

CONVERTIBLE LOAN DEED

INTERNATIONAL BASE METALS LTD
(ACN 100 373 635)

and

WEST MINERALS PTY LTD
(ACN 122 524 010)

Allan Pocock & Associates
Barristers & Solicitors

Ground Floor 6 Thelma Street
West Perth
Western Australia 6005
Tel: 61 8 9322 766 Fax: 61 8 9322 7466

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CONVERTIBLE LOAN DEED

This Deed is made the 19th day of December 2008

1. PARTIES

- 1.1 **INTERNATIONAL BASE METALS LTD** (ACN 100 373 635) of Level 8, 275 George Street, Sydney in the State of New South Wales 2000 ("Company").
- 1.2 **WEST MINERALS PTY LTD** (ACN 122 524 010) of Suite 7, 2 Canning Highway, Applecross in the State of Western Australia 6153 ("WM").

2. RECITALS

- 2.1 The Company is a public unlisted company. WM is a substantial shareholder in the Company, presently holding approximately 19.9% of the voting shares in the capital of the Company.
- 2.2 The Company requires an immediate injection of funds. WM has agreed to lend the Company up to \$850,000 on the terms and conditions of this Deed.

3. DEFINITIONS AND INTERPRETATION

3.1 Definitions

In this Deed the following words have the meanings ascribed to them and cognate expressions have similar meanings:

Business means the business conducted by the Company.

Business Day means a day that is not a Saturday, Sunday, Public holiday or bank holiday in Western Australia or Sydney.

Business Hours means from 9.00am to 5.00pm on a business day.

Cash Flow Budget means the cash flow budget agreed, dated and initialled by the parties as at the date of this Deed.

Charge means a fixed and floating charge over the assets and undertakings of the Company securing the repayment of the monies owing by the Company under this Deed, in substantially the form set out in Schedule 4 (making the necessary adjustments).

Company Board Resolution means a resolution by the board of directors of the Company to:

- (a) Enter into this Deed;
- (b) Subject to shareholder approval, grant the Options referred to in clause 18 of this deed to WM on the Option Terms;



- (c) Enter into and execute the Charge;
- (d) Provisionally register the Charge with ASIC (subject to stamping) and to do all things and sign and complete all documents necessary to do so, including ASIC Form 309;
- (e) Draw down the first \$500,000 of the Loan; and
- (f) Call the required shareholders' meeting to pass the Shareholder Resolution, as soon as possible, as required by this Deed.

Conversion Date means the date on which Shares must be issued and allotted to WM (from time to time) on conversion of the Loan, or part of it, to Shares in the Company, at WM's election, subject to the provisions of this Deed.

Conversion Notice means a notice to convert the Loan, or part of it, to Shares pursuant to this Deed, substantially in the form set out in Schedule 1 (making the necessary adjustments).

Conversion Period means the period from the date of this Deed to 30 June 2009, during which the Loan may be converted to Shares pursuant to this Deed.

Conversion Price means a price of 8 cents per Share, or the issue price per Share of Shares in the Rights Issue, or the issue price of any other Shares issued or agreed to be issued during the Term, whichever is the lowest price, unless the Company raises less than \$500,000 equity from other sources during the Term, in which event the price on Conversion is 5 cents per Share.

Conversion or Convert means in relation to the Convertible Loan, the Company applying, at the irrevocable direction of WM, the amount of the Loan (all or part of it) as is specified in the Conversion Notice for conversion to Shares from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

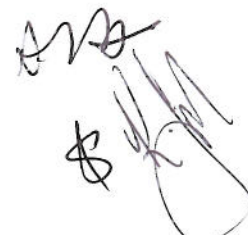
Directors means directors of the Company from time to time.

Directive means:

- (a) a law; or
- (b) a treaty, an official directive, request, guideline or policy (whether or not having the force of law) with which responsible investors generally comply in carrying on their business.

Encumbrance means any:

- (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement; or



- (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or
- (c) right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease or licence to use or occupy; or
- (e) any right arising as a consequence of the enforcement of a judgement,

or any agreement to create any of them or allow them to exist.

Event of Default means any of the events listed in clause 8 of this Deed.

External Administrator means an administrator, receiver, receiver and manager, trustee, provisional liquidator, liquidator, statutory manager or any other person (however described) holding or appointed to analogous office or acting or purporting to act in an analogous capacity.

