

# INTERNATIONAL BASE METALS LIMITED

## QUARTERLY ACTIVITIES REPORT – END MARCH 2011

### HIGHLIGHTS

#### Corporate

- The minimum subscription level under the prospectus IPO was not reached and the prospectus was withdrawn in January 2011.
- Sydney corporate overheads were reduced by reducing staff and transferring others to Zamia.
- A work programme comprising an exploration budget of \$10.1 million was developed to test the extent of potential resource expansion.
- A corporate advisor was appointed.
- A number of investment proposals from potential JV partners, reverse listing and other investment options were investigated. Alternative ways to list the Company continue to be monitored.
- Three workshops were held with employees in Namibia and Sydney towards the establishment of a Vision, Mission and a common set of Values for IBML.

#### Exploration Projects

- Low cost surface exploration activities (soil sampling, pitting, hand auger drilling, ground magnetics and geological mapping) were undertaken at Omitiomire, Steinhausen and the Kalahari Copperbelt Projects.
- Progress was made on the bulk sample pit at Omitiomire.
- Namibia, including our project areas, had significantly higher than normal rainfall during the quarter. Advanced exploration, such as drilling, was not scheduled during the quarter but would have been impossible in the conditions.
- Drilling activities are scheduled to resume in May.

## **CORPORATE**

### **Initial Public Offering ('IPO')**

- The minimum subscription level under the prospectus IPO was not reached and the prospectus was withdrawn during January 2011.
- IPO funds raised were refunded in full to investors.
- Alternative ways to list the Company continue to be monitored.

### **Conserve Cash**

Given the uncertainty following the prospectus withdrawal it was decided to stop all drilling activities and to focus on low cost exploration until further funds are raised. Sydney corporate overheads were reduced by reducing IBML staff. Three staff resigned and two others were transferred to Zamia but are still available to IBML at an hourly rate.

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

Following the withdrawal of the prospectus, a new work programme was developed by Craton (100% IBML owned) to achieve the following:

- Test the resource upside.
- Complete the work required for a Mining Licence application at Omitiomire.
- Stop non-essential activities and scale back operations.

This work will not deliver a bankable feasibility study and no in-fill drilling will be done under this \$10.1 million budget. The work is focused at identifying targets for future resource expansion.

### **Fund raising**

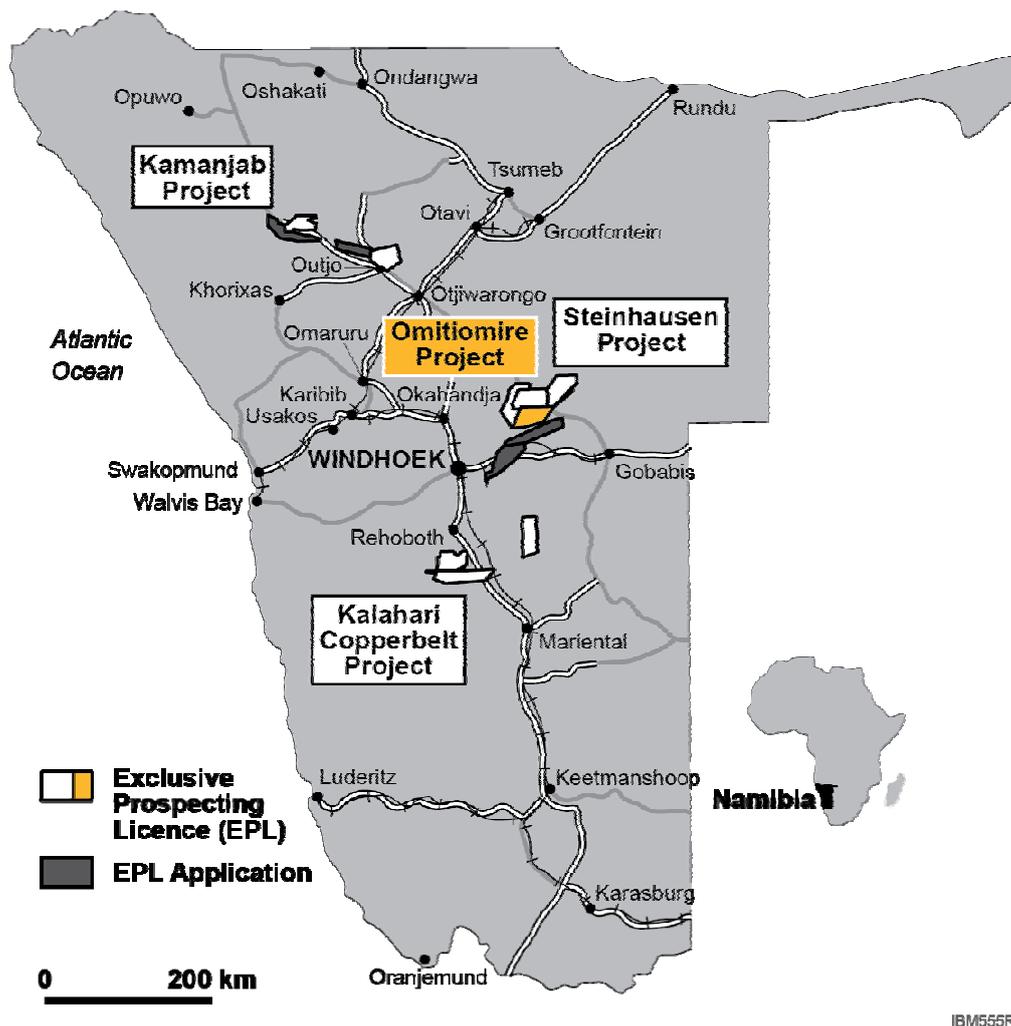
The current strategy is to raise private equity to fund resource expansion while, in parallel, investigating other investment options in order to facilitate a RTO or IPO listing.

