

# **INTERNATIONAL BASE METALS LIMITED**

## **QUARTERLY ACTIVITIES REPORT – END JUNE 2011**

### **HIGHLIGHTS**

#### Corporate

- Subscription commitments for \$3.1 million were signed at 12c per share. Of this \$1.1 million was received and the remaining \$2 million is expected during July.
- Draft Term Sheets were developed for negotiations with potential JV partners at project level.
- A number of potential investors visited Omitiomire and our Windhoek office.
- A number of investment proposals from potential JV partners, reverse listing and other investment options continue to be investigated.
- The Vision, Mission and a common set of Values were finalised for IBML and Craton.

#### Exploration Projects

- Drilling activities resumed at Omitiomire with two diamond drills on 1 June and a percussion rig on 6 June. The target is to identify potential for expanding the Omitiomire resource to over 1 million tonnes of contained copper
- Low cost surface exploration activities (soil sampling, pitting, hand auger drilling, ground magnetics and geological mapping) were undertaken at Omitiomire, Steinhausen, Kamanjab and the Kalahari Copperbelt Projects.
- Further progress was made on the bulk sample pit at Omitiomire.
- Namibia, including our project areas, continued to have significantly higher than normal rainfall until mid-May. Advanced exploration, such as drilling, was not possible until the ground had dried up sufficiently for drill access.

## **CORPORATE**

### **Staff**

- Employees in Namibia were granted a 5% increase in salary.
- Zamia appointed a General Manager. Ken Maiden will now be able to spend more time on IBML activities.

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

- The Namibian Minister of mines announced that mineral rights for strategic minerals (including copper) would in future be held by the state owned mining company, Epangelo. He later used a press release to clarify that existing mineral rights would remain unaffected.
- A Craton Board meeting was held on Friday 20 June 2011.
- Two Risk assessment workshops were held using an external facilitator, Schalk Walters.
- James Macdonald, Karl Hartmann and Frank Bethune attended the Chamber of Mines Expo in Namibia.
- The farmer, Mr Jacobus Steyn, passed away on 23 May. Karl Hartmann attended his funeral on 27 May.
- Otto Shikongo and Karl Hartmann visited the Mining commissioner, Mr Erastus Shivolo on 1 June to obtain further clarity regarding mineral rights in Namibia. They were assured that the strategic mineral conditions would only apply to new applications and not to renewals or conversions from exploration to mining rights.

Current work is focused at identifying targets for resource expansion.

### **Fund raising**

The current strategy is to raise private equity to fund resource expansion while, in parallel, investigating other investment options.

- The resource expansion strategy requires \$10.1 million to be raised.
- Subscription commitments for \$3.1 million were signed at 12c per share. Of this \$1.1 million was received and the remaining \$2 million is expected during July.
- Ken Maiden and Frank Bethune undertook an investment roadshow to London with Keith, Bayley, Rogers & Co ([www.kbrl.co.uk](http://www.kbrl.co.uk)) 9 – 13 May 2011.
- Draft Term Sheets were developed for negotiations with potential JV partners at project level.
- A number of Confidentiality Agreements were signed with potential JV partners and investors.
- IBML and Zamia shared a booth at Global Mines in Sydney on 4-5 July.

During the quarter, a number of potential investors and JV partners visited Namibia.

## IBML Vision, Mission and Values

The Vision, Mission and a common set of Values were finalised for IBML and Craton.

**Vision and values**

**Our strategy**

In order to achieve our mission, the Board of Directors of International Base Metals Limited (IBML) has agreed to the following strategy and goals for IBML and its operating subsidiary in Namibia, Craton Mining and Exploration (Pty) Limited.

- The five-year goal is to have one operating mine and at least one advanced exploration project.
- The 10-year goal is to be a significant mining and exploration company with its focus in Southern Africa.
- We will consider off-take agreements for the commodities we produce but would limit such off-takes to the percentage investment held.
- Joint venture (JV) arrangements will be encouraged for both exploration and mining activities.
- We will seek to retain at least a 30% interest in any Southern African JV.

**Our vision**  
To be a successful and sustainable exploration and mining company

**Our mission**

Our mission is to:

- maximize stakeholder value by safely and responsibly exploring for economically viable mineral deposits;
- develop and operate mines, initially in Southern Africa;
- deliver above-average returns for our shareholders;
- provide secure and rewarding employment for our employees; and
- operate to the benefit of our host countries and our local communities.

**Our values**

In conducting our business to achieve our ambitions we value:

**1 Health and safety**  
We will not compromise our health and safety and that of others. We believe that all injuries are preventable and that every employee and contractor shares the responsibility for their safety and that of their fellow workers.

**2 Care and respect**  
We are like a family. We treat people with respect, dignity and common courtesy and value our rich diversity in respect of age, gender, race and culture. As a family, we listen to each other, discuss issues and support each other when required. We take an honest, fair, ethical and transparent approach to managing the business to promote development through achieving economic prosperity, respecting the environment and enhancing community benefits. Our future will also be sustainable by caring about our employees, our families, the communities in which we operate, the environment and our investors.

**3 Teamwork and accountability**  
We are a company but also a team. We work hard, using the skills and ideas of all while taking responsibility for our own actions. We have a joint ambition – to become a world-class mining company by working together to make sound decisions, getting things done effectively and delivering high-quality results. In spite of adversity and problems, we will persevere to find solutions and deliver on our promises. We acknowledge our mistakes and never pass blame. Along the way, we will enjoy the journey and celebrate our success.

