiden fails, refuses or is unable to perform or observe any of the terms and conditions of the Maiden Agreement after the lapse of 30 business days after notice to remedy the failure, or refusal or inability to perform or observe any of the terms of the Agreement;
- (b) Dr Maiden becomes of unsound mind or under the control of a committee or officer under any law relating to mental health;
- (c) the Kraton Consultant or Dr Maiden commits or is accused of any serious misconduct, which in the reasonable opinion of the Board may injure or is likely to injure the reputation of the Company, the business or the group;
- (d) Dr Maiden is adjudicated bankrupt or makes or offers to make a composition or arrangement with his creditors generally or takes advantage of any statute for the relief of insolvent debtors;
- (e) Dr Maiden dies;
- (f) the Kraton Consultant resolves to go into liquidation or has a petition for its winding up presented or enters into any scheme of arrangement or informal composition or arrangement with any of its creditors or if any liquidator,

provisional liquidator, receiver, receiver and manager or administrator is appointed in respect of it;

- (g) Dr Maiden is for any reason not available or contactable for a significant period to carry out the services for any reason, except where the Company has consented in writing. In this context, unavailability or uncontactability shall be deemed to be significant where the period of unavailability or uncontactability is 30 days or more or, in the aggregate in any 12 month period;
- (h) the Kraton Consultant attempts to procure or allows a person other than Dr Maiden to perform the Support Services without first obtaining the consent in writing of the Company (which may be withheld in the absolute discretion of the Company);
- (i) Dr Maiden is convicted of, or enters a guilty plea or plea of no contest with respect to a criminal offence involving dishonesty or which is subject to a prison sentence without the option of a fine, or
- (j) the Kraton Consultant or Dr Maiden commits any other material breach of any of the provisions of the agreement.

Either party is entitled to terminate the Maiden Agreement without reason with three months' written notice. Upon termination of the Maiden Agreement for any reason, Dr Maiden must immediately resign from any and all directorships or other offices in the Company and its related entities.

### 12.8 SHUTTLETON JOINT VENTURE

In May 2005, Cobar Management Pty Limited (**CMPL**) and AuriCula (the Company's wholly owned subsidiary), entered into a joint venture heads of agreement (**Heads of Agreement**), in respect of tenement EL6223 (**Shuttleton EL**) located at Shuttleton, NSW.

The material terms of the Heads of Agreement are as follows:

- (a) the parties agree to negotiate in good faith to enter into a farmin agreement for the exploration and, if warranted, the development and mining of minerals within the Shuttleton EL and for CMPL to have the right to acquire an interest in the Shuttleton EL and the project area (Interest) of up to 100%;
- (b) the project area is the area covered by the Shuttleton EL from time to time and the areas covered by an adjoining tenement applied for by either party or its related bodies corporate and the areas covered from time to time by any tenement, the nearest point of which is within 10 km from the boundary of the Shuttleton EL, applied for by either party or its related bodies corporate (project area);
- (c) CMPL is responsible for:
  - (i) carrying out exploration on and title maintenance of the Shuttleton EL in accordance with applicable laws and regulations; and
  - (ii) preparing and submitting to AuriCula annual programmes and budgets in accordance with the Heads of

## 12. MATERIAL CONTRACTS

- Agreement
- (d) AuriCula may elect to contribute prorata to maintain equity by giving notice to CMPL either:
- (i) on completion of sole funding (when its equity will be 10%); or
  - (ii) during sole funding at the expiration of year 2 (when its equity will be 30%) subject to the terms of the Heads of Agreement
- (e) if AuriCula elects to contribute prorata to maintain its equity in the Shuttleton EL AuriCula and CMPL will form a joint venture on the terms set out in a joint venture agreement on substantially the same commercial terms as those set out in the Heads of Agreement with participating shares of:
- (i) 90% and 10% respectively, if pursuant to above (d)(i); or
  - (ii) 70% and 30% respectively, if pursuant to above (d)(ii)
- (f) CMPL will not withdraw until it has spent \$100,000 but may withdraw at any time after spending \$100,000 and giving AuriCula no less than 28 days written notice to that effect;
- (g) should CMPL elect to withdraw from this agreement or the farmin agreement:
- (i) all data and reports acquired or written during this period of the farmin will be given to AuriCula;
  - (ii) AuriCula will procure that a security deposit will be issued to replace the security deposit issued by CMPL; and
  - (iii) CMPL's rights and obligations under the agreement (including the obligation to maintain the security deposit) will cease except for rights or obligations that accrued prior to withdrawal
- (h) unless or until it elects to withdraw, CMPL agrees to keep the Shuttleton EL and other tenements within the project area in good standing by fulfilling the tenement conditions as determined by the Department of Primary Industries. CMPL shall also initiate, conduct and complete all feasibility study according to such timetable as it determines in its discretion;
- (i) under the terms of the joint venture, if AuriCula does not elect to contribute in accordance with d(ii) above, AuriCula will be free carried at 10% equity until the completion of a feasibility study and the decision by CMPL to mine. Within three months after such a decision to mine is made, AuriCula must elect to:
    - (i) contribute expenditure prorata to its equity in the project; or
    - (ii) receive from CMPL (whereupon CMPL will be obliged to pay) the amount of which \$1,000,000 exceeds CMPL's cost of conducting the feasibility study, for the remaining 10% of the project, with payment to be made within three months after CMPL receives AuriCula's election notice. Payment will be conditional on AuriCula delivering to CMPL instruments of transfer in relation to the 10% interest in the Exploration Licence and other tenements within the project area executed by AuriCula as transferor in favour of CMPL as transferee. Where such tenements have not been granted then AuriCula agrees to hold such tenements on trust for itself and for CMPL (to the extent of CMPL's interest) if and when the tenements are granted; and
- (j) if CMPL do not make a decision to mine within five years from the date CMPL acquires a 90% interest, the parties will negotiate in good faith to determine the terms on which AuriCula will acquire CMPL's Interest. On acquisition of CMPL's interest:
- (i) all data and reports acquired or written during the period of the farmin will be given to AuriCula;
  - (ii) AuriCula will procure that a security deposit will be issued to replace those issued by CMPL and all security deposits will be returned to CMPL; and
  - (iii) CMPL's rights and obligations under this agreement will cease except for rights or obligations that accrued prior to acquisition