- The resource expansion strategy requires \$10.1 million to be raised and this is planned over two private equity subscriptions of about \$5 million each.
- A subscription agreement for the first \$5 million, at 15 cents per share, has been issued to potential investors and commitments amounting to \$3 million have been received to date.
- Optimum Capital ([www.optimumcapital.com.au](http://www.optimumcapital.com.au)) was appointed as corporate advisor to IBML to assist with formulating a strategy and to assist with the evaluation of a number of investment proposals.
- Keith, Bayley, Rogers & Co ([www.kbrl.co.uk](http://www.kbrl.co.uk)) was appointed to assist in raising the balance of required private equity funds. A roadshow in London is scheduled for 9 – 13 May 2011.
- The use of a converting note to raise funds linked to either an RTO or small IPO/listing is currently under discussion.
- A number of confidentiality agreements were signed with potential JV partners who expressed an interest, at project level, in exploration in Namibia.

During the quarter, preliminary discussions were also held with investors and JV partners who had expressed interest in funding in-fill drilling and a bankable feasibility study (\$15 – 20 million). If this occurred, this work would not detract from the resource extension programme but would be additional to it.

## IBML Vision, Mission and Values

- Three workshops were held with employees in Namibia and Sydney towards the establishment of a Vision, Mission and a common set of Values for IBML.
- Defining the Mission will ensure that there is a common understanding and goal to work towards.
- Establishing the company's Vision will help direct IBML's business strategy and adapt to challenges and opportunities in the future.
- Values will form the foundation of the company's management style as well as guiding our employees as they work towards achieving our Vision.