Insolvency Event means the occurrence of any one or more of the following:

- (a) an application is made for the appointment of an External Administrator in respect of the Company;
- (b) an application order is made for the winding up of the Company;
- (c) a resolution is passed or a shareholder meeting is convened to consider a resolution for the winding up of the Company (other than for the purpose of a reconstruction or an amalgamation while solvent);
- (d) the Company is or states that it is unable to pay its debts when they fall due, or is deemed to be unable to pay its debts, or must be presumed by a court to be insolvent under any applicable legislation (other than as a result of a failure to pay a debt or claim which is the subject of a good faith dispute);
- (e) the Company enters into or resolves to enter into any arrangement, composition or compromise with or assignment for the benefit of its creditors generally or any class of its creditors;
- (f) the Company:
 - (i) proposes a reorganisation, moratorium or other form of administration involving any such arrangement, composition, compromise or assignments;
 - (ii) begins any negotiations for any such purpose; or



(iii) begins any negotiations for the purpose of any rescheduling or readjustment of all or immaterial part of its monetary obligations,

in each case other than for the purpose of a reconstruction or amalgamation while solvent;

- (g) the Company takes any steps to obtain protection or is granted protection from its creditors under the laws of any applicable jurisdiction
- (h) an external administrator is appointed to the Company or over any of its assets or the Company or a related body corporate requests such an appointment;
- (i) the Company is deregistered.

Interest Rate means 6% per annum.

Interest Payment Date means:

- (a) Monthly in arrears, and if for part of a month then that number of days for which the amount in question is outstanding;
- (b) if the Loan (or part of the Loan) is converted, the Conversion Date; or
- (c) if the Loan (or part of the Loan) is repaid, the repayment date.

Loan or Convertible Loan means the loan by WM to the Company of \$850,000, which may, at the election of WM, be converted to Shares, as provided for in this Deed.

Option means an option entitling WM on exercise to acquire one Share for each Option in accordance with the Option Terms.

Option Terms means the terms and conditions under which the Options are to be issued and held by WM, as set out in Schedule 3, including an exercise price of 8 cents per Share, or the issue price per Share of Shares in the Rights Issue, or the issue price of any other Shares issued or agreed to be issued during the Term, whichever is the lowest price, unless the Company raises less than \$500,000 equity from other sources during the Term, in which event the exercise price per Option is 5 cents per Share.

Ordinary Course of Business means a transaction which is one of the ordinary day to day business activities of the Company having no unusual or special features and being such as a manager of a business might reasonably be expected to be permitted to carry out on their own initiative, without making prior reference or subsequent report to their superior authorities, such as for example to the board of directors.

Outstanding Moneys means the Principal Money and all Interest payable on the Loan at that point.



Principal Money means the Loan, or so much of the Loan as remains unconverted into Shares from time to time, or which remains unpaid on the Loan from time to time, pursuant to the provisions of this Deed.

related body corporate has the meaning ascribed to it in the Corporations Act.

Repayment Notice means a notice substantially in the form set out in Schedule 2 (making the necessary adjustments).

Rights Issue means a rights issue by the Company as described in clause 19 of this Deed.

Security Interest means a mortgage, charge, pledge, lien, preferential right, trust, arrangement agreement and any other arrangement or encumbrance of any kind given or arising, or created as a security.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder Resolution means the resolution required to be passed by the shareholders of the Company in accordance with the provisions of clause 4.7 of this Deed.

Subsidiary has the meaning ascribed to it in the Corporations Act.

Tax means all forms of taxes, duties, imposts, charges and levies however imposed or assessed by or payable to any government, taxation or excise authority, including without limitation income tax, capital gains tax, general sales tax, stamp duty and any penalties.

Term means the period from the date of Execution of this Deed, up to and including 30 June 2009.

Winding up means and includes dissolution, liquidation, provisional liquidation, insolvency and bankruptcy and any procedure which is equivalent or analogous in any jurisdiction.

- 3.2 Captions and headings of clauses are for convenience only and do not affect the interpretation of this Deed.
- 3.3 Where an expression is defined anywhere in this Deed, it has the same meaning throughout;
- 3.4 The singular includes the plural and one gender includes the other genders and vice versa.
- 3.5 An agreement, warranty, representation or obligation that binds or benefits two or more persons under this Deed, binds or benefits and is enforceable against those persons jointly and severally.




- 3.6 The use of words such as "include", or "including", or "for example", does not limit the generality of any term or expression that precedes such words.
- 3.7 A reference to a person includes a reference to the person's executors, administrators, successors and assigns.
- 3.8 The word "person" and reference to a person includes a firm, a body corporate, an unincorporated association, an authority and any other entity, and vice versa.
- 3.9 The presence or absence of capital letters will not affect the meaning of a defined term.
- 3.10 The provisions of the Recitals and any Schedule, other than the captions and headings form part of this Deed.
- 3.11 A reference to this Deed where amended, means this Deed as so amended.
- 3.12 If any provision of this Deed requires a notice to be given by a party, it must be in writing, unless the provision states it may be given orally.
- 3.13 If any provision of this Deed is or becomes void, invalid or unenforceable for any reason, the same shall be severed from this Deed and the remainder of this Deed shall continue in full force and effect.
- 3.14 This Deed shall be binding upon each person who has executed it notwithstanding the failure of any other person named as a party herein to execute this Deed, either validly or at all, or the avoidance, invalidity or unenforceability of any part of this Deed.
- 3.15 Reference to any thing includes any part of that thing.
- 3.16 A reference to any legislation or legislative provision includes and statutory modification or re-enactment of or legislative provision substituted for and any statutory instrument issued under that legislation or legislative provision.
- 3.17 This Deed may be completed in several counterparts and the date of the last signed counterpart will be the date of this Deed.
- 3.18 A references to "\$" or "dollars" is a reference to Australian currency.