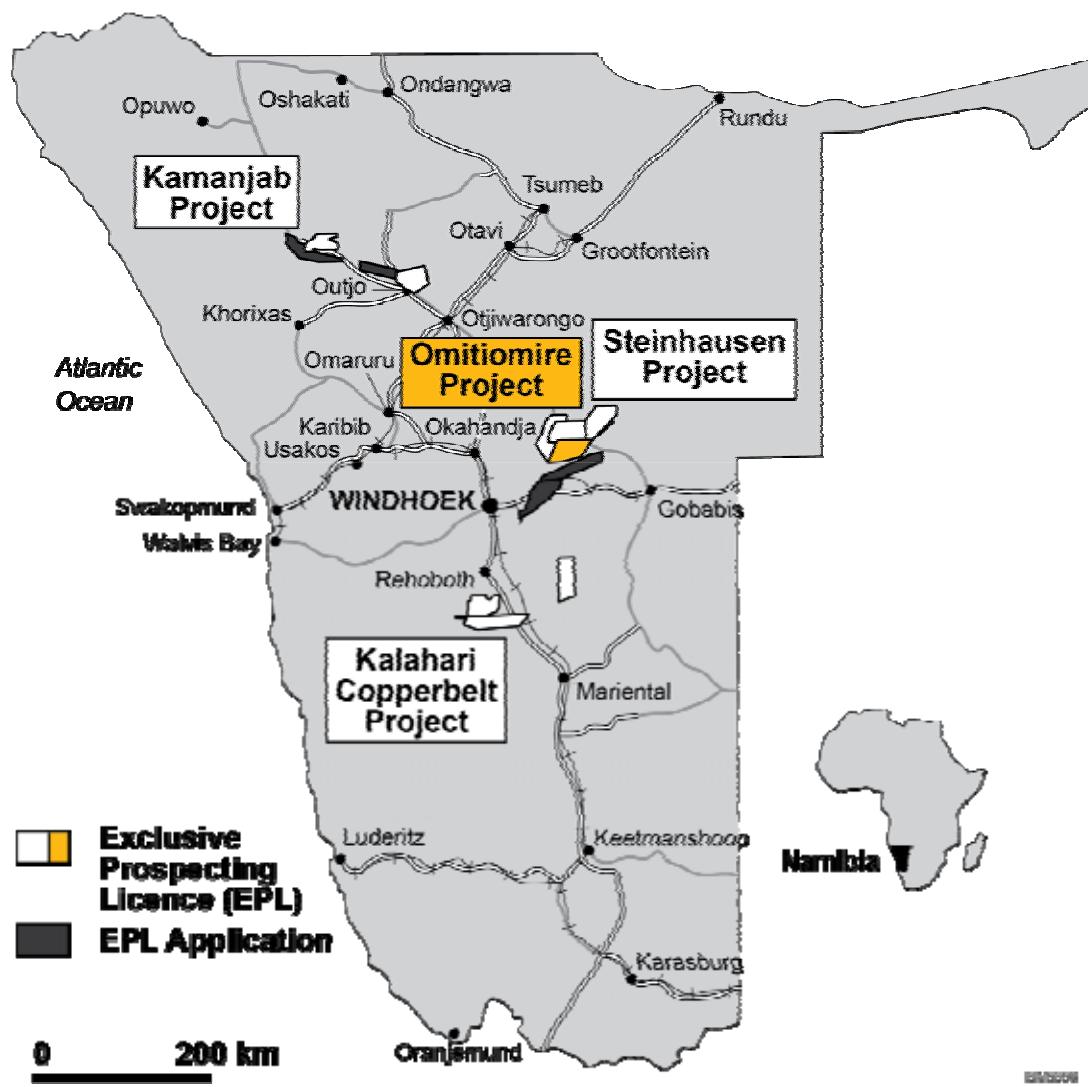
**4 A forward-looking approach**  
We will strive to grow the company and ourselves by challenging the way things have been done in the past and working towards common goals. By actively encouraging a spirit of innovation, we will be able to manage risk and uncertainty and maximise control over our own destiny.

## REVIEW OF PROJECTS

### BACKGROUND

Through its wholly-owned subsidiary, Craton Mining and Exploration (Pty) Ltd ('Craton'), IBML holds 10 Exclusive Prospecting Licences (EPLs) and four EPL applications in Namibia. The total area held and under application is over 12,000 km<sup>2</sup>.

The Company's major project is the Omitiomire Copper Project, which consists of the Omitiomire copper deposit and the surrounding area in EPL 3589. The other tenements are clustered into three project areas as shown on the following map.

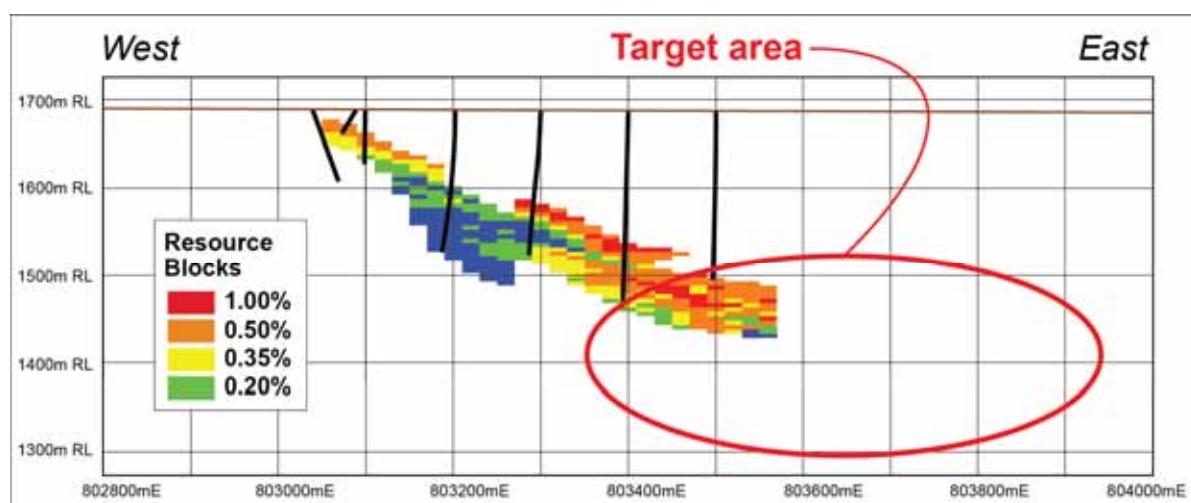


Craton's EPLs and applications

## **OMITIOMIRE COPPER PROJECT**

## Introduction

The IBML Board approved the re-commencement of drilling at Omitiomire. Previous drilling had shown a resource in excess of 600,000 tonnes of contained copper. The objective of the new drilling programme is to demonstrate the potential for a resource of at least 1 million tonnes contained copper. It is expected that a large proportion of this increase will come from the down-dip eastern extension to the deposit (see following figure), where previous drilling indicates that the deposit increases in both thickness and grade.



*Section 3870 showing existing resource blocks and down-dip target area*

Progress at Omitiomire has been hampered by more than three times the average annual rainfall, which delayed the mobilisation of machinery. Diamond drilling with two machines commenced on 1 June and percussion drilling commenced on 6 June.