At the date of this Prospectus, CMPL has earned a 90% interest in the Shuttleton EL and AuriCula will be free carried at 10% equity until the completion of a feasibility study and the decision by CMPL to mine. The Shuttleton EL is currently held in the name of AuriCula.

## 12. MATERIAL CONTRACTS

### 12.9 ACTWAY JOINT VENTURE

On 31 August 2006 CMPL, Actway Pty Limited (**Actway**) and AuriCula entered into a joint venture and farm-in terms sheet (Mt Hope JV) with respect to exploration licences 6222, 6361 and 6426 (**Original Tenements**). The arrangement between Actway, CMPL and AuriCula was subsequently amended to relate to exploration licences 6907 and 6868 (**Mt Hope Tenements**) instead of the Original Tenements. The Mt Hope Tenements are currently held in the name of Actway. The Company claims that the Mt Hope Tenements are held for the benefit of AuriCula.

The material terms of the Mt Hope JV are as follows:

- (a) the parties agreed that:
  - (i) Actway may acquire initially up to a 90% interest in the Mt Hope Tenements as a result of spending money on exploration and investigation of the project area;
  - (ii) CMPL will manage any exploration work, studies and development activities in the project area; and
  - (iii) Actway may thereafter acquire either the balance 10% interest in Mt Hope Tenements held by AuriCula or Actway may withdraw from this agreement
- (b) the parties agree to negotiate in good faith to enter into a farm-in agreement for the exploration for and, if warranted, the development and mining of minerals within the project area and for Actway to have the right to acquire an interest in the Mt Hope Tenements (interest) of initially up to 90% and CMPL to be the exclusive manager through its employees, agents and contractors for all exploration, work, studies and the development of the project area;
- (c) while Actway is the only party funding maintenance and exploration (**Sole Funding Period**) CMPL will determine and approve programmes, in consultation with AuriCula and CMPL, and AuriCula will meet at six monthly intervals to review the results of exploration to date and the proposed work programme;
- (d) during the Sole Funding Period, Actway must incur a minimum expenditure of \$250,000 and a maximum expenditure of \$1,500,000. Actway is under no obligation to incur the maximum expenditure of \$1,500,000 during the Sole Funding Period;
- (e) the Sole Funding Period will end:
  - (i) if Actway withdraws from the agreement;
  - (ii) if Actway decides to proceed with a feasibility study; or
  - (iii) five years from the date of the agreement
- (f) AuriCula irrevocably grants Actway an option to acquire a 90% interest in the Mt Hope Tenements for consideration of \$10 (**Actway Option**) on the following terms and conditions:
  - (i) unless or until the Actway Option lapses Actway may exercise the Actway Option at any time after the earlier of Actway having either incurred the minimum expenditure of \$1,500,000 or deciding to proceed with a feasibility study in either such case by giving AuriCula written notice of its decision to do so;
  - (ii) upon Actway exercising an Actway Option, AuriCula must deliver to Actway or CMPL instruments of transfer prepared in relation to the 90% interest in the Mt Hope Tenements;
- (g) the Actway Option lapses if it has not been exercised and Actway withdraws from this agreement or five years elapse from the date of the agreement;
- (h) neither Actway nor CMPL will withdraw from this agreement until Actway has spent \$250,000. Both Actway and CMPL may withdraw at anytime thereafter by giving AuriCula no less than 28 days written notice of their withdrawal;
- (i) Actway may within five years from the date of this agreement decide to conduct a feasibility study whether or not it has incurred expenditure of \$1,500,000. The feasibility study must be completed within two years from the date a decision to undertake the feasibility study is made. If Actway decides to conduct a feasibility study then Actway must exercise the Actway Option;
- (j) if Actway decides to conduct a feasibility study then the parties will form a joint venture on the terms set out in a joint venture agreement. The parties will also enter into a management agreement, an off-take agreement, cross charges and other documentation related to the joint venture. These documents will be drafted on substantially the same commercial terms as those in this agreement with participating shares in the joint venture of 90% (Actway) and 10% (AuriCula) respectively with CMPL appointed as exclusive manager and otherwise incorporating such other terms as either Actway or CMPL consider reasonable;
- (k) if Actway has not incurred expenditure of \$1,500,000 during the Sole Funding Period, then Actway will initially without any expected contribution from AuriCula fund a feasibility study alone until the combined expenditure of Actway incurred during the Sole Funding Period and contributed towards the feasibility