4. **CONVERTIBLE LOAN**

Convertible Loan

- 4.1 The total amount of the Loan is the sum of \$850,000. The Loan is subject to the conditions precedent set out below.
- 4.2 The Loan (or any part of it) may not be drawn down until the following conditions precedent have been satisfied:



- 4.2.1 The Company's board of directors must pass the Company Board Resolution and provide WM with proof of having done so;
 - 4.2.2 The execution of this Deed by the Company;
 - 4.2.3 The execution of the Charge by the Company;
 - 4.2.4 The provisional registration of the Charge by the Company and provide WM with proof of having done so; and
 - 4.2.5 The Company has provided WM with copies of the executed documents referred to above.
- 4.3 \$500,000 of the Loan is available to be drawn down (and WM will provide the \$500,000 to the Company in immediately available funds) immediately upon satisfaction of the conditions precedent set out in clause 4.2 above.
- 4.4 The Company must give WM written notice of draw down when it has satisfied the conditions precedent and requires payment of the first part of the Loan.
- 4.5 Subject to satisfaction of the conditions precedent set out in clause 4.2 above the balance of \$350,000 is available for draw down by the Company on or after 30 January 2009 and WM must pay up to that amount to the Company on receipt of written notice from the Company, subject to the terms and conditions of this Deed.
- 4.6 The Loan is given for the Term, subject to the terms and conditions of this Deed, and the Loan matures on 30 June 2009.

Condition Precedent

- 4.7 It is a condition precedent to the Conversion of the Loan and the grant and exercise of the Options that the Company must pass the Shareholder Resolution within ~~45~~ 60 days after the date of this Deed, pursuant to which the Company must seek and obtain shareholder approval:
- 4.7.1 For the Conversion of the Loan (and any accrued Interest) (and any parts of the Loan, and any accrued Interest) to Shares by WM;
 - 4.7.2 For the issue and allotment to WM of the Shares on Conversion of the Loan (and any accrued Interest) (and any parts of the Loan, and any accrued Interest);
 - 4.7.3 For the grant of the Options; and
 - 4.7.4 For the issue and allotment of Shares to WM on the exercise of the Options (and any parts of the Options),

to the extent required, to ensure compliance with, and to ensure that WM is not in breach of, any requirements of the Company's Constitution and of the Corporations Act, including in relation to any prescribed thresholds.

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- 4.8 The Loan under this Deed is a facility provided by WM to the Company, which must be used by the Company solely and exclusively as working capital to be expended in accordance with the Cashflow Budget.

Charge

- 4.9 The Company covenants and undertakes to enter into and execute the Charge to perfect the security given to WM.
- 4.10 The Loan under this Deed must be secured by the Charge.
- 4.11 The Company must register the Charge within 30 days of the execution of this Deed.
- 4.12 If at any time during the Term, the Company successfully raises not less than \$500,000.00 by the issue of equity (excluding any funds contributed by WM in any form, including funds raised by the Conversion of the Loan or the exercise of the Options and under any rights issue taken up by WM) and the Company holds that amount in available funds in its bank account, then the Charge will be automatically discharged when the Company provides WM with satisfactory proof of those facts, and WM must thereupon provide to the Company:
- 4.12.1 an executed deed of release in respect of the Charge; and
- 4.12.2 an ASIC form 312.

Number of Shares on Conversion

- 4.13 Subject to clause 7 below, the Loan (or so much of the Loan as is specified in each Conversion Notice from time to time), must be converted into that number of Shares calculated as follows:

$$\frac{A}{B}$$

where:

A = that amount of the Principal Money that is to be converted into Shares;
and

B = the Conversion Price, e.g. 8 cents per Share.

If the calculation results in an entitlement to a number of Shares that includes a fraction of a Share, the fraction must be rounded up to the nearest whole number.

For example: If WM gives Notice of Conversion of \$200,000 of the Loan and the Conversion price is 8 cents per Share, then the number of Shares to be issued on Conversion will be –

$$\$200,000 / 0.08 = 2,500,000 \text{ Shares}$$

The remaining Principal Money will total \$650,000.

5. **ALLOTMENT OF SHARES ON CONVERSION**

When Shares are allotted

- 5.1 Subject to the passing of the Shareholder Resolution, any Shares to which WM is entitled on Conversion of the Loan (or any part of it) must be issued and allotted fully paid not later than the third Business Day after the date on which the relevant Conversion Notice is served. (If the Company becomes listed on any exchange, the Company must apply for listing of the Shares within five (5) Business Days of issue and allotment.) The Company must deliver to WM a shareholding statement and where applicable share certificates for the number of Shares, which are the subject of the Conversion Notice as soon as practicable after allotment.