The break in drilling activity during the past several months has allowed the Company's geologists to carry out a detailed study of the deposit. This has resulted in a better understanding of the geological structure and an emerging new structural model which is being applied in assessment of drilling information and siting of new drill holes.

Work continued on the planned 20m deep box cut (bulk sample pit) in the shallow oxidised part of the deposit but that work has also been delayed by the heavy rain. At the end of the quarter, the pit was just at the top of the mineralised zone.

The social and environmental impact assessment (SEIA) has continued during the period.

## Structural Model

The host sequence is a banded rock, consisting of amphibolite and mafic (amphibole-biotite-feldspar) schist inter-banded with felsic (quartz-feldspar) gneiss and some tonalite (an intrusive igneous rock). Banding is on a scale of centimetres to metres. The copper is almost entirely within mafic bands. In the primary (unoxidised) zone, copper occurs mainly

as chalcocite ( $\text{Cu}_2\text{S}$ ). Bornite ( $\text{Cu}_5\text{FeS}_4$ ) constitutes around 10% of the sulphides and is particularly prevalent in the northern part of the deposit.

Drilling has defined a broadly tabular copper deposit, striking north-south and dipping at a shallow angle (around  $20^\circ$ ) to the east. The deposit forms sub-outcrop, beneath shallow sand cover, over several hundred metres; at depth, drilling has shown a strike length of almost 3,000m. The deposit is about 10m thick near surface but thickens to the east, where drill holes have intersected mineralised thicknesses up to 106m.

Within this “broad-brush” structural picture, a detailed structural model is emerging. The highest copper grades, typically +1% Cu, commonly occur below a sharp contact against a massive unit of barren hanging wall felsic gneiss. The host rock to this high grade material is strongly deformed epidote-bearing biotite schist with a characteristic wavy lamination. This rock is interpreted as a shear zone along the felsic gneiss – mafic schist boundary.



*Sawn drill core from a recent drill hole, showing strongly sheared high grade ore with greenish brown epidote and steel-grey chalcocite*

At our present stage of geological understanding, it is not clear whether the zones of strong deformation represent (a) local shearing along a competency-contrast interface between the two different rock types, or (b) thrust zones. Epidote (a retrograde metamorphic mineral), biotite and chalcocite overprint the cleavage, showing that copper was emplaced late in the Damaran orogeny (a large-scale tectonic event which resulted in deformation and metamorphism in much of Namibia during the period 550 – 520 million years ago). It is not clear whether copper was introduced during compressive deformation or was remobilised from pre-existing (low grade) copper mineralisation in amphibolite.

The copper grade decreases downwards from the hanging wall contact zone, with occasional narrow high grade bands also associated with development of epidote in shear zones. There is no sharp lower contact to the mineralised zone, just a gradual decrease in the copper content.

In the box cut (bulk sample pit), it can be seen that the hanging wall contact is quite irregular in detail. This is due to the development of “piercement” structures, on a scale of several metres. These result from the extreme competency contrast between brittle felsic gneiss and ductile mafic schist, narrow zones of mafic schist having been injected plastically into the brittle gneiss.



*“Piercement” structure within the hanging wall*

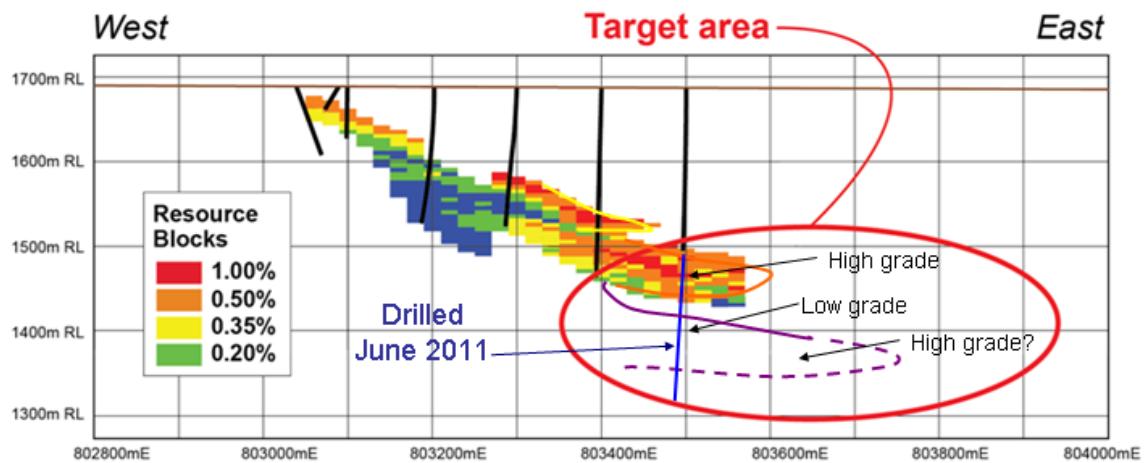
Many of the drill holes intersected a second mineralised zone beneath the upper one. This is interpreted to be due to repetition of the mineralised zone by “z-style” recumbent folding. Such folding can be seen as mesoscopic-scale structures in drill core. The emerging structural model is of a tabular deposit which has been deformed into a series of recumbent folds with strong shearing along the tops of the upper fold limbs.