## 12. MATERIAL CONTRACTS

- study reaches \$1,500,000;
- (l) if Actway earns the 90% interest in the Mt Hope Tenements, AuriCula will be free carried at 10% equity until the completion of feasibility study and a decision by Actway to mine; and
  - (m) if Actway does not make a decision to mine within two years from the date the feasibility study has been completed then the parties will negotiate in good faith to determine the terms on which AuriCula will acquire Actway's interest.

### 12.10 OFFICE LEASE

The Company has entered into a lease agreement for its Sydney office located at Level 8, 275 George St, Sydney, New South Wales.

The lease period is for a term of four years commencing on 1 May 2008, with an option to renew for a further term of four years at a base rental of \$23,750 per month (plus GST). The rent is increased on each anniversary date with a minimum rental increase of 5% at each review.

### 12.11 INDEMNITY AND ACCESS DEEDS

The Company has entered into a deed of indemnity and access ("Deed") with the Directors of the Company. Under the Deed the Company must indemnify its Directors against liabilities, costs and expenses to the extent permitted by the provisions of the Corporations Act in relation to the Directors' discharge of their duties to the Company.

Under the provisions of the Deed the Company must allow its Directors access to papers, documents and other information concerning the business and affairs of the Company while that Director holds an office of the Company and for a period of seven years after the Director ceases to hold office.

### 12.12 NON-EXECUTIVE DIRECTOR EMPLOYMENT AGREEMENTS

Pursuant to letters between the Company and each of James Macdonald, Alan Humphris and Dr Deng Jiniu, appointments to the Board as Non-executive Directors were confirmed.

In consideration for the services provided by James Macdonald, the Company will pay \$40,000 per annum (exclusive of statutory superannuation).

In consideration for the services provided by Alan Humphris, the Company will pay \$38,150 per annum (exclusive of statutory superannuation).

In consideration for the services provided by Dr Deng Jiniu, the Company will pay \$30,000 per annum (exclusive of statutory superannuation).

The Non-executive Directors are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform services outside the scope of the ordinary duties of a Director. They may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### 12.13 ADDITIONAL REQUIREMENTS FOR CAPITAL

Further funds will be required once the Company completes its proposed explorations and development activities as disclosed in this Prospectus.

Unless and until the Company develops or acquires income producing assets, it will be dependent upon the funds raised by the Offer and its ability to obtain future equity or debt funding to support exploration, evaluation and development of the mining tenements in which it has an interest.

There can be no guarantee that the Company will be able to obtain the requisite funding it will require.





ADDITIONAL  
INFORMATION

# 13. ADDITIONAL INFORMATION

## 13.1 INCORPORATION

The Company was incorporated on 29 April 2002 as an Australian public company limited by shares.

## 13.2 COMPANY TAX STATUS AND FINANCIAL YEAR

The Company is expected to continue to be taxed in Australia at the prevailing corporate tax rate. Craton will also be subject to tax on profits earned in Namibia. Mining companies in Namibia are subject to normal tax at the rate of 37.5%.

Craton will also be required to pay a royalty to the Namibian Government on any copper mined from Namibian tenements. Current royalty rates for copper in Namibia are approximately 3% however the Minerals Act of Namibia stipulates that the Minister of Mines and Energy has discretion to determine different royalty rates in respect of different classes of minerals or holders on certain grounds referred to under the Minerals Act.

The financial year of the Company ends on 30 June annually.

## 13.3 RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OPTIONS

### 13.3.1 Shares

There is only one class of Share on issue in the Company being fully paid ordinary shares.

The following is a summary of the more significant rights and liabilities attaching to Shares. Full details of the rights attaching to Shares are set out in the Company's

Constitution and in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the general law. A copy of the Constitution is available for inspection, free of charge, at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares are:

#### a) Notice of Meetings

Each Shareholder is entitled to receive notice of general meetings of the Company. Except in certain circumstances, Shareholders are entitled to be present in person, or by proxy, attorney or representative to speak or to vote at general meetings of the Company or to join in demanding a poll. Shareholders may requisition general meetings in accordance with the Corporations Act.

#### b) Voting

At a general meeting, on a show of hands, every person present who is either a member, a proxy, an attorney or a representative of a Shareholder has one vote. At the taking of a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for each Share held.

#### c) Dividends

The Directors may from time to time authorise and pay dividends out of the profits of the Company. Dividends are payable in proportion to the number of Shares held by Shareholders.

#### d) Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the

Shareholders the whole or any part of the property of the Company. The liquidator may also, with the sanction of a special resolution, vest the whole or any part of the property in a trustee on trust for Shareholders.