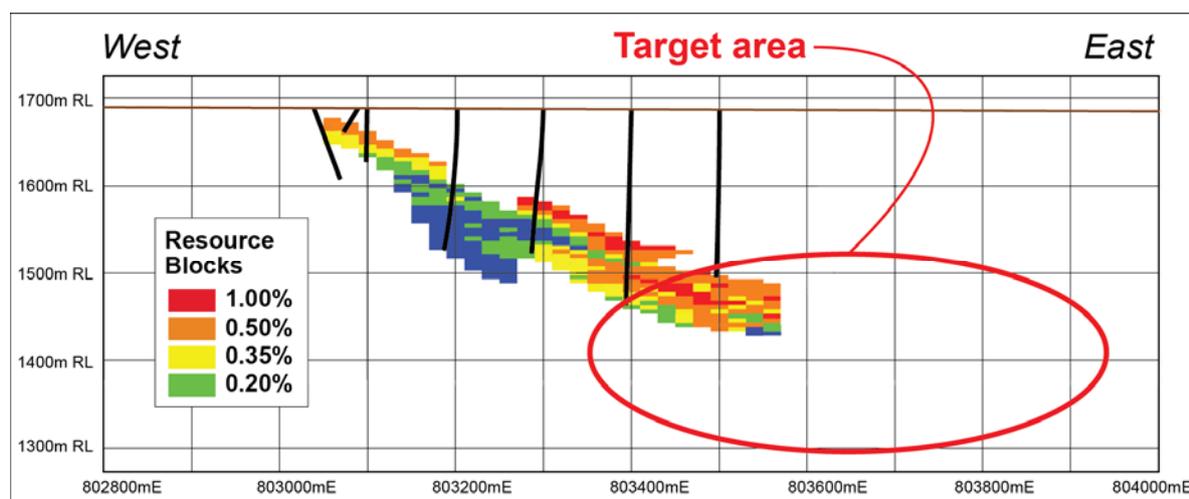


Map of Namibia showing Craton's exploration tenements and applications

# OMITIOMIRE COPPER PROJECT

## Company Strategy

As noted previously, the Company's drilling strategy is now to focus on a resource increase, with a target of a minimum of 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.



*Omitiomire: Resource cross section showing down-dip target*

In addition, close to Omitiomire, there are several areas of known shallow copper which have not yet been adequately assessed, and numerous untested geochemical anomalies.

The Company will also proceed with work required to lodge a Mining Licence application, in particular:

- (a) a social and environmental impact assessment; and
- (b) a mining and processing plan.