*Mesoscopic-scale structures in drill core*

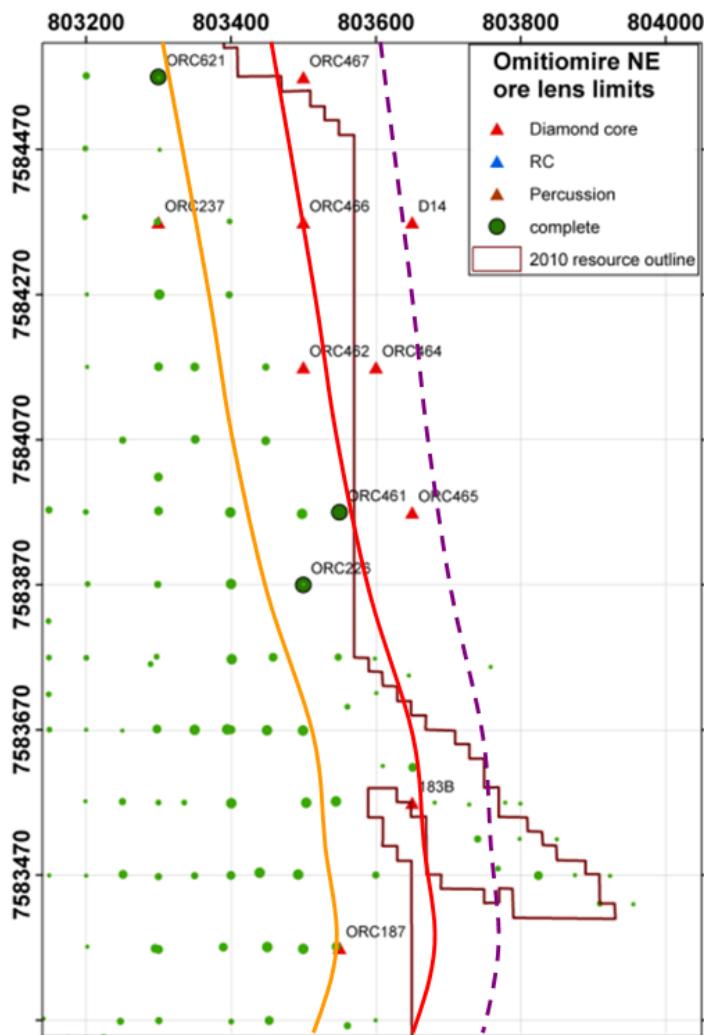
In the eastern part of the deposit, the indications from drilling are three shallow-dipping stacked mineralised bodies, each representing the upper limb of a recumbent fold. The lower limbs contain lower grade material. In cross section, the mineralised bodies have the shape of flattened lenses; the terms A Lens (the upper zone), B Lens and the recently-recognised C Lens are used to refer to these zones.

Each lens generally has a sharp upper boundary and a diffuse lower boundary. The lenses vary in thickness; they are typically around 15 – 20m thick but can be up to 50m thick. The superposition of three lenses produces a mineralised zone which may be 100m or more in thickness. In most places, the lenses are separated by barren felsic gneiss but, in some places, the lenses merge.



Section 3870. Diamond drill extension ORC226 (blue line), showing the B Lens in orange and interpreted C lens position in violet

The lenses terminate sharply to the east at the sheared-out fold noses, and tail off to the west. It is likely that these fold noses are also piercement structures, perhaps on a scale of tens of metres. The highest grades are just below the hanging wall contacts and, more particularly, near the sheared eastern fold noses. On the drill plan, the eastern fold noses, projected to surface, plot as north-trending lines (see figure below).



Interpreted position of the eastern limits of ore lenses  
(orange = A Lens; red = B Lens and lilac = C Lens)

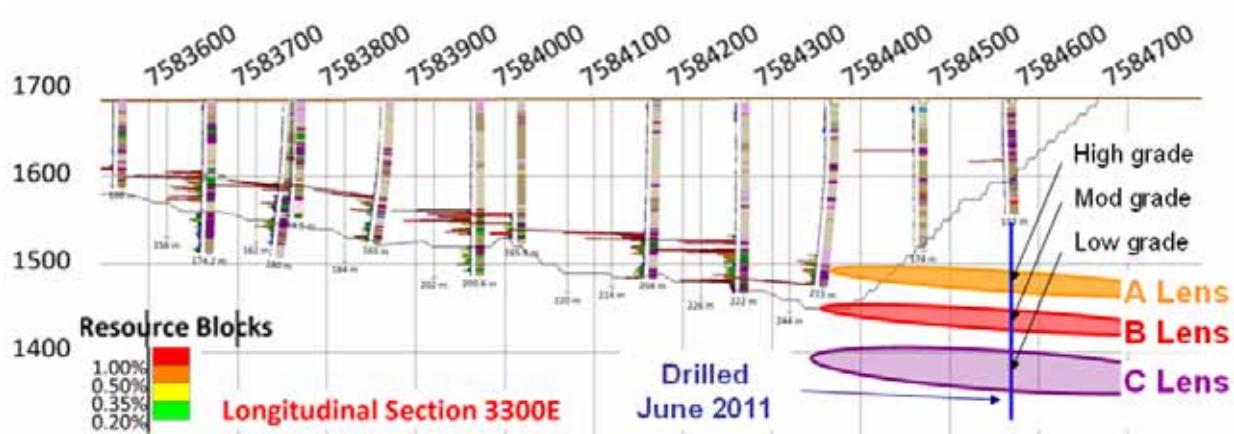
The evidence from drilling is that north-trending zones of high grade copper occur immediately west of these lines, i.e. west of the fold noses. Drilling is now targeting these high grade zones.

In the central and southern part of the deposit, a near-surface east-dipping mineralised zone, the Central Lens, appears to merge down-dip with the A Lens.

## Results of Drilling

The programme includes deepening of a number of existing shallow RC holes plus additional widely-spaced (200m x 100m and 200m x 200m) holes sited to test down dip and to the north. Assay results are not yet available but drill core indicates the validity of the emerging structural model. In summary, the results of drilling to date in the northern part of the deposit are as follows:

- The B Lens is confirmed as a major zone of mineralisation. It appears in all cross sections and longitudinal sections, in places over 50m thick. As expected, copper concentrations are best developed in the eastern fold nose.
- The C Lens has been intersected in five drill holes, in a zone 20 - 50m thick, about 15m below the B Lens. Most intersections to date appear to be of modest grade but a recent drill hole (ORC464) has intersected higher copper grades within the interpreted eastern fold nose.
- One drill hole (ORC621) showed that all three lenses extend further to the north than previously interpreted, i.e. north of the current resource boundary. An additional drill hole is planned to test 200m north of hole ORC621. It is likely that the resource can be extended to the north.
- Drilling is continuing, with 200m step-outs to the east and north. It is likely that the drill holes will show potential for a substantial resource increase in the northeastern part of the deposit



*Longitudinal section showing the recently intersected northern extensions of the A Lens, B Lens and the newly discovered C Lens*

## **Resource Model**

The better understanding of the geological structure has led Craton to question the validity of the 2010 resource model. That model used kriging to establish resource blocks between widely-spaced drill holes. The model used simple extrapolation between assay intervals, without regard to variations in dip and strike, and without making full use of detailed drilling.

Craton's geologists are of the opinion that incorporating the emerging structural model into the resource model could, potentially, provide a 20% increase in grade with no loss of tonnes. A new resource model is required to determine an updated resource, including:

- Infill and extension drilling to the south;
- Incorporation of additional structural information;
- Additional resource potential to the east and north.