#### e) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act, and ASX Listing Rules.

#### f) Allotment of Shares

The Directors may, subject to the Constitution, the Corporations Act and ASX Listing Rules allot new Shares with such terms and conditions as they see fit.

## 13. ADDITIONAL INFORMATION



## 13.3.2 Options

The Company has two classes of Options on issue. The Options were issued for nil consideration, and are comprised of tranches each with separate terms. A summary of the terms of each tranche of Options on issue is outlined below.

- (a) each Option entitles the holder to acquire one (1) Share;
- (b) the Options are exercisable at any time on or prior to the expiry date;
- (c) the Options are transferable in whole or part at any time prior to expiry;
- (d) the Company will not make an application for Official Quotation of the Options ;
- (e) each holder of Options has no right to any dividend or any right to vote until the Options are converted into Shares;
- (f) all Shares issued upon exercise of Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for Official Quotation of all Shares issued upon exercise of Options.
- (g) there are no participating rights and entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising their Options. However, the Company will ensure that option holders will be given 10 Business Days notice to convert their Options to Shares in order to participate in an entitlement issue on the same basis as Shareholders;
- (h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date of the Options, the number of Options or the exercise price of the Options, or both, shall be reconstructed in accordance with the Listing Rules;

## 13. ADDITIONAL INFORMATION

## Options on Issue

Grant date	Expiry date	Exercise Price	Balance at end of Year	Date vested and exercisable at end of year
20 Dec 07	20 Dec 12	\$0.20	22,000,00	20 Dec 07
03 Oct 08	03 Oct 13	\$0.30	2,500,000	03 Oct 08

Table 13.1

## Shareholders in the Company

Holder Name	Balance at 01-11-2010	%
WEST MINERALS PTY LIMITED	104,993,158	31.800
HANGZHOU KINGS INDUSTRY CO LIMITED	23,333,333	7.067
MANICA MINERALS LTD	15,000,000	4.543
BLACKMANS & ASSOCIATES PTY LTD	14,470,558	4.383
PEARL GLOBAL INVESTMENT LIMITED	13,333,333	4.038
MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN	11,077,307	3.355
GREAT SEA WAVE INVESTMENT PTY LTD	9,167,333	2.777
PERPETUAL CORPORATE TRUST LIMITED	8,333,333	2.524
MACQUARIE BANK LTD	8,333,333	2.524
PEAK SUCCEED INVESTMENTS LIMITED	6,666,667	2.019
HUNAN CENTRAL SOUTH BIOHYDROMETALLURGY COMPANY LTD	6,250,000	1.893
MRS CORAL ESTELLE HARRIS & MR KERRY WILLIAM JOHN HARRIS	5,361,660	1.624
GOLDVANCE PTY LTD	5,047,200	1.529
AUSTRALIAN GEOSCIENTISTS PTY LTD	2,932,500	0.888
MR MATTHEW STEPHENS	2,859,702	0.866
FITEL NOMINEES LIMITED	2,856,667	0.865
MULATO NOMINEES PTY LTD	2,500,000	0.757
SOS INITIATIVES PTY LTD	2,343,750	0.710
DAYMOND & ASSOCIATES PTY LTD	2,162,917	0.655
MRS CLAUDE BROOMHEAD	2,096,094	0.635
	249,118,845	75.452
Total Issued Capital	330,169,559	

Table 13.2

Note 1: The substantial Shareholders of the Company are highly likely to change as a result of the Offer.

## (i) adjustment for bonus issues

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the optionholder would have received if the optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the exercise price of the Options.

## (j) Adjustment for pro rata issue

If the Company makes a pro rata issue of Shares or other securities to existing Shareholders (other than a bonus issue or an issue in lieu of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the ASX Listing Rules.

## 13.4 SHAREHOLDERS IN THE COMPANY

As at the date of this Prospectus, there are 319 shareholders in the Company. A list of the top 20 shareholders in the Company, as at the date of this Prospectus, is set out in Table 13.2. After the Offer, (assuming full subscription), the Company will have 480,169,559 shares on issue<sup>1</sup>.

West Minerals Pty Limited has advised the Company that it does not intend to dispose of any Shares within the period of 12 months from the date of listing.

## 13.5 CONSENTS

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC.

## 13. ADDITIONAL INFORMATION

Gadens has given and have not withdrawn its written consent to be named in this Prospectus as the solicitor to the Company.

Austock Securities Limited has given and has not withdrawn its written consent to be named in this Prospectus as the Lead Manager to the Offer.

BDO Securities (NSW-VIC) Pty Ltd has given and has not withdrawn its consent to be named in this Prospectus as Investigating Accountant to the Company and to the inclusion of the Investigating Accountant's Report in the form and context in which it is included.

BDO Audit (NSW-VIC) Pty Ltd has given and has not withdrawn its written consent to be named in this Prospectus as the auditors to the Company.

Snowden Mining Industry Consultants Pty Ltd has given and has not withdrawn its consent to be named in this Prospectus as Independent Geologist to the Company and to the inclusion of the Summary Independent Geologists' Report and Full Independent Geologists' Report in the form and context in which they are included.

