



*"West of Mt Isa" by John Barrack (with kind permission of the artist)*

## **Annual Report 2007**



*Namibian Landscape*

The Company's Annual General Meeting will be held on 20 December 2007 at 9.00 am AEST. The meeting will be held at Level 4, 72 Pitt Street Sydney NSW 2000 Australia.

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International Base Metals Limited  
Annual Report  
2007

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*"Exploration Success through Global Experience"*

## Introduction to IBML

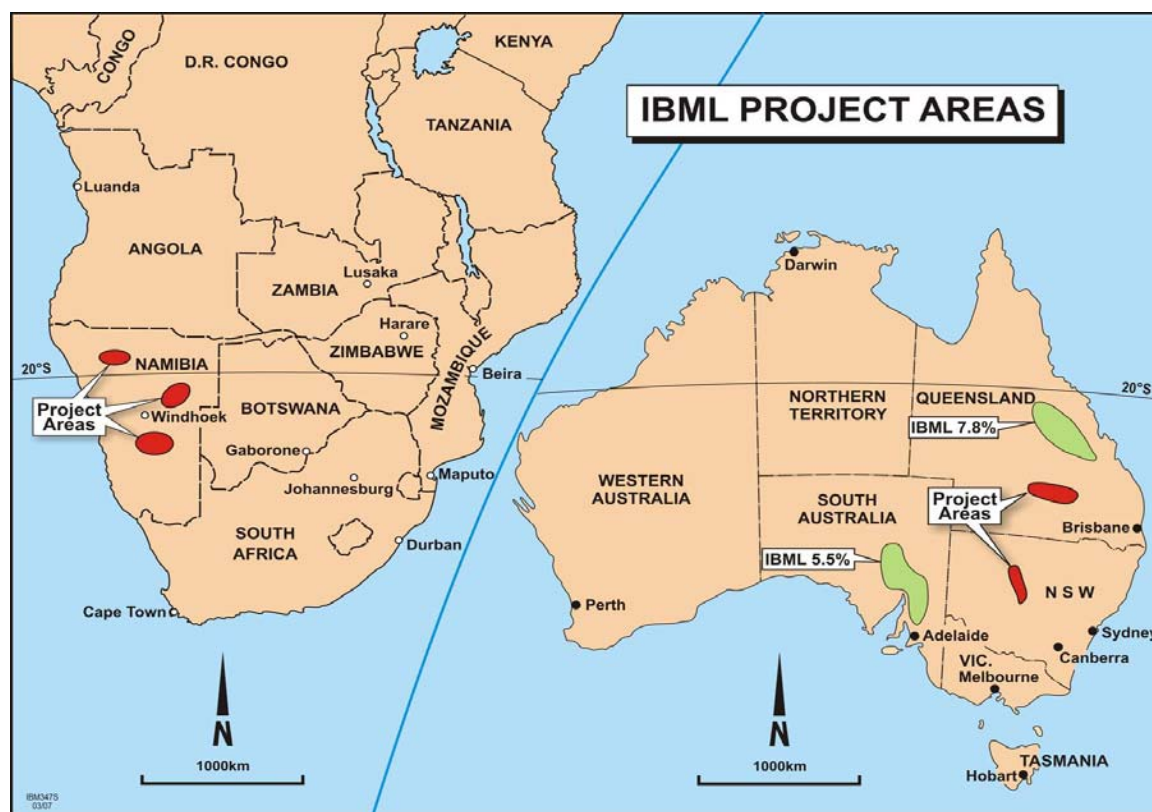
International Base Metals Limited ( "IBML" ) is an Australian-based, unlisted international mineral exploration company with a small management team of mining industry professionals. A basic tenet of the Company has been to add material value to its shareholders.

The Company has successfully listed two companies in the past eighteen months - Copper Range Limited ( "CRJ" ) and Zamia Gold Mines Limited ( "ZGM" ) - on the Australian Securities Exchange ( "ASX" ) and shared that success with the Company's shareholders through an *in specie* distribution of shares with IBML retaining a small equity position in each of the companies. Earlier it provided shareholders with listed stock in CopperCo Limited, which has recently started production after less than four years from the IBML discovery.

IBML has continued to build a portfolio of mineral exploration tenements in specific regions in Australia - the Maranoa district in southern Queensland, the Cobar district in New South Wales and very recently the Georgetown district in northern Queensland.

Over the past year, IBML has expanded internationally and now has an extensive exploration portfolio in three regions of Namibia. This initiative has provided the Company with **Omitiomire** as an advanced copper exploration project with potential for discovery of a substantial resource. IBML has launched a major drilling programme and initiated a scoping study into a possible development.

IBML intends to seek a stock exchange listing based on the commercial outcome of the scoping study.