## **Social and Environmental Impact Assessment (SEIA)**

Craton has appointed Synergistics to manage the Omitiomire SEIA. The following work is in progress:

- Monitoring of groundwater, dust and the weather station;
- Pump testing of various drill holes to establish a groundwater model and to identify holes with high yields of water;
- Monitoring of the Black Nossob River flood. This data is required for planning the river diversion.

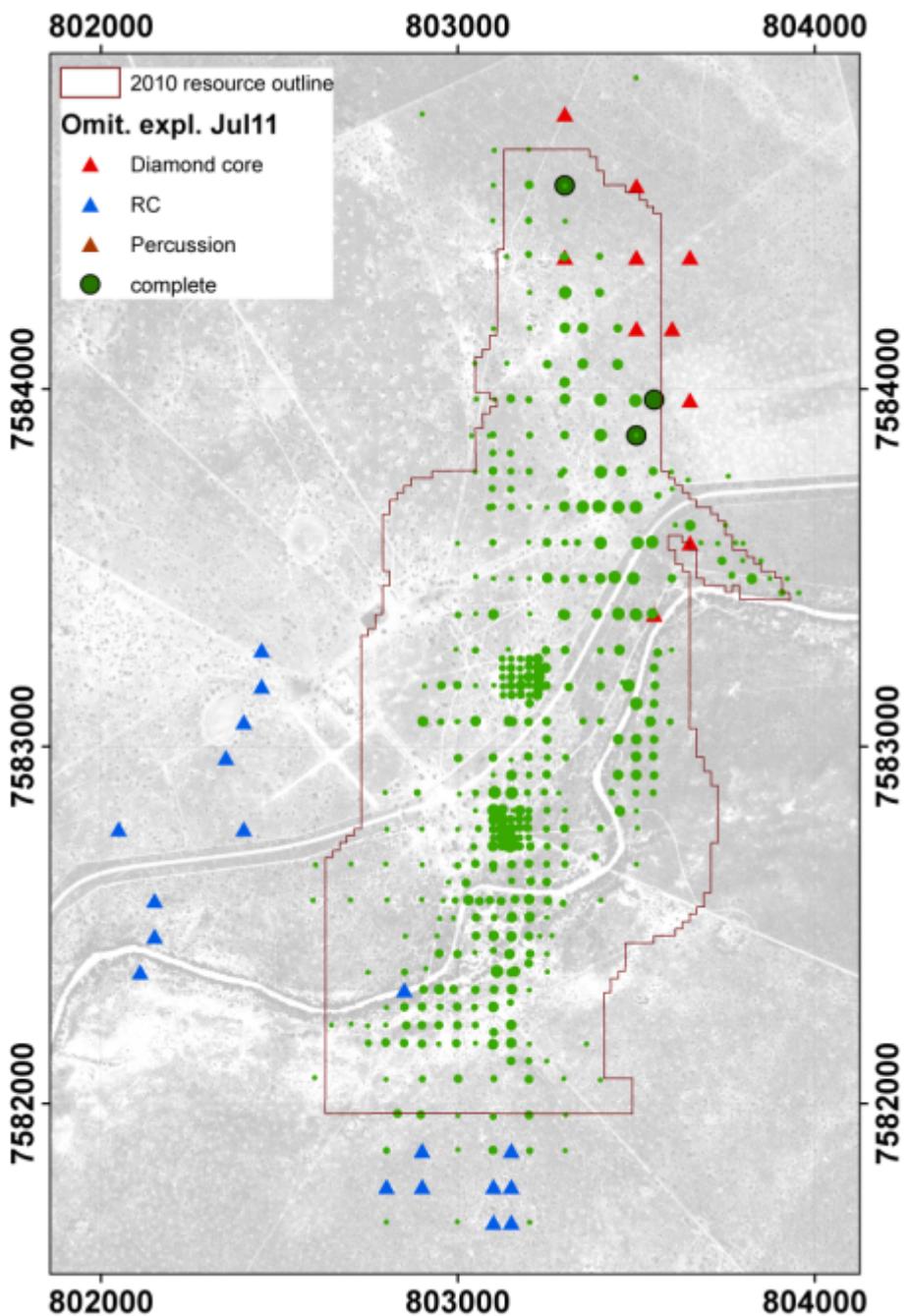
## **Soil Geochemistry**

Soil sampling, at 100m x 100m sample spacing, continued in the west of the licence area. A total of 1270 samples were collected and analysed by XRF. No significant new targets have resulted from this work.

## **Planned Future Work**

Work scheduled for the next quarter includes:

- Completion of the resource extension drilling. In total 900m of percussion, 3000m of RC and 1400m of diamond drilling is planned for the current drill programme (see figure below);
- Reassessment of the resource;
- Ground magnetics on farms Borealis and Barreshagen;
- Continued SEIA monitoring, groundwater monitoring drill holes and detailed groundwater studies;
- Completion of the box-cut;
- Scoping study for an early oxide mining option.



*Plan showing the completed and planned drill holes of the current resource extension drill programme*