Hetherington Exploration & Mining Title Services Pty Ltd has given and has not withdrawn its consent to be named in the Prospectus and to the inclusion of the Independent Report on Australian Tenements made by it in the form and context in which these statements are included.

Hellman & Schofield Pty Ltd has given and has not withdrawn its consent to be named in the Prospectus and to the inclusion of all statements made by it in the form and context in which these statements are included in the Prospectus.

Engling Stritter & Partners has given and has not withdrawn its consent to be named in the Prospectus as the Namibian solicitors to the Company and to the inclusion of the Solicitor's Report on the Namibian Tenements in the form and context in which these statements are included in the Prospectus.

West Minerals Pty Limited has given and has not withdrawn its consent to be named in the Prospectus

None of the entities referred to here have authorised or caused the Offer of this Prospectus and do not accept any liability to any persons in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

### 13.6 CORPORATE GOVERNANCE

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to focus Directors' attention on accountability, risk management, ethical conduct and conflicts of interest.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

A copy of the Company's corporate governance policies is available at [www.ibml.com.au](http://www.ibml.com.au). In accordance with the recommendations of the ASX, information published on the Company's website will include charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

A description of the Company's main corporate governance practices is set out below.

#### Board composition and responsibility

The Board takes responsibility for corporate governance and operates according to the Company's Constitution. The Board is comprised of a majority of non-executive Directors, including the Chairman. The non-executive Chairman of the Board is elected by the Board and the performance of the Directors, including the Chairman, is reviewed on a regular basis.

ASX Listing Rules provide that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election. Board composition shall also be reviewed periodically, either when a vacancy arises, or as it is considered the Company would benefit from the services of a new director to enhance the skills and experience of the Board and to meet the strategic demands of the Company.

Directors have the right, in connection with their duties as Directors, to seek independent professional advice at the expense of the Company, subject to prior approval of the Chairman, which may not be unreasonably withheld. The Board has responsibility for internal control procedures within the Company.

The Company maintains stringent compliance procedures in relation to financial reporting, quality and integrity of information, personnel, safety,

## 13. ADDITIONAL INFORMATION

environmental issues, and operations, and these are regularly monitored. All Directors, managers, and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance and reputation of the Company.

### Committees

The Board currently has a Remuneration Committee, Nominations Committee and an Audit and Risk Management Committee.

The Company does not have any other formally constituted committees of the Directors. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of any additional Board committees at this time. All matters which might otherwise be delegated to committees will be dealt with by the full Board until the Board decides to the contrary.

### Ethical standards

All Directors and key officers are required to adhere to laws and regulations, and to act with highest standards of honesty, integrity and objectivity in all dealing with each other, the Company, suppliers and the community. The codes of conduct adopted by the Company shall be regularly reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism.

### Continuous disclosure

The Directors are committed to keeping the market fully informed of all material developments to ensure compliance with the ASX Listing Rules and the Corporations Act. Furthermore, at each Board meeting,

specific consideration will be given to any matters which should be disclosed under the Company's continuous disclosure policy.

### Trading in company securities

Directors and executives will not be permitted to trade in the company's securities prior to any anticipated price sensitive announcement to the ASX, and for a period of 2 hours after the making of any such announcement, provided that the person is not at that time, in possession of price sensitive information. All transactions in the Company's securities by Directors, management and other employees must be reported to the Board as well as disclosed in accordance with the requirements of the ASX Listing Rules and the Corporations Act.

In addition, no Directors shall trade in IBML securities without the prior consent of the Chairman or Board. The Chairman will not be permitted to trade any IBML Securities without the prior consent of the Board.

### Risk management

The Board reviews and monitors the parameters under which risks will not be identified and managed. The identification, monitoring and where appropriate, the reduction of significant risks to the Company will be the responsibility of the Audit and Risk Management Committee, the Managing Director and the Board.

### Related party matters

Directors and senior management will be required to advise the Chairman of any related party contract or potential contract. The Chairman will inform the Board and that person will be precluded from any Board discussions or decisions involving the matter.

### Shareholder relations

The Directors will ensure that shareholders are informed of all matters considered necessary to assess the performance of the Company. Information on all major developments affecting the Company shall be communicated to Shareholders through:

- The annual report;
- Quarterly and half yearly reports;
- The annual general meeting and other general meetings of Shareholders called as appropriate;
- Other announcements in accordance with the company's continuous disclosure policy; and
- The Company's website

### 13.7 DIRECTORS' INTERESTS AND REMUNERATION OF DIRECTORS

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or
- (c) the offer of securities pursuant to this Prospectus, and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

## 13. ADDITIONAL INFORMATION

Directors	Shares	Unlisted Options
Dr A James Macdonald	795,409	1,500,000
Frank Bethune *	nil	nil
Dr Kenneth Maiden	11,077,307	2,750,000
Dr Deng Jiniu	375,000	2,000,000
Chen Qiang	nil	nil
Alan Humphris	275,000	nil

Table 13.3

\* Frank Bethune is to receive Shares subject to Shareholder approval and Official Quotation, refer to Section 12.5 for details.