## Highlights

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In the year ended 30 June 2007 IBML has:

- Supported the "Loyalty" Option Issue of CRJ in September
- Launched the ZGM A\$4 million IPO Prospectus in November
- Secured a cornerstone investment of A\$2 million in December
- Listed ZGM on the ASX in January
- Secured three joint ventures in Namibia in February
- Acquired a further tenement in Namibia in March
- Started work in Namibia in May
- Supported the "Loyalty" Option Issue of ZGM in May/June

Subsequent to year end the pace has accelerated:

- Namibian office formed in July
- Flown aeromagnetic and radiometric survey at Maranoa in July/August
- Drilling started in Namibia in August
- A subsidiary of Glencore International Limited ( "Glencore" ) earned a 70% interest in the Shuttleton tenements in September
- Administered the CRJ Options exercise in September
- Issued a Prospectus to raise further funds via an Entitlements Issue to shareholders and a Placement to sophisticated investors in October
- Glencore earned a 90% interest in the Shuttleton tenements in November
- Diamond drilling in Namibia in November

## Chairman's Letter

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Dear Shareholders,

It is with great pleasure that I present this fifth annual report of the Company. It has been undoubtedly the busiest year yet as you have just read in the Highlights. The capital injection from the Western Mining Group of Qinghai in China in December 2006 has been crucial to funding the current development initiatives of the Company.

In early 2007, following the listing of Zamia Gold Mines Limited on the Australian Securities Exchange, where IBML shareholders received an *in specie* distribution, the Company moved to build an international base looking for advanced projects.

In February 2007, IBML agreed to the terms of three joint venture agreements over 7,000 km<sup>2</sup> in Namibia.

Namibia offers a number of advantages to IBML:

- Politically stable and internationally recognised as having low political risk
- Well developed mining industry based on world-class deposits of diamonds and uranium
- Geologically favourable base metal trends with potential for discovery of large deposits
- Under-explored, with no significant base metal exploration since the 1970s
- Good infrastructure - roads, power, water, telecommunications, etc
- Good government systems and an effective bureaucracy
- Effective mining and taxation legislation
- Full convertibility for foreign investment
- Good exploration support, such as reports on previous exploration, geological maps, regional geophysical coverage, tenement maps and digital data

Namibian prospecting licences were issued in late April 2007 and ground work started immediately. By November 2007, IBML's Namibian subsidiary, Craton Mining & Exploration (Pty) Ltd, had completed extensive geophysical surveys at its flagship **Omitiomire** copper prospect and completed over 53 reverse circulation drill holes. Elsewhere in Namibia, the Company's geological staff has dramatically upgraded the attraction of a number of prospects. The Company has increased its exploration tenement holding in Namibia to over 30,000 km<sup>2</sup>.

In Australia, Glencore International Limited has recently reported very encouraging exploration results from its Joint Venture with IBML's subsidiary, AuriCula Mines Pty Ltd, over the Shuttleton copper-gold prospect, with the strong possibility that a deposit could be developed in the near to medium term. In addition, the Company has flown the long-awaited airborne magnetic and radiometric survey over the Maranoa region and the results are currently being interpreted.

In recent weeks, the Company has successfully undertaken a major capital raising - the largest in the Company's history - via an Entitlements Issue to shareholders and a Placement to new shareholders.

The Company mandated Carmichael Capital Markets Pty Limited which has introduced several significant institutional resource investors to the Company's register and managed the Entitlements Issue and Placement with great success. The capital raised will enable the Company to advance to its next phase of growth - to become a project developer rather than a pure exploration play.

All this activity was achieved with an expanded technical and administrative team whose dedication and commitment has been vital and is very gratefully acknowledged by Directors, as they have added significant value to shareholders wealth under extreme time pressures.

Yours sincerely

A handwritten signature in black ink that reads "Stephen Blackman". The signature is written in a cursive, flowing style.

**Stephen E Blackman**  
Chairman  
26 November 2007

## Company Objectives

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IBML aims to be a sustainable base metal exploration, development, and mining company.

The Company's corporate objectives are:

- Develop a strategic tenement position in geologically favourable regions
- Build an asset base which will deliver cash flow from operations within five years
- Concentrate on activities where the Company can excel and add value for shareholders
- Create a company structure which can evolve as the Company expands from exploration through development to mining
- Ensure all operations meet industry standards for occupational health and safety, and social and environmental responsibility
- Increase the value of shares and to ensure above-average returns to shareholders

The Company's objectives during the Financial Year ( "FY" ) 2007/2008 are the following:

- Raise sufficient funds, via an Initial Public Offering ( "IPO" ), to complete a bankable feasibility study on the **Omitiomire** copper project
- Establish a formal arrangement with Qinghai West Resources Co Ltd with a view to building a series of joint interests internationally
- Continue to build a project generation pipeline, including but not limited to, the new wholly owned subsidiary Endolithic Resources Pty Ltd ( "Endolithic" ).