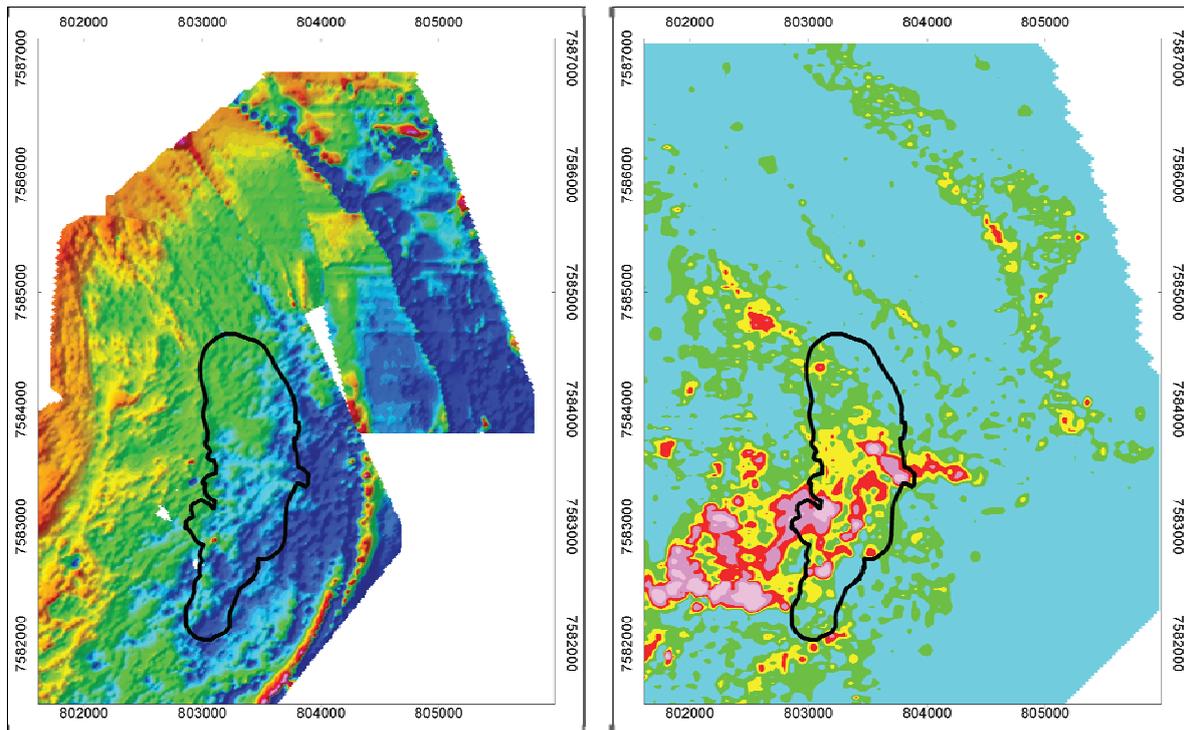
## Work During the Quarter

**Bulk sampling:** Progress on the box-cut has been slow as a result of the exceptionally heavy rain.

**Social and environmental impact assessment (SEIA):** Groundwater, dust and the weather station monitoring continued. During the wet weather, water flow in the Black Nossob River was monitored for planning the river diversion.

**Soil geochemistry:** Regional scale (400m x 400m grid) and detailed (100m x 100m grid) soil sampling continued. A 500m copper-in-soil anomaly was identified on the farm Waaihoek.

**Ground magnetic survey:** Craton's magnetometer and field team are now fully functional and producing useful information to assist with geological interpretation and target identification and prioritisation.



*Omitiomire: Magnetic image (left) compared with soil geochemical image (right).  
The dark outline shows the pre-feasibility study planned pit*

## Planned Future Work

Work scheduled for the next quarter includes:

- Further soil geochemistry, geological mapping and ground magnetic surveys.
- SEIA: Groundwater monitoring boreholes and detailed groundwater studies.
- Completion of the bulk oxide sample box-cut.
- Commencement of drilling to extend the resource to the northeast.
- Commencement of shallow drilling on near-surface targets.