Dividends

- 5.2 Shares allotted on Conversion of the Loan participate in full for all dividends provided that, where the Conversion Date occurs after a Dividend Record Date but on or before a Dividend Payment Date, the Shares do not participate in the dividends paid on the Dividend Payment Date, but participate equally with all other Shares in respect of any future dividends.

Shares rank equally

- 5.3 Subject to the provisions of the preceding clause, Shares issued on Conversion rank equally in all respects and form one class with the Shares on issue at the Conversion Date.

6. **INTEREST**

- 6.1 Interest accrues monthly on the Loan (or that part of the Loan that remains unpaid from time to time) and is calculated as follows:

$$\frac{A \times B}{365}$$

where:

A = the balance of the Loan which is unpaid or unconverted at that point;
and

B = the Interest Rate.

- 6.2 Interest accrues on the amount outstanding on the Loan from date when the money is paid (or deemed to have been paid on Conversion) to the Company up to and including the date on which the Loan (or that part of the Loan) is Converted or repaid, in accordance with the provisions of this Deed.

- 6.3 At the election of WM, in its absolute discretion, the accrued Interest, or so much thereof as WM specifies, may be converted to Shares on the same basis as the Loan, making the necessary amendments.

7. **CONVERSION**

7.1 Subject to clause 9, any part, or all, of the Loan (including any unpaid Interest or part thereof) may, at the sole and absolute option of WM, be converted (at the Conversion Price) into that number of Shares calculated in accordance with clause 4.12, by WM delivering to the Company, at any time during the Conversion Period, a Conversion Notice requiring the Company to convert the Loan (or that part of the Loan) as specified in the Conversion Notice.

7.2 If a Conversion Notice relates to a conversion of only part of the Loan, after conversion of the specified part of the Loan into Shares in accordance with the Conversion Notice, the Company must issue to WM a statement setting out the new Principal Money amount with respect to the balance of the Loan that has not been converted.

7.3 If the conversion to Shares of the Loan (or part of the Loan) contemplated in any Conversion Notice would:

7.3.1 result in a breach of any law; or

7.3.2 require the Company to obtain shareholder approval before the issue of some or all of the Shares, or for the conversion of those Options to Shares,

then the Company must promptly give notice to and inform WM of this fact and must:

7.3.3 convert to Shares for as much of the Loan as will not result in a breach of any law or will not require the Company to obtain shareholder approval before the issue of the relevant Shares and advise WM of that Conversion; and

7.3.4 allow WM to elect by notice in writing to the Company, within 5 Business Days of receiving such notice from the Company, whether to:

7.3.4.1 require payment of the balance of the Loan on the day following the end of the Term in accordance with clause 10.1 (but without prejudice to WM's rights under clause 10.3); or

7.3.4.2 require the Company to seek shareholder approval for the issue of the balance of the Shares within 60 days of WM's election.

7.4 Where WM makes an election to require the Company to seek shareholder approval under the above provisions), the Term shall (if applicable) be extended until the end of the period of 60 days following WM's election.

- 7.5 Where shareholder approval is received, the relevant amount of the Loan shall be converted into that number of Shares calculated in accordance with clause 4.7.
- 7.6 Where shareholder approval under clause 7.3.4.2 is not received, the balance of the Loan must be repaid at the end of the Term (but without prejudice to WM's rights under this Deed, including clause 10.3).

8. EVENTS OF DEFAULT

- 8.1 For the purposes of this Deed, an Event of Default occurs if:
- 8.1.1 the Company does not pay any money that becomes payable by the Company under this Deed within seven (7) days after its due date for payment;
 - 8.1.2 An Insolvency Event occurs in relation to the Company;
 - 8.1.3 The Company fails to pass the Shareholder Resolution as required by clause 4 of this Deed;
 - 8.1.4 The Company is in breach of its obligations under clause 15.3.3;
 - 8.1.5 the Company is in breach of any warranty, representation, covenant or undertaking contained in this Deed, including clause 15 of this Deed, (except those referred to in clauses 8.1.1 to 8.1.4 above, which do not require notice) and the breach referred to in this sub-clause 8.1.5 is not rectified within 5 Business Days after WM gives notice to the Company requesting the Company to do so; or
 - 8.1.6 any event occurs or circumstances arise which in the reasonable opinion of WM gives reasonable grounds for believing that the Company will, within a period of one month from that event occurring or circumstance arising, fail to perform or comply with any one of more of its material obligations under this Deed; or
 - 8.1.7 any present or future monetary obligations of the Company or any of its Subsidiaries, other than amounts owed to trade creditors, employees or statutory authorities, are not satisfied on time (or at the end of their period of grace) or become prematurely payable, unless such obligation is being disputed in good faith and on reasonable grounds, to the reasonable satisfaction of WM, and, if reasonably required by WM, the Company, or the relevant Subsidiary, (as the case may be) has unencumbered funds available to satisfy the obligation on time and the Company satisfies WM that fact.