Certain Directors have indicated that they may apply for Shares under the offer.

The Constitution provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (currently set at \$350,000), to be divided among the Non executive Directors and in default of agreement then in equal shares.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

No Non-executive Director shall be paid, as part or whole of his remuneration, a commission on or a percentage of profits on operating revenue.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or its business, the Directors may remunerate this Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of directors' fees.

#### 13.8 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no expert or adviser nor any firm in which such an expert or adviser is a partner, has or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

- the promotion or formation of the Company;
- property acquired or proposed to

be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or  
(c) the offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any expert or adviser or to any firm in which any such expert or adviser is a partner, either to induce him or her to become, or to qualify him or her as, an expert or adviser or otherwise for services rendered by him or her or by the firm in connection with the promotion or formation of the Company.

Gadens have acted as solicitors to the Company in relation to the Offer. In respect of this work the Company will pay approximately \$200,000. During the 24 months preceding the lodgement of this Prospectus, Gadens has received \$68,100 for other professional services provided to the Company.

Snowden Mining Industry Consultants Pty Ltd has prepared the Summary Independent Geologists' Report included in Section 7 of this Prospectus and the Full Independent Geologists' Report incorporated by reference into this Prospectus. In respect of this work the Company will pay approximately \$25,000. During the 24 months preceding the lodgement of this Prospectus, Snowden Mining Industry Consultants Pty Ltd has not provided any other professional services to the Company.

## 13. ADDITIONAL INFORMATION

Hetherington Exploration & Mining Title Services Pty Ltd has prepared the Independent Report on Australian Tenements included in Section 8 of this Prospectus. In respect of this work the Company will pay approximately \$10,000. During the 24 months preceding the lodgement of this Prospectus, Hetherington Exploration & Mining Title Services Pty Ltd has not provided any other professional services to the Company.

BDO Securities (NSW-VIC) Pty Ltd has prepared the Investigating Accountant's Report contained in Section 10 of this Prospectus. In respect of this work the Company paid approximately \$25,000. During the 24 months preceding the lodgement of this Prospectus, BDO Securities (NSW-VIC) Pty Ltd has not received any fees for other professional services provided to the Company.

Austock Securities Limited has acted as Lead Manager to the Company in relation to the Offer. In respect of this work the Company will pay up to approximately \$1.2 million. During the 24 months preceding the lodgement of this Prospectus, Austock Securities Limited has not received any fees for other professional services provided to the Company.

Engling Stritter & Partners has prepared the Solicitor's Report on Namibian Tenements contained in Section 8 of this Prospectus. In respect of this work the Company will pay approximately \$8,000. During the 24 months preceding the lodgement of this Prospectus, Engling & Stritter Partners has received \$16,499 for other professional services provided to the Company.

### 13.9 EXPENSES OF THE OFFER

The estimated expenses of the Offer (excluding GST) are outlined in Table 13.4

### 13.10 LITIGATION

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

	\$'000
Commissions	1,860
Regulatory fees – ASIC and ASX	132
Printing, mailing and other expenses	28
Legal fees	200
Expert reports and consultant fees	84
<b>TOTAL</b>	<b>2,304</b>