### Condolences

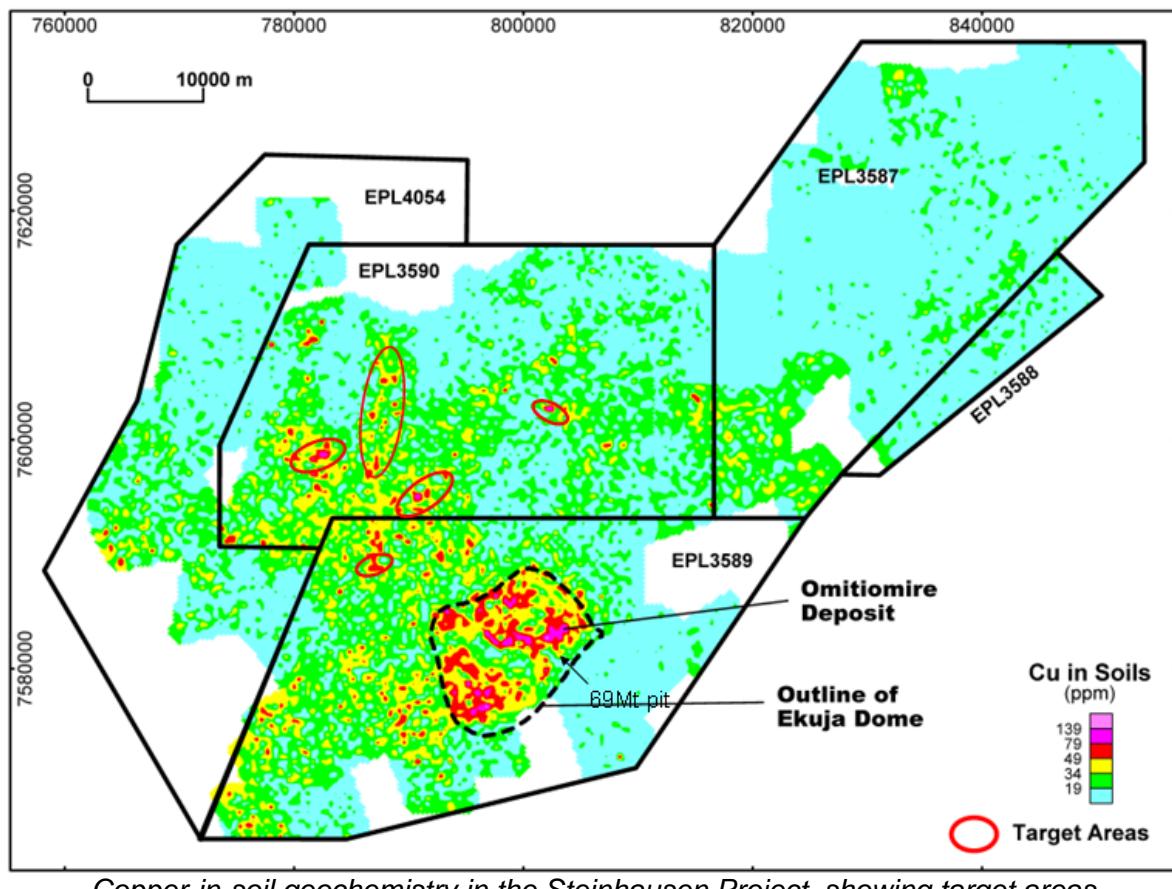
The Omitiomire farmer, Mr Steyn, passed away on 23 May 2011. All work on the farm was suspended for a week and three Craton staff members attended the funeral. The IBM and Craton Boards express their condolences to the family of Mr Steyn.

## STEINHAUSEN PROJECT (excludes EPL3589)

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

### Soil Geochemistry

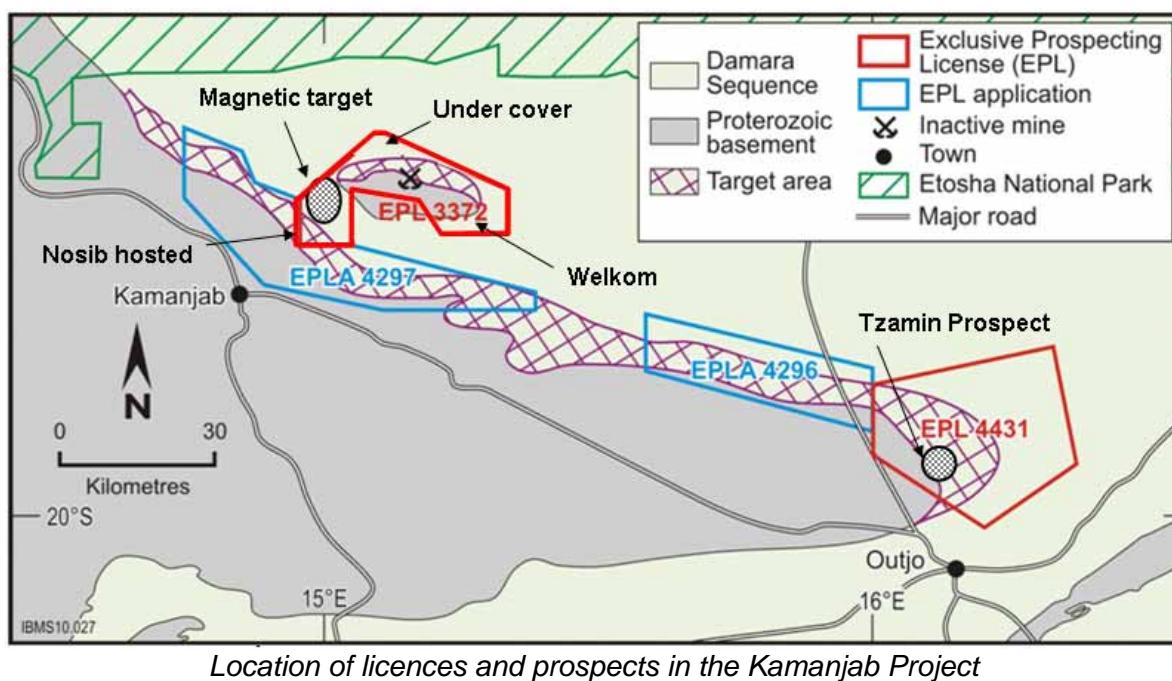
3518 soil samples were taken on EPLs 4054 and 3590 during the quarter. To date, over 20,000 samples have been collected in the Steinhausen project area. This work has defined several priority targets which are being followed up with more detailed exploration.



This more detailed exploration consists of:

- Detailed (100m x 100m sample spacing) soil geochemistry and geological mapping on selected anomalies;
- Hand-auger drilling to determine overburden thickness and sample sub-outcrop;
- Ground magnetic surveys of selected targets;
- Negotiation of access agreements in preparation for drilling on targets.

## KAMANJAB PROJECT



### EPL 4431 Tzamin

Craton has secured exploration access to the farm Tzamin. A sampling team recently conducted an orientation sampling test programme of 1960 soil samples, 1862 Mopani leaf samples, 500 termite hill samples and 7 outcrop samples at the Tzamin copper prospect and 12 km of along-strike potential. Assays by XRF are in progress.