9. REORGANISATION EVENTS

9.1 Without affecting the provisions of clauses 15.3.9 and 15.3.10, where as a consequence of:

- 9.1.1 a pro rata bonus issue of Shares (not including an issue for cash or other consideration);
- 9.1.2 a subdivision or consolidation of Shares; or
- 9.1.3 any other reorganisation of the share capital of the Company,

(each a *Reorganisation Event*) the number of Shares on issue alters, then the number of Shares into which the Loan is convertible must be adjusted so that the Loan is convertible into the same percentage of the issued ordinary share capital of the Company as the percentage into which the Loan is convertible immediately before the relevant Reorganisation Event.

9.2 The Company must, unless WM otherwise agrees:

- 9.2.1 ensure that WM is given written notice of all general meetings of shareholders of the Company and of all resolutions to be considered at those meetings;
- 9.2.2 maintain its authorised but unissued capital at a sufficient level to enable the Shares to be issued following any conversion of the Loan (or any part of the Loan);
- 9.2.3 not reduce its authorised or issued capital ;
- 9.2.4 comply with any applicable listing rules or their equivalent of any stock exchange on which the Shares are listed;
- 9.2.5 not do anything by way of altering its constitution or otherwise that has the effect of changing or converting any Shares into shares of another class;
- 9.2.6 give WM at least 10 Business Days written notice before the record date for any pro-rata issue of Shares or other securities of the Company; and
- 9.2.7 not initiate or undertake a Reorganisation Event during the Term, or until the Loan has been repaid or Converted, whichever is the later.

10. REPAYMENT

10.1 The full balance of the Loan that has not been converted and which is not subject to a Conversion Notice at that time, plus all Interest and any other moneys due and unpaid, must be repaid by the Company at the end of the Term, on the day following the end of the Term.



- 10.2 Without affecting the foregoing provision, any or all of Loan must be repaid to WM, at the election of WM, on the occurrence of:
- 10.2.1 an Event of Default;
 - 10.2.2 a takeover as contemplated by clause 11.1;
 - 10.2.3 a change of control in 50% or more of the Shares as contemplated by clause 11.2; or
 - 10.2.4 a sale of the main undertaking of the Company as contemplated in clause 11.3,
by WM giving notice to the Company to repay so much of the Loan and Interest as is specified by WM in that notice.
- 10.3 The Company may not repay the Loan (or any part of the Loan) other than in accordance with the provisions of this Deed.
- 10.4 Without affecting the provisions of clause 10.3 above, the Company may at any time request WM to accept repayment of the Loan or part thereof. WM may in its sole and absolute discretion accept or reject the offer of any such repayment.

11. CHANGE IN CONTROL

11.1 If:

- 11.1.1 there is a successful takeover bid for more than 50% of the Company's Shares;
- 11.1.2 there is a change in control of 50% or more of the Shares; or
- 11.1.3 there is a sale of the main undertaking of the Company,

at any time after the completion of the Loan and prior to the issue of a Conversion Notice in respect of the Loan (or any part of it), then:

11.1.4 the Company must give WM written notice ('Sale Notice') of the takeover bid, change of control, or sale of main business undertaking, within five Business Days of receiving notice of any of those events; and

11.1.5 WM may within five Business Days after the Sale Notice is received by WM elect to:

11.1.5.1 convert the Loan (or part of the Loan) to; and

11.1.5.2 require repayment of the Outstanding Moneys (if any).

11.2 If no election is made under clause 11.1.5 above, within the time period specified in that clause, then the terms and conditions as to conversion and repayment will continue to apply.

12. PAYMENTS BY THE COMPANY TO WM

12.1 Subject to clause 6.3 interest and any other money payable on or in respect of the Loan by the Company to WM, must be paid in Australian dollars:

12.1.1 by 3:00pm Western Australian time on the due date in the place where payment is to be made;

12.1.2 in immediately available funds and except as permitted by this document, without set-off, counterclaims, conditions, deductions or withholdings; and

12.1.3 by direct electronic deposit to an account with any bank in Australia that WM directs by written notice to the Company or by any other method of transferring money agreed by the Company and WM from time to time.

13. DISCHARGE AND RELEASE

13.1 The Company is immediately discharged and released from its liabilities, obligations and covenants under this Deed in respect of the Loan (or where only a part of the Loan is repaid or converted, then in respect of that part of the Loan) on the first to occur of the date on which:

13.1.1 the Loan (or part of the Loan) is repaid in full plus all Interest due on the Loan (or that part of the Loan as the case requires) in accordance with this Deed; or

13.1.2 the Loan (or part of the Loan) is converted to Shares in accordance with the provisions of this Deed.

13.2 When the full amount of the Loan (and all outstanding Interest) is paid or Converted to Shares in accordance with clause 13.1, WM must provide to the Company:

13.2.1 an executed deed of release in respect of the Charge; and

13.2.2 an ASIC form 312.

14. NOTICES

Giving notices

14.1 Any notice, consent, information, application or request that must or may be given or made to a party under this document is only given or made if it is in writing, in English and signed by a person authorised by the sender and is served by any method authorised by law.