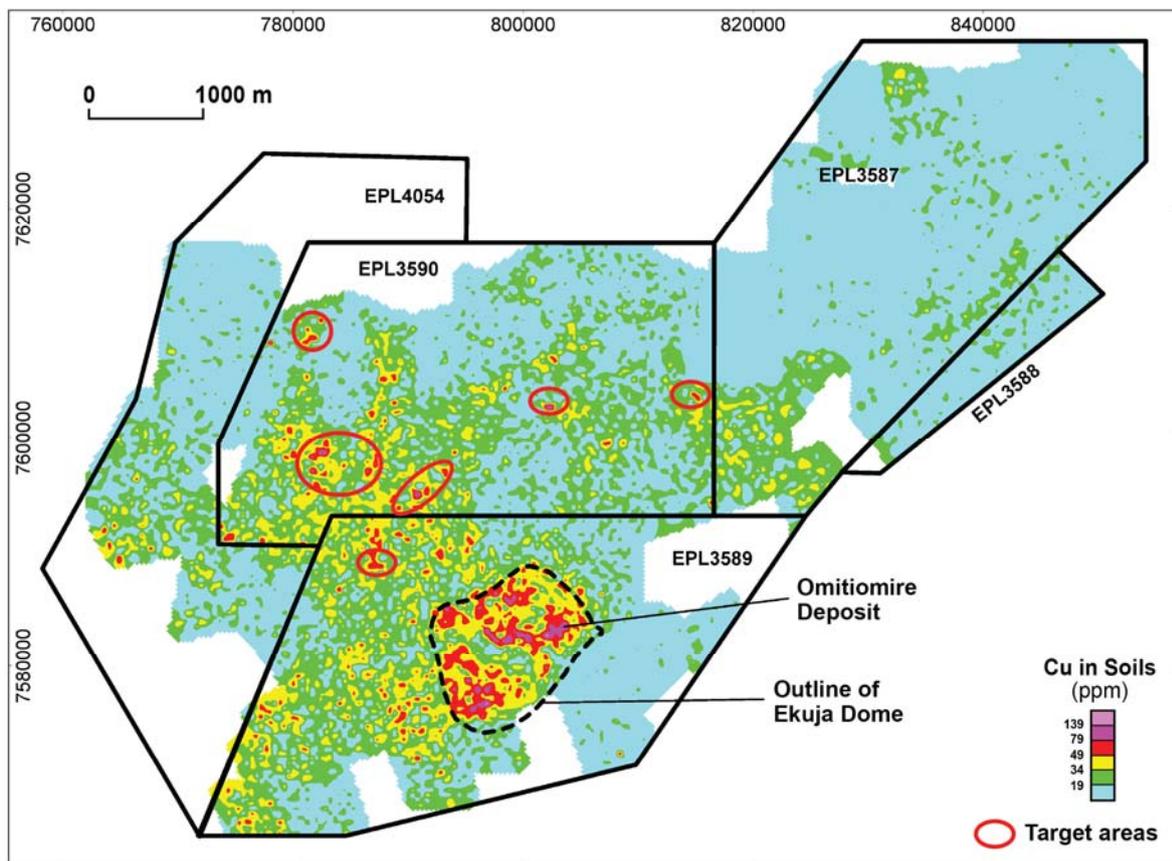
## OTHER EXPLORATION PROJECTS IN NAMIBIA

### Steinhausen Project

Soil geochemistry and geological mapping have continued, supported now by ground magnetic traverses. Progress has been slower than anticipated due to heavy rain. Over 3,000 soil samples were collected and analysed during the quarter.



*Exploration has been slower than normal due to difficult access following heavy rain*



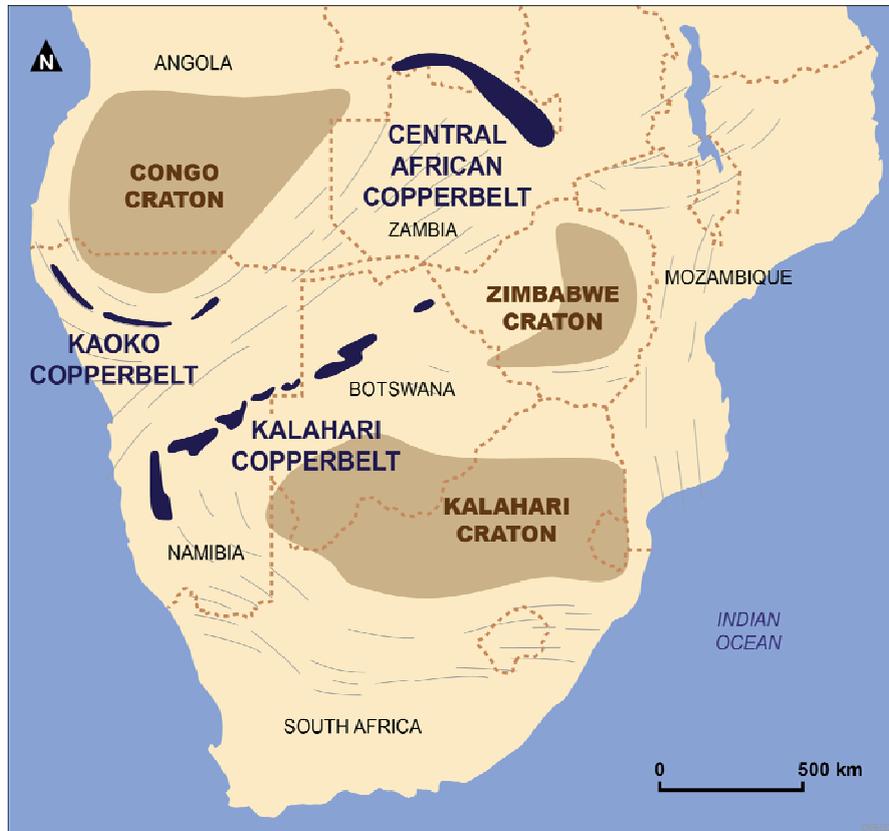
*Steinhausen Project: Copper-in-soils, showing target areas*

To date, six target areas have been identified for detailed follow-up exploration, which will include:

- Detailed soil geochemistry, geological mapping and ground magnetic surveys of selected target areas.
- Lithological and structural interpretation of target areas.
- Negotiating access agreements for drilling.