#### In Namibia:

- Earn a majority interest in each of the joint ventures in Namibia
- At the **Omitiomire** copper prospect: Confirm a resource (to Inferred and partly Indicated status) of a minimum of 30 million tonnes at 0.7% copper ( "Cu" )
- At the **Omitiomire** copper prospect: Complete a detailed scoping study including a metallurgical testing programme
- In the **Kalahari Copperbelt** project area: Assess known copper prospects and the potential for other copper discoveries
- In the **Kopermyrn** project area: Determine the potential for significant porphyry copper mineralisation
- Evaluate additional Prospecting Licences that provide synergy with current project areas

#### In Australia:

- In the **Maranoa** project area in southern Queensland, evaluate the recently-acquired aeromagnetic and radiometric data and define and prioritise drill targets
- Further examine the potential of the **Mount Manganese** cobalt prospect (located within the **Mount Tabor** tenement area) in the **Maranoa** project area and explore for additional resources
- In the AuriCula Mines tenements in the Cobar district of NSW: Maintain a contributing 10% interest in the **Shuttleton** project in view of its near term development potential and monitor Glencore's exploration initiatives in the **Mt Hope** prospect as they progressively earn an interest in this Joint Venture
- Assess opportunities identified by the Company's project generation activities and, if warranted, to secure exploration tenements through applications or Joint Ventures

## Company Structure & Investments

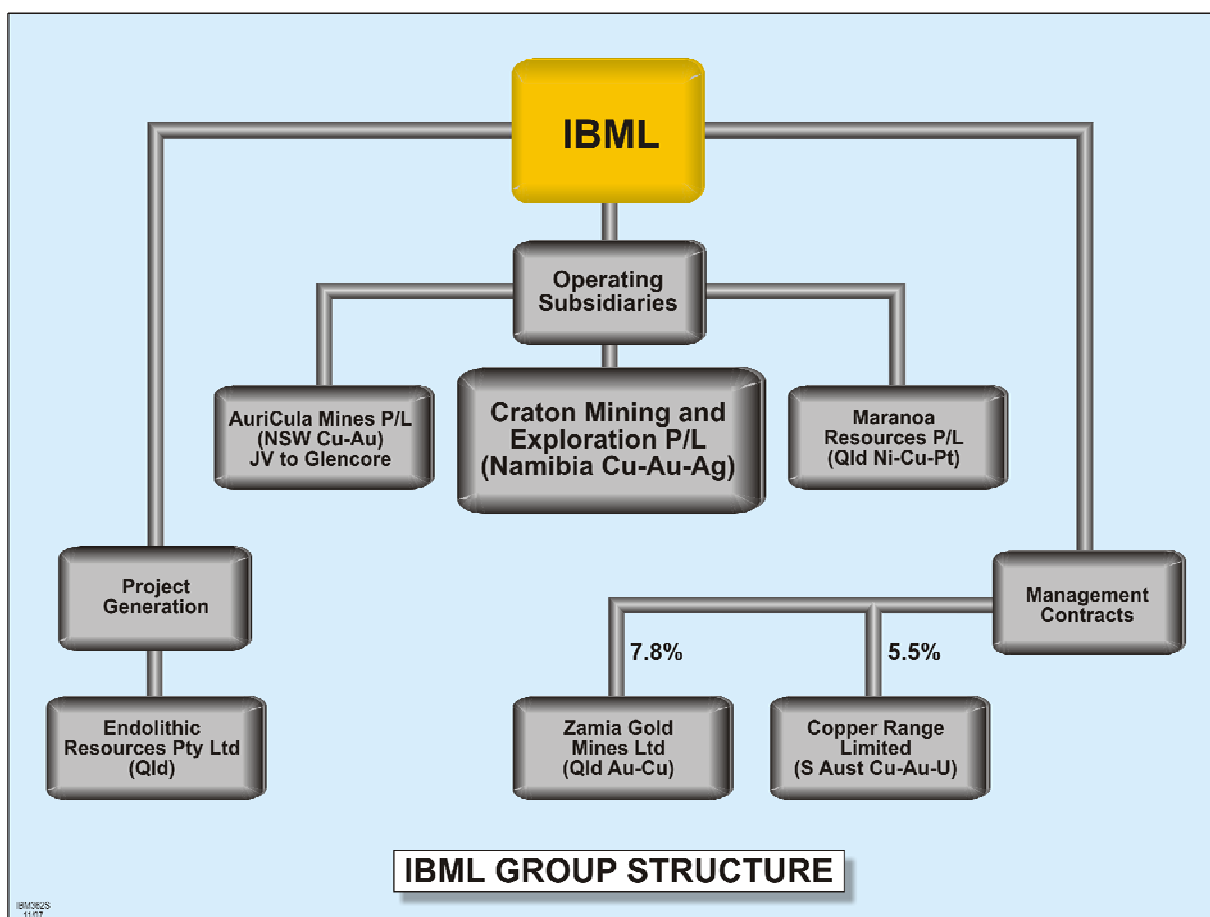
To facilitate future funding, IBML has formed a number of subsidiary companies to hold its projects in its target provinces.