14.2 It may also be validly given and delivered if it is:



- 14.2.1 delivered or posted to the recipient at its address set out on the first page hereof; or
- 14.2.2 faxed to the recipient at its fax number given to the other party or set out on its letterhead;
- 14.2.3 sent by email to the current email address of the recipient.

If a party gives the other party seven Business Days' notice of a change of its address or fax number, any notice, consent, information, application or request is only given or made by that other party if it is delivered, posted or faxed to the latest address or fax number.

Time notice is given

- 14.3 A notice, consent, information, application or request is to be deemed as having been duly given or made at the following time:
 - 14.3.1 if it is delivered by hand, when it is left at the relevant address;
 - 14.3.2 if it is sent by post, four Business Days after it is posted from a place in Australia; or
 - 14.3.3 if it is sent by fax, on the next Business Day after the sender receives from the sender's fax machine a report of an error free transmission to the correct fax number; or
 - 14.3.4 if it is sent by email, on the next Business Day after the sender receives a report of an error free transmission received by the correct email address.

If any notice, consent, information, application or request is delivered, or an error free transmission report in relation to it is received, after the normal Business Hours of the party to whom it is sent, it is to be treated as having been given or made at the beginning of the next Business Day.

15. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

15.1 The Company represents and warrants that:

- 15.1.1 **Incorporation and existence** - the Company is incorporated as a company limited by shares in accordance with the laws of its place of incorporation, is validly existing under those laws and has power and authority to carry on its business;
- 15.1.2 **Power** – subject to the passing of the Shareholder Resolution, the Company has power to enter into this Deed and comply with its obligations hereunder;
- 15.1.3 **No contravention or exceeding power** this Deed and the transactions under it do not contravene its constituent documents or any law or obligation by which it is bound or to which any of



- its assets are subject or cause a limitation on its powers or the powers of its directors to be exceeded;
- 15.1.4 **Authorisations** - the Company has in full force and effect all of the authorisations necessary for it to enter into this Deed, to comply with its obligations and to exercise its rights under them and to allow them to be enforced;
- 15.1.5 **Validity of obligations** - the Company's obligations under this Deed are valid and binding and are enforceable against it in accordance with their terms,
- 15.1.6 **Benefit** - the Company benefits by entering into this Deed;
- 15.1.7 **Accounts** - the most recent financial statements of the Company last given to WM (if any), are a true and fair statement of its financial position as at the date to which they are prepared and provide for all its actual and contingent liabilities as at that date; and
- 15.1.8 **Not a trustee** - the Company does not enter into this Deed as a trustee.
- 15.2 The Company covenants, represents and undertakes in favour of WM that until such time as the entire Loan and all outstanding Interest has either been Converted or repaid:
- 15.2.1 the Company will execute, acknowledge, deliver, file, register or otherwise perfect at its own expense all of such further agreements, instruments, certificates, documents and assurances and perform such acts and do such acts and do such things as WM may reasonably require for the purposes of this Deed, including to fulfil all of its obligations under this Deed;
- 15.2.2 the Company must give notice in writing to WM of the occurrence or likely occurrence of any Event of Default, or any other event that may affect the Company's ability to fulfil or comply with its obligations under this Deed, forthwith upon the Company becoming aware thereof;
- 15.2.3 the Company shall carry on and conduct its business in a proper and efficient manner and in accordance with good commercial practice;
- 15.2.4 the Company will not change the nature of its business without the prior written consent of WM;
- 15.2.5 the Company will not pay any dividends without the consent of WM, which consent will not be unreasonably withheld; and
- 15.2.6 if (despite the Shareholder Resolution) a Conversion Notice is subject to shareholder approval, then the Company will convene



a meeting of its shareholders for this purpose as soon as practicable, but in any event, no later than 60 days following WM's election to Convert the Loan (or part of it).

- 15.3 During the currency of this Deed and before the Loan has been full Converted and all Outstanding Moneys have been repaid to WM, without the prior written consent of WM, the Company, and any of its Subsidiaries, may not, and may not agree, attempt or take any step to, do any of the following:
- 15.3.1 create or allow to exist any Encumbrance in connection with any of its property, assets or undertaking;
 - 15.3.2 deal in any way with this Deed, or allow any interest in it to arise or be varied;
 - 15.3.3 sell or dispose of all or any part of its property, assets or undertaking, including any mining tenements (held by the Company or any of its subsidiaries) and any shares or securities in any subsidiaries or in any other company, or any interest in them, or cause or permit any interest in all or part of the property, assets or undertaking, including any mining tenements (held by the Company or any of its subsidiaries) and any shares or securities in any subsidiaries or in any other company to arise, except where such sale or disposal is of stock in trade ordinarily sold or disposed of in the ordinary course of its ordinary business;
 - 15.3.4 lease or license all or part of its property, assets or undertaking on terms, other than arms length commercial terms;
 - 15.3.5 part with possession of its property, assets or undertaking other than as contemplated in clause 15.3.3 above;
 - 15.3.6 apart from in the Ordinary Course of Business, waive or surrender any of its rights or release any person from its obligations in connection with its property, assets or undertaking;
 - 15.3.7 borrow any funds or raise any funding, finance or financial accommodation, of any kind by way of debt finance, debt factoring, discounting the price of its products or any similar form of security or fund raising, other than in respect of any debt group receivable due to the Company from the sale of the Company's products to external parties in the Ordinary Course of Business;
 - 15.3.8 cause, procure or permit to be passed any resolution consolidating or dividing any of the share capital for the time being of the Company, unless at the same time there is passed a resolution that all Shares thereafter allotted upon conversion of



the whole or any part of the Loan will immediately after allotment be similarly consolidated or divided;