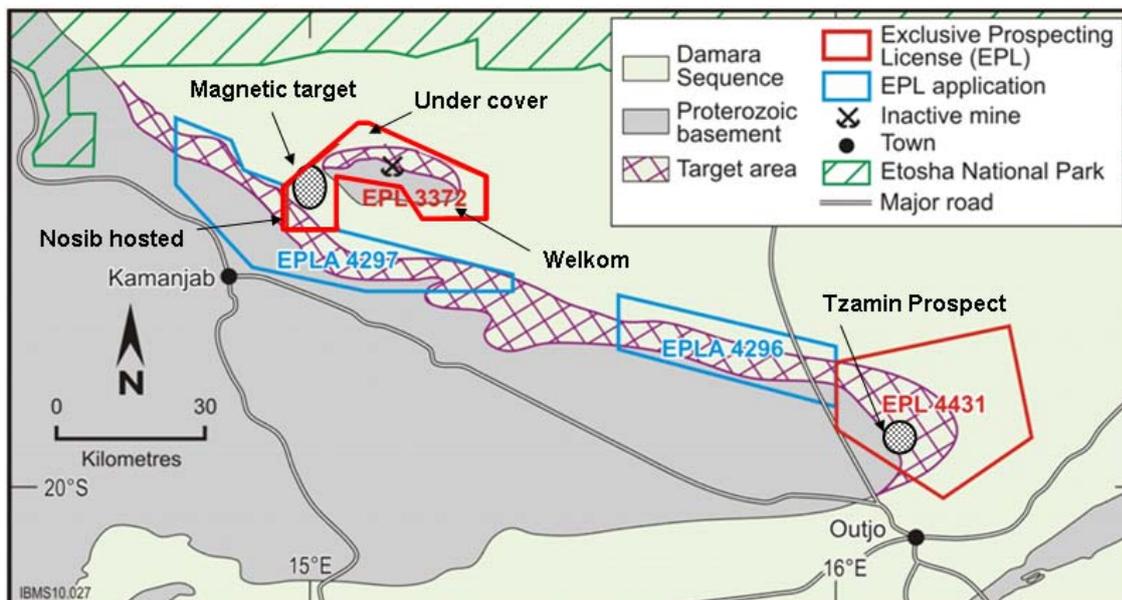
## Kamanjab Project

The Kamanjab project area is part of an emerging copper province, the Kaoko Copperbelt, of the same age and the same style of copper as the Central African Copperbelt.



*The Central African Copperbelt extends southwest to form the Kalahari Copperbelt in Botswana and Namibia and the emerging Kaoko Copperbelt in northern Namibia*

The exploration target is stratabound copper in sedimentary rocks of the Damara Sequence, where these strata onlap onto older “basement” rocks.



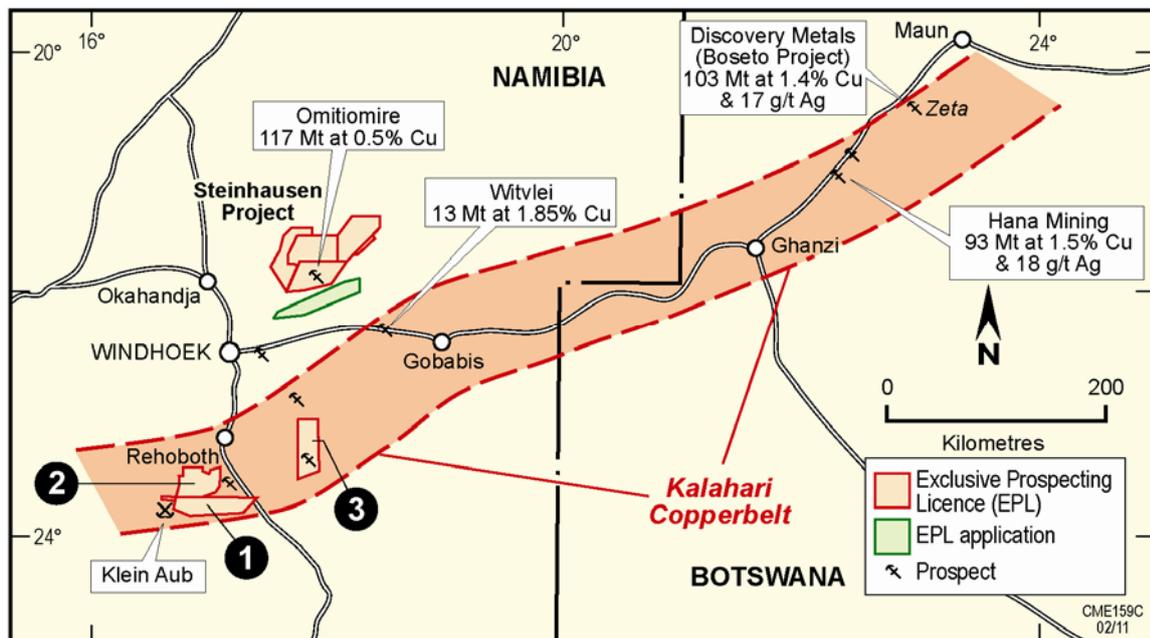
*Kamanjab Project: Location of licences and prospects*