### EPL 3372 Kopermyn

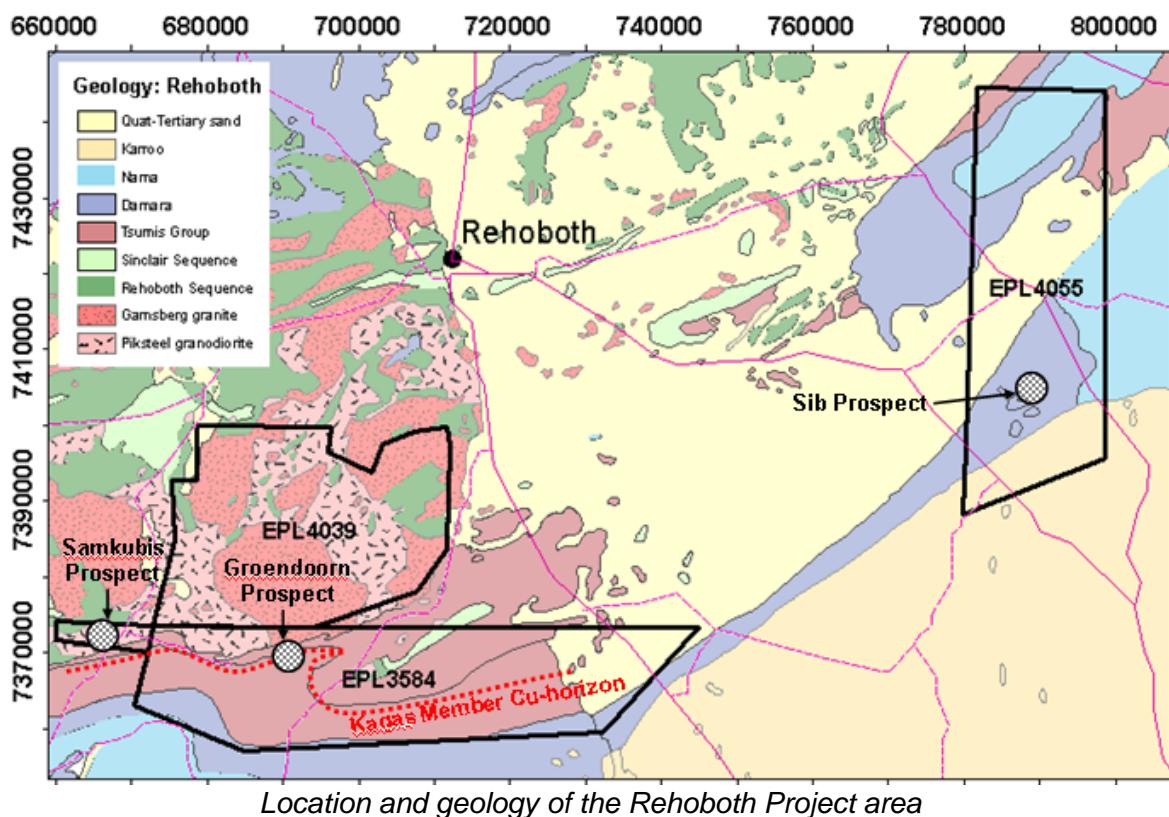
There was no field activity during the quarter.

The Ministry has issued the third renewal of the licence. Within 15 months, Craton will need to either relinquish this licence or, based on significant exploration results, request extension for a third renewal period. Four target areas require further exploration before Craton is in a position to relinquish the licence.

## KALAHARI COPPERBELT PROJECT

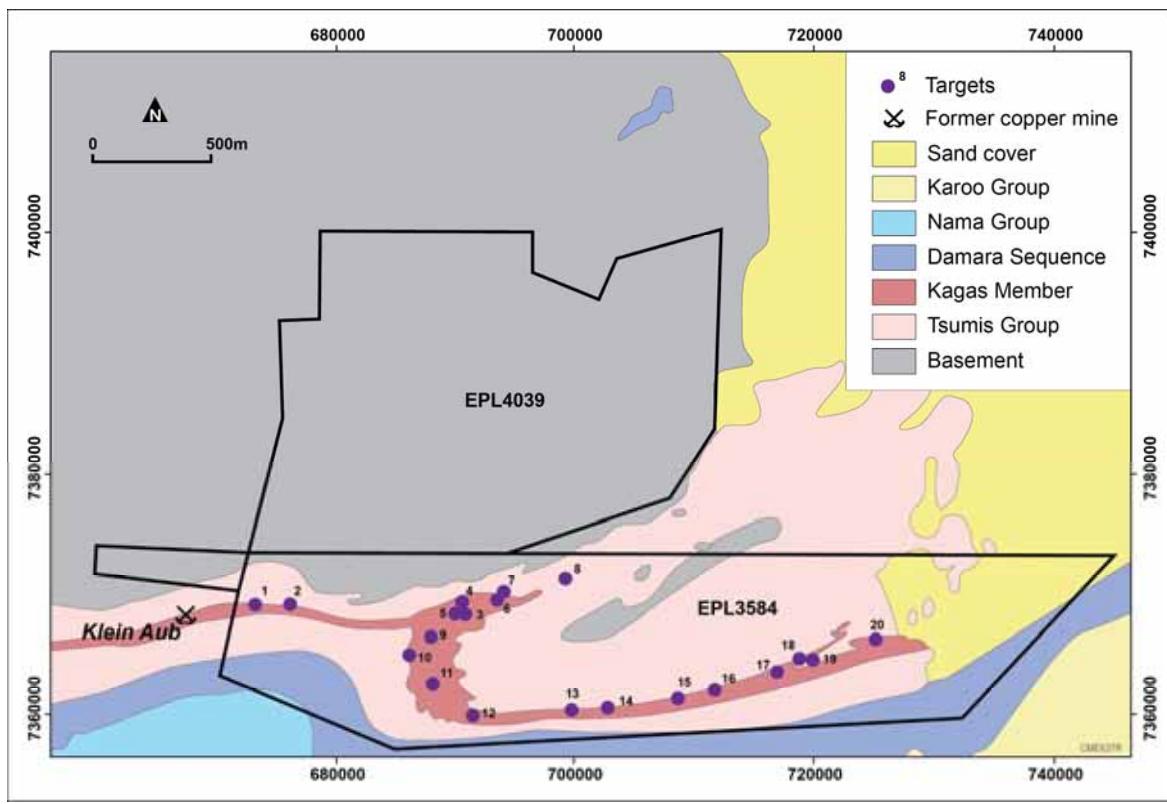
The Kalahari Copperbelt Project includes three EPLs, which contain exploration potential in three geological situations:

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



### EPL 3584 Rehoboth South

Twenty targets have been identified by data research, soil sampling, rock-chip sampling and geological line mapping. Six of these targets are regarded as high priority and occur on farms Groendorn and Kalfrivier South. Target 4 at Groendorn (see map above and below) is approaching drill-ready status. Seven targets are regarded as medium priority and six as low priority. A comprehensive exploration report (January 2011) and a review (April 2011) have documented details.