Craton Mining and Exploration (Pty) Ltd ( "Craton" ) has been registered as IBML's wholly-owned operating subsidiary in Namibia.

The Australian assets in Maranoa Resources Pty Ltd ( "Maranoa" ) and AuriCula Mines Pty Ltd ( "AuriCula" ) are important parts of IBML's portfolio.

Subsequent to the end of FY 2006/2007, Endolithic Resources Pty Ltd ( "Endolithic" ) has been registered to hold new project concepts.

IBML retains investments in its former subsidiaries, Copper Range Limited ( "CRJ" ) and Zamia Gold Mines Limited ( "ZGM" ).



## Corporate Review

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### *Craton Mining & Exploration (Pty) Limited ("Craton")*

This is a Namibian private company which holds all the Company's Namibian interests.

These comprise of the following:

**Steinhausen Project** - Joint Venture ( "JV" ) covering five Exclusive Prospecting Licences ( "EPLs" ) totalling 4,179 km<sup>2</sup>.

**Kalahari Copperbelt Project** - JV covering two EPLs totalling 1,978 km<sup>2</sup> plus an acquired 100% owned tenement covering 73 km<sup>2</sup>.

**Kopermyn Project** - JV covering a single EPL of 856 km<sup>2</sup>.

All tenements are valid for base and precious metals and all have been granted.

The Company has recently been granted some 20,000 km<sup>2</sup> in three Exclusive Reconnaissance Licences ( "ERLs" ), which are valid for six months from the date of grant, and has one ERL application pending for some 3,000 km<sup>2</sup>. These cover prospective ground which is mainly adjacent to the existing tenements in the **Kopermyn** and **Kalahari Copperbelt** project areas, but also cover the old Oamites copper mine which the Canadian company Falconbridge Nickel sold in 1982 after operating for 10-years. The remaining ERL application is pending. The application adjoins the southern side of the **Steinhausen** project.

### *Maranoa Resources Pty Ltd ("Maranoa")*

In southern Queensland, IBML has established a tenement position covering a large geological province with potential for nickel-copper-platinum deposits. Success in this region could lead to the identification of a completely new nickel province. The potential upside of this conceptual play is very significant. In addition, the tenements contain an identified cobalt resource. There is also potential for uranium and other base and precious metals in the region.

### *AuriCula Mines Pty Ltd ("AuriCula")*

The Cobar district of New South Wales is an established copper and gold mining area. The Company has built an asset base in the district covering historic copper mines plus known copper and gold prospects. While maintaining the Company's earlier assessment that the Cobar district offers the opportunity to build a regional base for production of both gold and copper, the Company has joint ventured the total tenement package to Australian subsidiaries of Glencore which has a successful copper operation in Cobar. Recent results from Glencore's exploration activities has encouraged further work which may result in the development of a small operation as a feed source to Glencore's CSA Mine operation.

## *Investments*

### *Copper Range Limited ( "CRJ" )*

IBML holds 3,975,000 CRJ listed ordinary shares representing 5.5% of CRJ's issued capital. The current value of this investment is between A\$0.8 and A\$1.2 million. This investment is subject to a two year escrow period to 6 June 2008.

CRJ is focussed on copper-gold provinces in South Australia – some 2,900 km<sup>2</sup> in the **Olympic Domain** (also called the Stuart Shelf) and some 13,300 km<sup>2</sup> in the **Adelaide Fold Belt** (also colloquially known as the Flinders Ranges).

### *Zamia Gold Mines Limited ( "ZGM" )*

IBML holds 3,975,000 ZGM listed ordinary shares representing around 7.8% of ZGM's issued capital and 1,962,500 ZGM June 2009 listed options. The current value of this investment is between A\$0.5 and A\$0.7 million. These investments are subject to a two year escrow period to 10 January 2009.

ZGM is focussed on the existing and historic gold producing region of the Clermont district in central Queensland. ZGM has 11 Exploration Permits for Minerals ("EPMs" ), totalling some 2,700 km<sup>2</sup>, with potential for gold, copper and molybdenum, and is assessing other acquisition opportunities.

## *Looking Forward*

The Company's main focus is the advancement of the **Omitiomire** deposit in Namibia through a feasibility study to development.

Looking forward, we are seeking to grow the Company both in southern Africa and in Australia, through exploration success, JVs, mergers, and acquisitions. In addition to the current projects, IBML will pursue growth opportunities in countries that have political stability, an established mining code, and unfettered convertibility of currency, particularly where IBML has competitive advantage in the use of its personnel.