EPL 3372 Kopermyn: The Ministry has issued the third renewal of the licence. Four target areas have been identified for follow-up exploration.

EPL 4431 Tzamin: A literature review and a site visit have been carried out. Craton plans the following programme: (a) 100m x 100m soil sampling, termite hill sampling and testing Mopani leaf sampling; and (b) reconnaissance geological mapping.

## Kalahari Copperbelt Project

Craton holds three EPLs in this highly prospective mineral province.



*The Kalahari Copperbelt, showing Craton's exploration tenements.*

*1 = EPL 3584; 2 = EPL 4039; 3 = EPL 4055*

EPL 3584 Rehoboth South: A comprehensive report on exploration to date has been completed. The report identified and prioritises 20 target areas. The high priority Groendoorn B target contains high grade copper-silver (max. 7.1% Cu and 253 ppm Ag) in surface samples in target units up to 5m thick.

Craton plans (a) detailed mapping and ground magnetics over the 20 targets; (b) drill planning and negotiation of access agreements for drilling; and (c) continued regional assessment.



*Sampling in EPL 3584*



*Mineralised zone possibly up to 5m thick at Kalfrivier South B Grid*

EPL 4039 Nomeib: A report and application for licence renewal report was submitted to the Ministry. The tenement area is to be reduced by the prescribed 25%.

Geological mapping and soil geochemical surveys are continuing. To date, Craton has collected 1861 soil samples on a 400m x 400m grid and 6151 samples on 100m x 100m or 50m x 50m grids. Six targets have been identified for follow-up detailed exploration.

Regional reconnaissance has identified several additional targets, including shallow pits and trenches, dating from exploration in the 1970's or earlier.

Follow-up exploration will include detailed soil geochemistry, geological mapping and ground magnetic surveys to identify drill targets.

EPL 4055 Sib: Extensive soil, calcrete and gravel cover make this a difficult exploration environment. Craton's exploration approach is to dig a series of shallow pits and tranches to assist with geological mapping and interpretation of soil geochemistry. To date, some 153 pits have been dug. Meanwhile, soil geochemical surveys are continuing; 2778 soil samples were collected during the quarter. So far, this work has identified two areas of copper-in-soil geochemical anomalies for detailed follow-up exploration.

Planned follow-up work:

- Completion of regional-scale 400m x 400m soil sampling grid over the central parts of the EPL;
- Detailed follow-up soil sampling;
- Ground magnetic surveys;
- Reverse circulation ('RC') drilling on known mineralised area.

## **AUSTRALIAN EXPLORATION PROJECTS**

### **Maranoa Resources Pty Ltd**

IBML through its wholly owned subsidiary Maranoa Resources Pty Ltd, holds two Exploration Permits for Minerals EPM 14260 and 14261, in the Maranoa district of southern Queensland. Maranoa has previously carried out high resolution aeromagnetic surveying, geochemical sampling and reconnaissance mapping over target areas. Further work on these tenements is planned to be carried out over the next six months with the aim of attracting joint venture interest.

### **AuriCula Mines Pty Ltd**

In the Cobar district of NSW, IBML through its wholly owned subsidiary AuriCula Mines Pty Ltd, is in joint venture with Cobar Management Pty Ltd (CMPL) over Exploration Licence (EL) 6223 at Shuttleton and also with a third party, Actway Pty Ltd over the Mt Hope tenements, EL 6907 and 6868. The projects are managed by CMPL and a review of exploration results and management arrangements will be carried out in the next quarter.