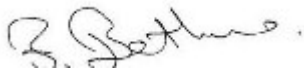
Table 13.4

# 14. DIRECTORS' RESPONSIBILITY AND CONSENT

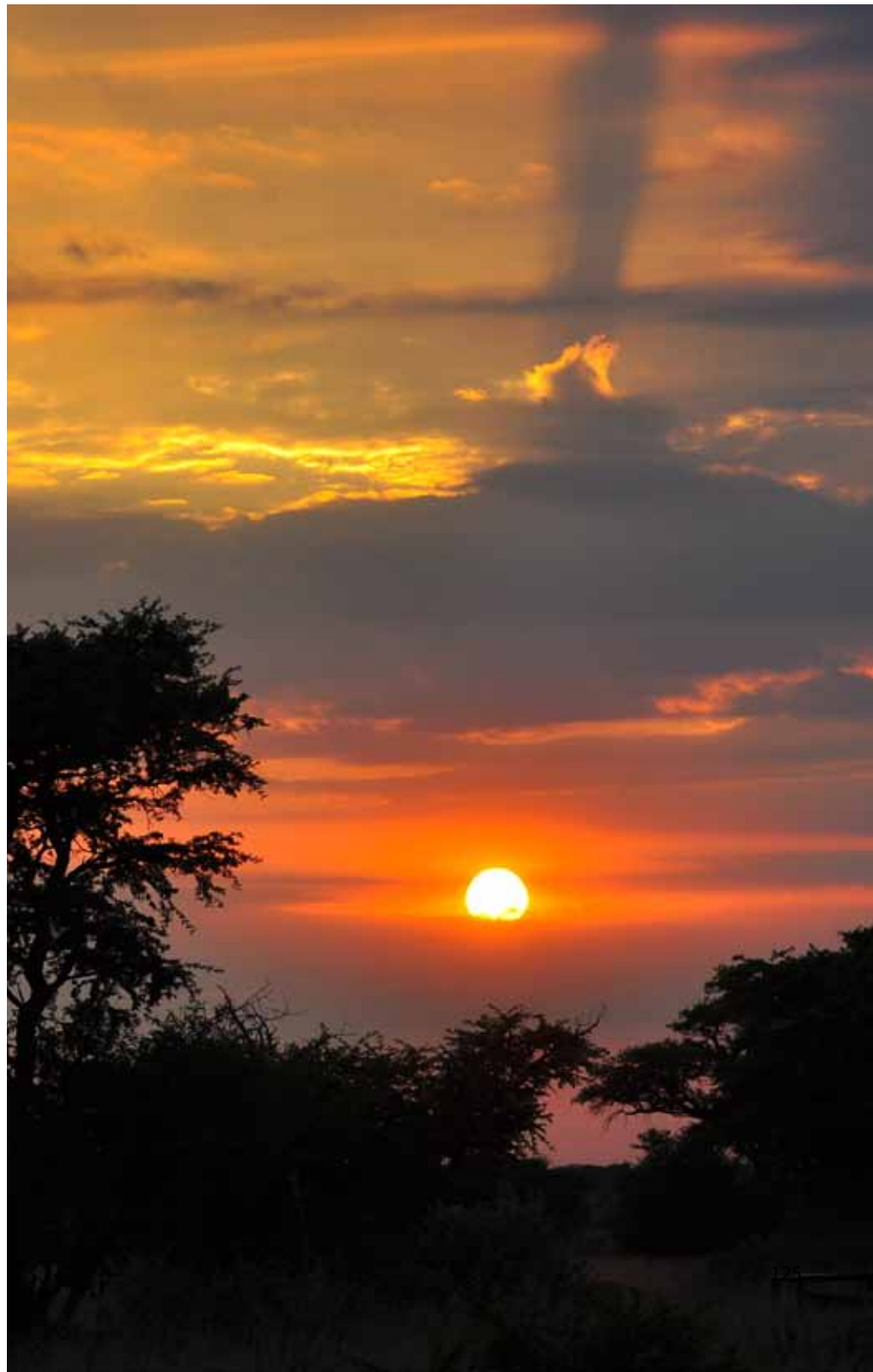
The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of the Shares pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent. Dated this 15 day of November 2010.



Signed for and on behalf of  
International Base Metals Limited  
By Mr Frank Bethune  
Managing Director



# 15. GLOSSARY

The following terms and abbreviations used in this Prospectus have the following meanings:

Applicant	means a person or entity who applies for Shares under the Offer
Application	means an application for Shares under the Offer
Application Form	means the application form accompanying this Prospectus
ASIC	means the Australian Securities and Investments Commission
ASTC Settlement Rules	means rules made by the ASX Transfer and Settlement Corporation
ASX	means ASX Limited (ACN 008 624 691)
Austock	means Austock Securities Limited (ACN 053 513 438)
Board	means the Company's Directors as constituted from time to time
Business Day	means a day on which the ASX is open for trading in New South Wales
Closing Date	means the closing date of the Offer, being 5pm (Australian Eastern Summer Time) on [ ] (unless varied by the Board)
Company	means International Base Metals Limited (ACN 100 373 635)
Constitution	means the constitution of the Company
Corporations Act	means the Corporations Act 2001 (Cth)
Craton	means Craton Mining and Exploration (Pty) Ltd
DFS	means the definitive feasibility study for the Company's Omitiomire Project in Namibia as detailed in Section 5
DMS	means dense medium separation, a gravity pre-concentration process
Directors	means the directors of the Company at the date of this Prospectus
EL	means an Exploration Licence in the state of New South Wales
Electronic Prospectus	means an electronic version of this Prospectus
EPL	means Exclusive Prospecting Licence in Namibia
EPLA	means Exclusive Prospecting Licence application in Namibia
EPM	means an Exploration Permit for Minerals in the state of Queensland
Exclusive Prospecting Licence	means a right to undertake exploration activities within a defined geographical area in Namibia means the date that is 13 months after the date of this Prospectus
Expiry Date	means the date that is 13 months after the date of this Prospectus
Exposure Period	means the period of seven days after the date of lodgement of this Prospectus, which may be extended by the ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act
Full Independent Geologists' Report	means the full version of the Independent Geologists' Report provided by Snowden in respect to the Company's tenements, incorporated by reference under Section 3
Gadens	means Gadens Lawyers, Sydney
IBML	means International Base Metals Limited (ACN 100 373 635)