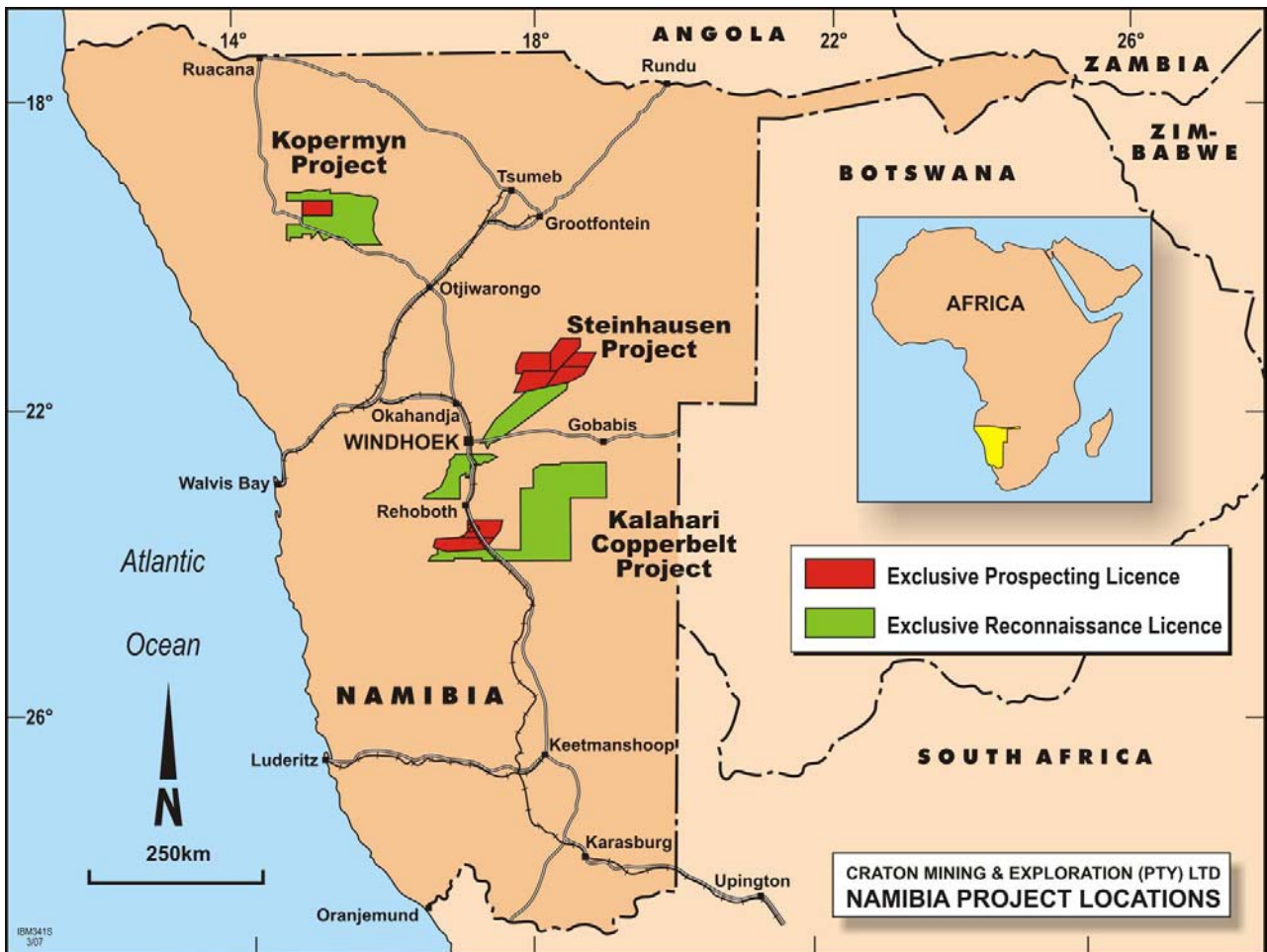
In assessing acquisition opportunities, IBML is focussing on the potential to acquire a critical mass of tenements, preferably with a range of advanced projects.

In each target region, it the Company's intention to develop the project portfolio to the stage where the Company has options as to whether the project portfolio can be separately listed or merged with another entity or sold.

## Projects Review

### CRATON

Craton is IBML's Namibian based exploration company. The figure below highlights the key project areas and the significant tenement position that Craton has built during the last nine months.