- 15.3.9 not amend, vary or supplement the rights attaching to any of the Shares, or create, issue or allot or permit to be created, issued or allotted any other class of shares in the capital of the Company; or
- 15.3.10 cause or permit any subsidiary, to do any of the things set out in this clause 15 in relation to that subsidiary or that subsidiary's rights, property, assets or undertaking.

Financial information

15.4 The Company covenants and undertakes to give to WM:

- 15.4.1 **Annual accounts** - its audited Financial Report and the audited Financial Report of the consolidated entity (if any) constituted by it and the entities it is required to include in the consolidated financial statements for each financial year on the date when its Financial Report is lodged with any relevant authority or, if earlier, within 120 days after the end of that financial year; and
- 15.4.2 **Information** - all other notices and information provided to its shareholders, at the time that it is so provided.

16. DEFAULT

Interest payable

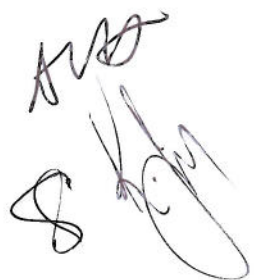
- 16.1 Without affecting any other obligations that it has, including to pay Interest on the Loan, if the Company does not pay any amount under this Deed on the due date for payment, the Company must pay Interest on that amount. The Interest accrues daily from (and including) the due date to the date of actual payment and is calculated on actual days elapsed and a year of 365 days.
- 16.2 The Company must pay interest under clause 16.1 promptly on demand from WM.

Compound interest

- 16.3 Interest payable under clauses 16.1 and 16.2, which is not paid when due for payment may be added to the overdue amount by WM at such intervals which WM determines from time to time and, if no determination is made, every 30 days. Interest is due payable on the increased overdue amount in the manner set out in clauses 16.1 and 16.2.

Merged liability

- 16.4 If a liability becomes merged in a judgment, the Company must pay Interest on the amount of that liability as an independent obligation. This Interest:

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- 16.4.1 accrues daily from (and including) the date the liability becomes due for payment both before and after the judgment up to (but excluding) the date the liability is paid; and
- 16.4.2 is calculated at the judgment rate or the Interest (whichever is higher).
- 16.5 The Company must pay interest under clause 16.4 on demand from WM.

17. MISCELLANEOUS

Assignment

- 17.1 The Company must not assign any of its rights under this document without the prior written consent of WM. That consent may be given or withheld at WM's absolute discretion.
- 17.2 WM may assign and transfer its rights under this Deed without the consent of the Company, provided that such assignment does not create a withholding tax liability in which event the Company's consent (which will not be unreasonably withheld) is required, and the Company must promptly do all things required to record and perfect such assignment and transfer.
- 17.3 Where any person (assignee) to whom WM proposes to assign and transfer its rights under this Deed requires approval under the Company's constitution or the Corporations Act in relation to any of the requirements of Chapters 2E and 6 of the Corporations Act or any related party benefits in respect of such assignment, then there shall be no right to assign.

Costs and Stamp Duty

- 17.4 The Company is liable for and must on demand pay all of WM's costs of and incidental to this Deed including:
 - 17.4.1 all of WM's solicitor's reasonable costs as between solicitor and client; and
 - 17.4.2 all stamp duty on, and as consequence of, this Deed and any documents and transactions arising under or in relation to this Deed.

Entire agreement

- 17.5 This document contains everything the parties have agreed on in relation to the matters they deal with. No party may rely on an earlier document, or anything said or done by another party, or by a director, officer, agent or employee of that party, before this document was executed, save as permitted by law.

Further acts

- 17.6 The parties will promptly do and perform all acts and things and execute all documents as may from time to time be required, and at all times will act in good faith, for the purposes of and to give effect to this document.



Governing law and jurisdiction

- 17.7 This document is governed by the law of Western Australia. The parties consent and submit to the non-exclusive jurisdiction of its courts.

Time for action

- 17.8 If the day on or by which something is required to be done or may be done is not a Business Day, that thing must be done on or by the next Business Day.
- 17.9 Time is of the essence for all matters under this Deed.

Variation

- 17.10 No variation of this document will be of any force or effect unless it is in writing and signed by the parties to this document.