## 15. GLOSSARY

Issue Price	means the price of Shares under the Offer, being 20 cents
Independent Geologist	means Snowden Mining Industry Consultants Pty Limited
JORC	means the Joint Ore Reserves Committee which is responsible for the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition
Kamanjab Project	means the cluster of exploration tenements EPL 3372, EPL 4431, EPLA 4296 and EPL 4297 held by Craton in Namibia
Kalahari Copperbelt Project	means the cluster of exploration tenements EPL 3584, EPL 4039 and EPL 4055 held by Craton in Namibia
Land Access Agreement	means the agreement between Craton and the owner of the land in which the Omitiomire Project is located as detailed in Section 13.1
Lead Manager	means Austock
Listing Rules	refers to the official listing rules of ASX
Minimum Subscription	means the minimum number of Shares which must be subscribed for under the Offer
Mining Licence	means a mining licence in Namibia
Mt Hope Tenements	means EL 6907 and EL 6868 which are located in NSW, Australia
Offer	means the invitation to Shareholders and investors to apply for Shares pursuant to Section 2.1 of this Prospectus
Official List	means the Official List of ASX
Official Quotation	means official quotation of the Company's Shares by ASX in accordance with the Listing Rules
Omitiomire Project or Omitiomire	means the Omitiomire copper deposit and other copper prospects within EPL 3589 held by Craton in Namibia
Opening Date	means the date immediately after the expiry of the Exposure Period in respect of this Prospectus
Option	means an option to acquire Shares
PFS	means the pre-feasibility study completed in May 2010 in respect to the Company's Omitiomire Project in Namibia as detailed in Section 5 of this prospectus
Prospectus	means this Prospectus and includes the Electronic Prospectus
Register	means the Company's register of members
Resource	means a Resource reported in accordance with the JORC code and guidelines
Section	means a section of this Prospectus
Share Registry	means Registries Limited (ACN 003 209 836)
Shareholder	means a holder of Shares
Shares	means fully paid ordinary Shares in the Company
Snowden	means Snowden Mining Industry Consultants Pty Ltd (ACN 085 319 562)
Steinhausen Project	means the cluster of exploration tenements EPL 3587, EPL 3588, EPL 3590, EPL 4054, EPLA 4150 and EPLA 4151 held by Craton in Namibia
Summary Independent Geologists' Report	means the summarised version of the Full Independent Geologists' Report provided by Snowden and contained in Section 7

## 15. GLOSSARY OF TECHNICAL TERMS

Abbreviations	Cu – copper, EL – Exploration Licence, EPL – Exclusive Prospecting Licence, EPM – Exploration Permit for Minerals, g/t – grams per tonne, kg – kilogram, km – kilometre, km <sup>2</sup> – square kilometres, kt – kilotonnes, m – metre, M – million, Mt – million tonnes, mm – millimetre, Mtpa – million tonnes per annum, Ma – million years ago, Mo – molybdenum, Ni – nickel, PFS – Pre-feasibility study, ppm – parts per million, ppb – parts per billion, t – tonne
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase
Biotite	A dark coloured mica mineral
Cambrian	A geological time period from 542 to 488 million years ago
Chalcocite	A copper sulphide mineral (Cu <sub>2</sub> S) usually found in zones of secondary enrichment
Chalcopyrite	A copper iron sulphide mineral, the most important ore mineral of copper
Chrysocolla	A hydrated copper silicate mineral found in the weathered (oxide) zone of deposits
Craton	A large block of stable, usually old, rocks
Covellite	A copper ore mineral (CuS) found in zones of secondary enrichment
Diamond drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit
Dip	The angle at which rock stratum or structure is inclined from the horizon
Ekujja Dome	A geological rock unit which hosts the Omitiomire copper deposit and other copper prospects within EPL 3589
Epidote	A hydrous calcium-aluminium-iron silicate mineral
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other
Felsic	Light coloured rock containing an abundance of feldspar and quartz
Geochemical exploration	A prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing
Geophysical exploration	The exploration of an area in which physical properties (e.g. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured
Gneiss	A coarse-grained metamorphic rock
Igneous	A rock that has solidified from molten material or magma
Intrusion/Intrusive	A body of igneous rock that invades older rocks
Jurassic	A geological time period from 200 to 145 million years ago
Mafic (composition)	Rocks composed dominantly of dark-coloured iron and magnesium minerals
Malachite	A copper carbonate mineral found in oxidised zone of copper deposits
Metamorphism (metamorphic)	The process by which changes are brought about in earth's crust by the agencies of heat, pressure and chemically active fluids
Nappe	A large near-horizontal fold structure
Neoproterozoic	A geological time period from about 1000 to 542 million years ago
Oxide zone	Near surface material affected by weathering and leaching of minerals

## 15. GLOSSARY OF TECHNICAL TERMS

Plunge	The inclination of a linear geological structure from the horizon
Porphyry copper	A copper deposit style in which mineralisation is associated with intrusive igneous rocks
Reverse Circulation (RC) drilling	A method of drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples
Rotary Air Blast (RAB) drilling	Method of drilling in which the cuttings from the bit are carried to the surface by pressurised air returning outside the drill pipe.
Schist	Fine grained micaceous metamorphic rock with laminated fabric
Sedimentary rock	Rocks formed by deposition of particles carried by air, water or ice
Shale	Fine-grained sedimentary rock with well defined bedding planes
Supergene	An enrichment or deposit formed by descending fluids in weathered rock
Tertiary	A geological time period from 65 to 1.8 million years ago
Thrust	An overriding movement of one crustal unit over another
Ultramafic	An igneous rock comprised chiefly of mafic minerals
VHMS deposits	Volcanic hosted massive sulphide deposits