## Steinhausen Project

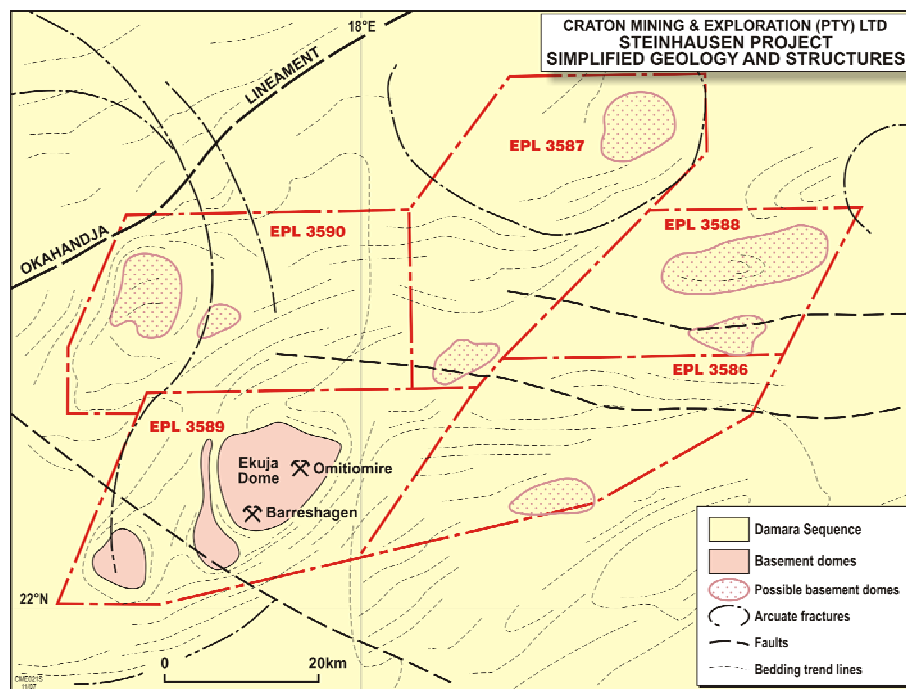
The Steinhausen project is located 150 km northeast of Windhoek in Namibia. During the 1980s and 1990s, a number of companies, notably Anglo American, conducted low level exploration activity, including some drilling, which identified copper mineralisation at the **Omitiomire** prospect. In 1999, Straits Resources Limited carried out a preliminary scoping study on the deposit.

IBML's re-assessment of the data shows potential for a large copper system. Although the copper grades intersected in previous drilling programmes are modest (generally < 1% Cu), at times of robust copper price such grades become very attractive.

As a result, IBML sees an excellent opportunity to define a substantial copper resource and to develop a significant copper operation. Steinhausen is IBML's flagship project.

## Tenement Situation

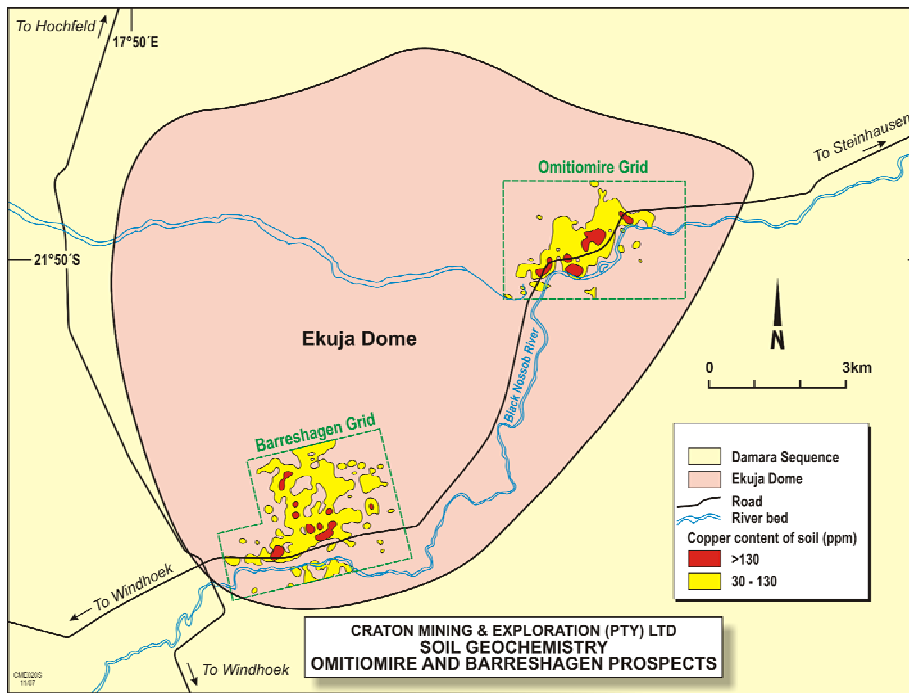
IBML has concluded a JV agreement with an unlisted BVI-registered company, Manica Minerals Pty Ltd ( "Manica" ) and its Namibian-registered subsidiary, Cheetah Minerals Exploration (Pty) Ltd ( "Cheetah" ), relating to five EPLs covering an area of 4,180 km<sup>2</sup>.