Targets in the Kagas Member, EPL 3584

During June, a regional soil geochemical survey was initiated. This will assist in assessment to determine which portion of the EPL to relinquish in January 2012.

Work planned:

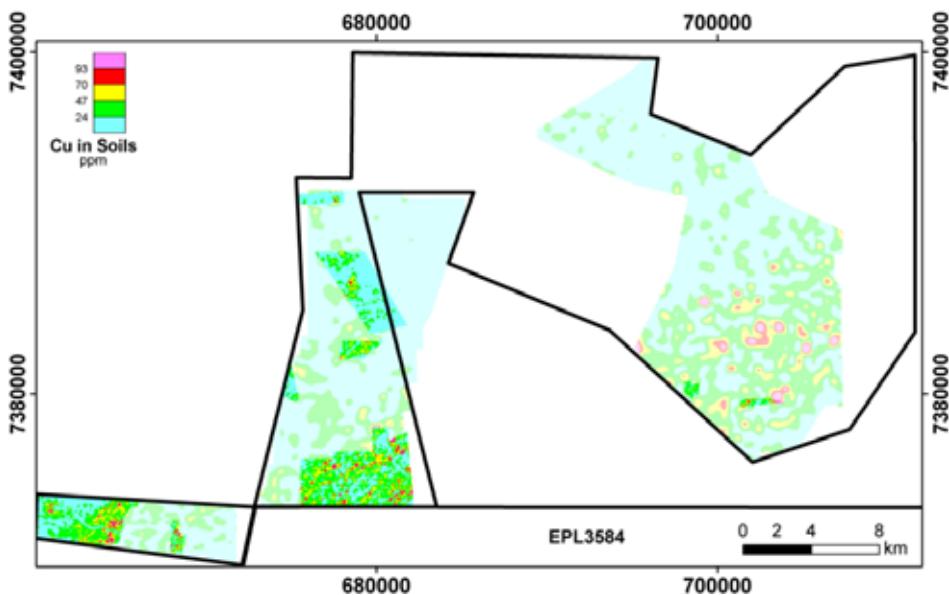
- Detailed soil geochemistry, geological mapping and ground magnetic surveys over high priority targets;
- Negotiation of access agreements ahead of drilling on targets such as the Groendorn prospect;
- Continued regional soil geochemical surveys.

### EPL 4039 Nomeib

The first renewal application has been submitted with a 25% reduction in area.

A regional-scale soil geochemical and geological mapping programme has covered 354 km<sup>2</sup> of the licence area. Geochemically-anomalous areas are being followed up by more detailed soil sampling (100m x 100m spacing), outcrop sampling and detailed mapping. A total of 2314 soil geochemical samples were taken during the quarter.

Planned future work includes continued regional-scale soil geochemistry and target follow up with detailed geochemistry, mapping and ground magnetic surveys. Selected samples will also be analysed for gold. Based on evaluation of all data, priority targets will be selected for drilling.

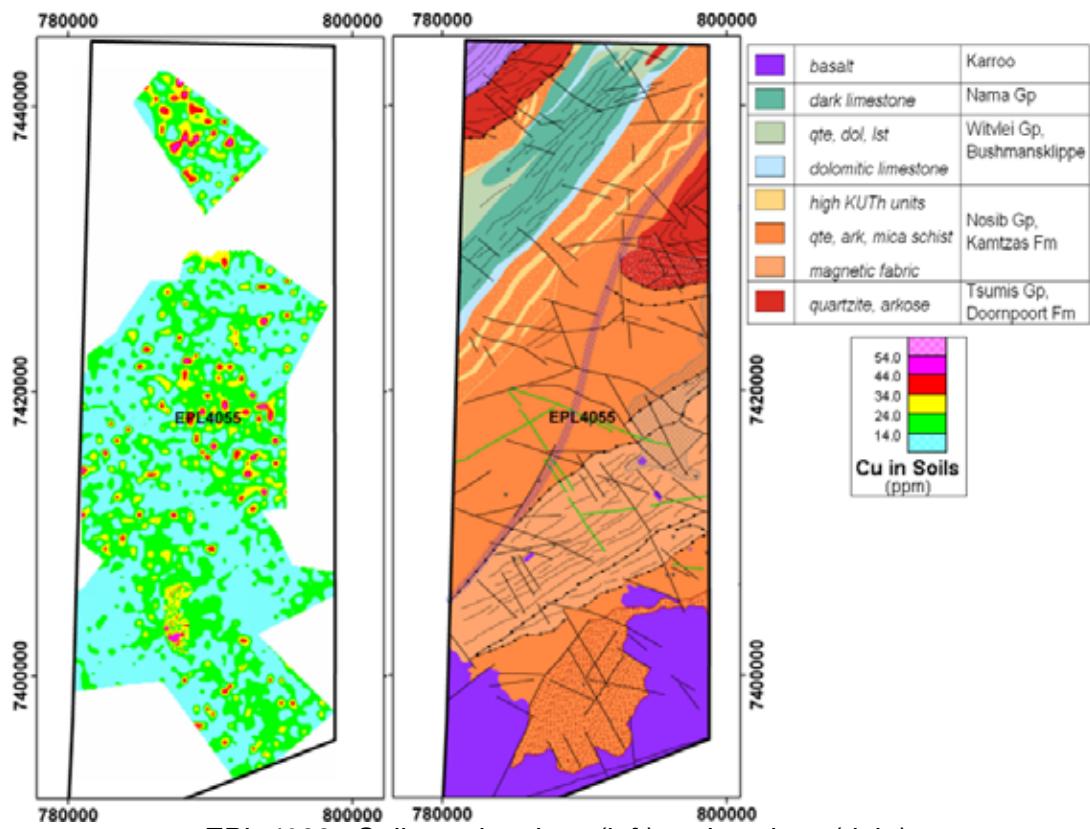


*EPL 4039: Regional soil geochemistry (faint colours)  
and detailed soil sample follow-up (darker colours)*

### EPL 4055 Sib

In total, over 5000 soil geochemical samples have been taken, including two follow-up grids on farm Sib. Results to date show a clear copper-in-soil anomaly at the Sib prospect and lower order anomalies in the northern parts of farm Sib.

In addition to continued geochemical surveys, planned future work includes a magnetic survey and RC drilling at the Sib copper prospect.



*EPL 4039: Soil geochemistry (left) and geology (right)*