

INTERNATIONAL BASE METALS LIMITED ('IBML')

QUARTERLY ACTIVITIES REPORT – 30 June 2016

OCCUPATIONAL HEALTH AND SAFETY

There were no lost-time or injury incidents during the Quarter.

CORPORATE ACTIVITIES

Investment in Macquarie Gold Limited

For more than a year, IBML has been seeking an appropriate acquisition or investment opportunity. This process has involved assessment of numerous gold and copper projects.

After considerable discussion with Macquarie Gold Limited, to agree the outline of commercial terms, IBML carried out a comprehensive legal and technical Due Diligence review of Macquarie Gold's Adelong Gold Project in southern New South Wales.

The Adelong project area contains more than 30 old gold mines, mainly dating from the second half of the 19th century. The old mines are arrayed along several lines of reefs. The reefs are generally around 1m in thickness, but swell out to 10m or more in places. The old mines were developed on high grade (+30 g/t Au) portions of the reefs; lower grade areas were not mined. Total gold production from the Adelong goldfield is recorded as around 930,000 oz, of which about 60% was from alluvial deposits.

Exploration by several companies since the 1980s has identified resources at two mines, Challenger and Currajong. The Challenger deposit, slated for early development by Macquarie Gold, has a resource of 89,000 oz, of which 77% is in the Measured and Indicated categories. The company is planning underground mine development from an existing adit into the deposit.

Macquarie Gold has been constructing facilities capable of handling 100,000 tonnes of ore per annum and producing gold at a rate of 12,000 oz to 15,000 oz per year. Production may commence as soon as September 2016.

There is significant upside resource potential in the Challenger and Currajong deposits and other known gold-bearing reefs within the company's mining and exploration tenements. Mine and plant expansions can be implemented if expansion of production is required. Additional resource targets will be the subject of exploration once Challenger Mine has started generating cash flow.

MGL is preparing for a listing on the Australian Securities Exchange (ASX code: MQX).

As announced on the IBML website on 30th June 2016, IBML will invest \$10 million for new shares in Macquarie Gold representing 40% of the total issued capital. The agreement also includes:

- Non-dilution rights for the IBML shareholding at IBML's discretion;
- An Option parity agreement in place with existing shareholders;
- The Macquarie Gold board to have two directors appointed by IBML;
- IBML will liaise with Macquarie Gold in appointing a CEO.

Subsequent to the announcement of the subscription agreement, IBML has nominated Hugh Thomas and Yang Aidong to the Board of Macquarie Gold and has approved Jordan Li's appointment as CEO of the company. Mr Thomas is the Chairman of IBML; Mr Yang is IBML's mining consultant; and Mr Li is IBML's General Manager – Commercial.

Proposed ASX Listing of IBML

The Company has received preliminary advice from its legal advisors on issues to be considered in preparing for an IPO.

CRATON MINING & EXPLORATION (PTY) LTD ('CRATON')

Craton Corporate Activities

Craton Board: The Board met on 19th April (informal) and 9th June.

Cost cutting: As previously reported, Craton is continuing to cut costs. During the quarter, Craton consolidated its office facilities and vacated its warehouse storage facilities.

Omitiomire Copper Project

Mining Licence (ML197): As previously reported, Craton received a Preparedness to Grant letter, dated 8th February, from the Namibian Ministry for Mines and Energy (MME). Craton accepted the additional terms and conditions requested by the MME and is awaiting grant of the title.

Surface access: There has been no progress in negotiating access to the farm Omitiomire with Oehl Trust, the executor of the estate of the late Lida Steyn. Craton has submitted a notice of request to the Minerals Ancillary Rights Commission (MARC) for its case to be added to the hearing roll scheduled for August 2016.

Namibian Exploration

Exploration tenements

- EPL 3589 and EPL 4150: Preparedness to Grant renewals were received from the MME.
- EPL4151: The final (relinquishment) report was submitted to the MME.

Field activities: Low cost field activities (a ground magnetic survey) continued in EPL 3589.

Craton Foundation

The Craton Foundation continued its community activities by donating footwear to residents of the Katutura Old Age Home.