## Geology

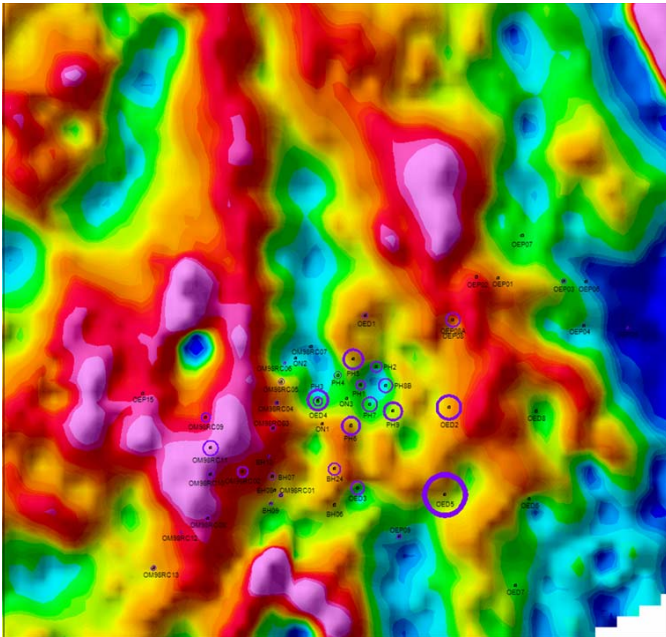
The prospecting licences cover a series of basement "domes" flanked by younger strata. A thin cover of Kalahari sand (up to 10m thick) largely obscures the underlying rocks.

Previous geochemical surveys over parts of the Ekuja Dome showed copper geochemical anomalies on the farms Omitiomire and Barreshagen.

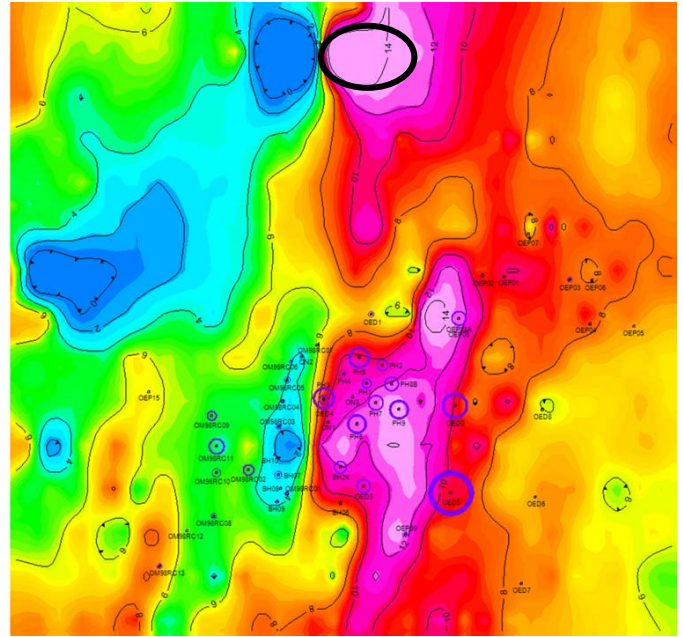


Previous drilling at **Omitiomire** focussed on an area of malachite-stained outcrops within the geochemically anomalous area. Drill holes, widely spaced in an area of 500 x 400m, showed a deposit which dips at a shallow to moderate angle to the east. Drill intersections are typically around 20m at 0.4 – 1.2% Cu, with the thickest intersection being 106m at 0.48% Cu. Most drill holes terminated in copper mineralisation.

The deposit is contained within biotite schist. During June 2007, IBML undertook a detailed magnetic survey which indicates that the copper bearing schist extends well beyond the area of previous drilling, providing a target at least 2 km in length. The magnetic data also indicates a distinct target zone about 1,300m west of the known deposit.



*June magnetic data indicating north south trends and earlier drilling*



*July Induced Polarisation ( "I.P." ) data indicating strong anomaly to the north and earlier drilling*

### **Resource Potential at Omitiomire**

In 1997, Sydney-based Hellman & Associates conducted a resource estimation which determined that the area around the previous drilling at Omitiomire as having the potential to host up to 27 million tonnes at 0.7% Cu (190,000 tonnes contained copper). It was noted that the deposit remained open in most directions.

Craton recently contracted Sydney-based Hellman & Schofield Pty Ltd ( "H&S" ) to collate and assess all previous drilling and also the 1999 scoping study completed by Straits Resources. This analysis concluded that there is good grade continuity between the widely spaced drill holes, with infill drilling needed for confirmation.

Within the limited area previously drilled, H&S derived a grade/tonnage curve which indicated potential for a resource of 14 million tonnes at 0.7% Cu at a cut-off grade of 4% Cu (98,000 tonnes contained copper). At a cut-off grade of 0.25% Cu, the potential resource expands to 20 million tonnes at 0.5% Cu.

H&S continues to advise Craton on resource estimation and has recently visited the site and approved the current drill programme. Following IBML's ground magnetic survey , the results suggest that the copper-bearing schist extends along strike for at least 2,000m. A recently-completed I.P. survey supports a northerly extension of the mineralisation. Assuming continuity of thickness and grade, this provides a target for a significantly larger resource at the **Omitiomire** prospect. The current drill programme, over an area of 1,400 x 800m will cover possible significant extensions of the existing resource.

Elsewhere in the Ekuja Dome there is known copper at the **Barreshagen** prospect. Geochemical surveys have not been extended to other parts of the Ekuja Dome or other domes in this large project area.