Waiver

- 17.11 The fact that a party fails to do, or delays in doing, something the party is entitled to do under this document, does not amount to a waiver of any obligation of, or breach of obligation by, another party. A waiver by a party is only effective if it is in writing. A written waiver by a party is only effective in relation to the particular obligation or breach in respect of which it is given. It is not to be taken as an implied waiver of any other obligation or breach or as an implied waiver of that obligation or breach in relation to any other occasion.

18. OPTIONS

- 18.1 In consideration of this Deed and the Loan, and subject to and immediately upon the passing of the Shareholder Resolution, the Company must grant to WM 6,250,000 Options entitling WM to acquire 6,250,000 fully paid Shares in the capital of the Company on the Option Terms.
- 18.2 Subject to the passing of the Shareholder Resolution WM may at its absolute discretion exercise some or all of the Options at any time up to and including the day which is 6 months after the date on which the Options are issued to WM.
- 18.3 The Options will be held subject to and on the Option Terms.


19. RIGHTS ISSUE

- 19.1 The Company must make a 1 for 4 rights issue at a price of 8 cents per share, or such other price as may be agreed between the Parties, as soon as practicable after the execution of this Deed, but in any event by lodging a disclosure document with ASIC no later than 28 February 2009, unless the Parties subsequently agree otherwise.




Executed as a deed at the date of this Deed

Executed as a deed by
INTERNATIONAL BASE METALS LTD)
(ACN 100 373 635))
in accordance with Section 127(1) of
the Corporations Act)




Signature
Director
KENNETH JOHN MAIDEN
Name of authorised person

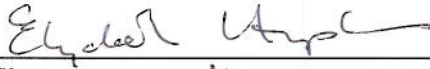


Signature
Director/Secretary
STEPHEN EDWARDS BLACKMAN
Name of authorised person

Executed as a deed by ALAN JOHN HUMPHRIS for and on behalf of:
WEST MINERALS PTY LTD)
(ACN 122 524 010), he being duly authorized thereto by a resolution of
~~in accordance with Section 127(1) of the~~ board of directors in the presence of
~~the Corporations Act~~)



Signature
Director
ALAN JOHN HUMPHRIS
Name of authorised person



Signature of witness
Director/Secretary
ELIZABETH ANN HUMPHRIS
Name of ~~authorised person~~ witness

Address of witness: "Yarilla", 7 Lempriere Avenue
Mount Martha VIC 3934

Occupation of witness: Home duties

SCHEDULE 1
NOTICE OF CONVERSION OF LOAN

To: **INTERNATIONAL BASE METALS LTD** (ACN 100 373 635)

West Minerals Pty Ltd (ACN 122 524 010) gives notice of the exercise of its right to convert [*insert the \$ amount of that part of the Principal Money to be converted*] of the Loan into fully paid ordinary shares in the capital of the Company.

Dated: _____

Executed by _____)
West Minerals Pty Ltd)
(ACN 122 524 010))
in accordance with Section 127(1) of)
the Corporations Act)

Signature
Director

Signature
Director/Secretary

Name of authorised person

Name of authorised person



SCHEDULE 2

NOTICE OF REPAYMENT OF LOAN BY WM

To: **INTERNATIONAL BASE METALS LTD** (ACN 100 373 635)

West Minerals Pty Ltd (ACN 122 524 010) gives notice of the exercise of its right to require repayment of [*insert \$ amount of the Loan to be repaid*] of the Loan.

Dated: _____

Executed as a Deed by)
West Minerals Pty Ltd)
(ACN 122 524 010))
in accordance with Section 127(1) of)
the Corporations Act)

Signature
Director

Signature
Director/Secretary

Name of authorised person

Name of authorised person

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SCHEDULE 3
OPTION TERMS

Entitlement

Each Option entitles the Option holder to acquire by way of issue, one Share

Issue price

No amount is payable on issue of an Option

Exercise of Options

Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder, accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.

Option Exercise Price

The exercise price of each outstanding Option is 8 cents per Share, or the issue price per Share of Shares in the Rights Issue, or the issue price of any other Shares issued or agreed to be issued during the Option Period, whichever is the lowest price, unless the Company raises less than \$500,000 equity from other sources during the Option Period, in which event the exercise price per Option is 5 cents per Share.

Option Period

Each Option may be exercised at any time during the period commencing on the date off issue and ending at 5.00 pm, Sydney, Australia time on the day which is 6 months after that date.

New Issues

An Option holder is required to exercise an Option in order to participate in a new pro rata issue of Shares made by the Company. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company to enable them to exercise their options and to participate in the new issue.

Reorganisation

In the event of a reorganisation, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules.

Holding Statement

A holding statement will be issued for the Options.



(Option Terms Continued)

Share Allotment

Shares issued and allotted pursuant to the exercise of Options will be issued and allotted not more than 5 business days after the receipt by the Company of an executed notice of exercise and the funds representing the Exercise Price for each Option being exercised.

Shares Rank Equally

Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.

Transfer

The Options are transferable.

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SCHEDULE 4
CHARGE
(Attached)

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