### *Pre IPO Exploration Programme*

At the **Steinhausen** project the Company's exploration target for FY 2007/2008 is to define an Inferred Resource of a minimum of 20 million tonnes at 0.7% Cu and to make a preliminary assessment of the technical and financial parameters for an eventual mining and copper operation at **Omitiomire**.



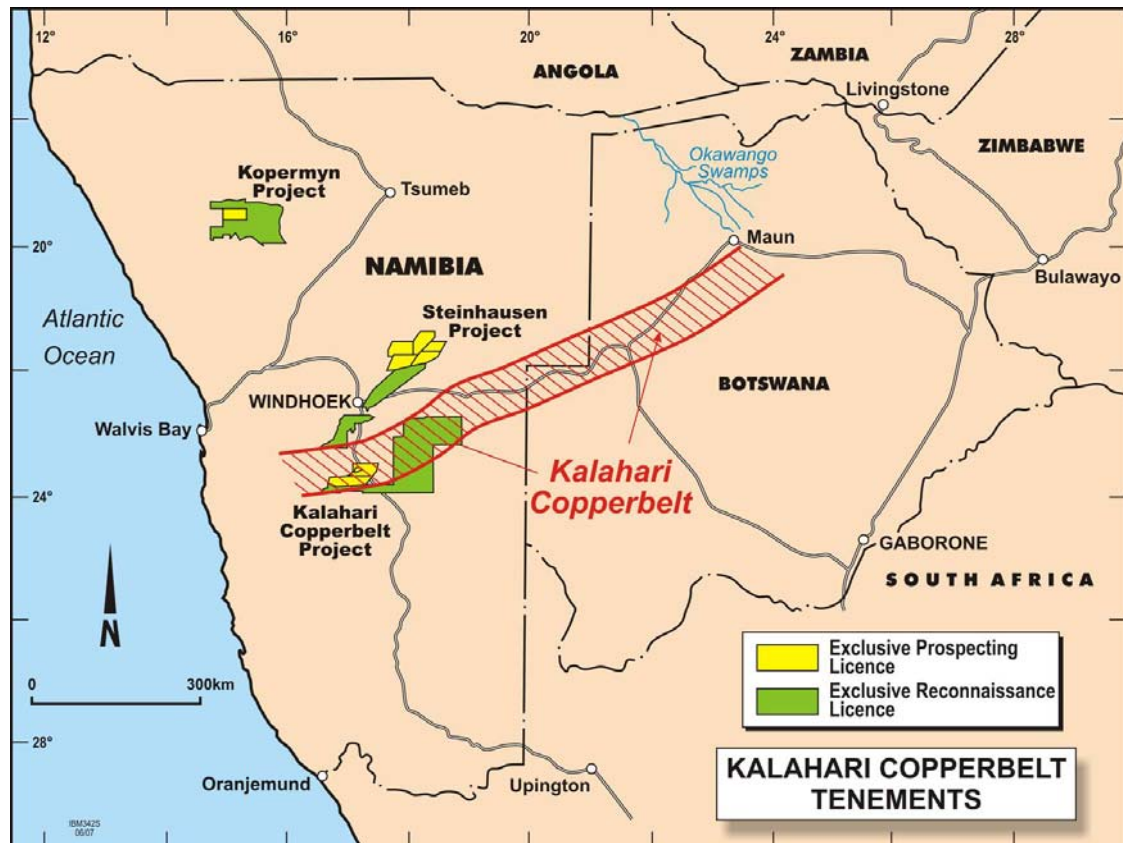
*Craton's first drill hole at Omitiomire*

The Company has launched into a comprehensive assessment of previous data and has completed detailed ground magnetic and induced polarisation surveys. In August 2007, the Company commenced a minimum 50-hole 8,000m drilling programme. The budgeted exploration expenditure for the FY 2007/2008 financial year is A\$3 million.

Craton plans to have the **Omitiomire** drilling, metallurgical studies, resource estimation and scoping study completed so that the results can be incorporated into a future IPO prospectus.

## Kalahari Copperbelt

The **Kalahari Copperbelt Project** is a major under-explored belt of copper mineralisation extending over 900 km through Namibia and Botswana. Within this broad belt, there have been a number of modest-scale mine developments, notably southwest of Windhoek at the Klein Aub mine, which produced 7.5 million tonnes at 2% Cu and 50 g/t silver ( "Ag" ) from 1966 to 1987.



### Tenement Situation

IBML has entered into a JV agreement with Manica and its subsidiary, Cheetah. By spending US\$600,000, IBML can earn a 70% interest in two granted EPLs in the **Rehoboth** district, 150km south of Windhoek, along strike from the historic Klein Aub mine. An additional 10% interest can be achieved through completion of a feasibility study.

IBML has also applied for two ERLs to the north and east of the **Rehoboth** EPLs, with a total area 14,397 km<sup>2</sup>. The northern ERL contains the former Falconbridge Oamites copper mine which closed in 1982, but contains a significant tailings dam, plant facilities, and along-strike copper potential. Craton is currently evaluating the data for this mine.

## Geology

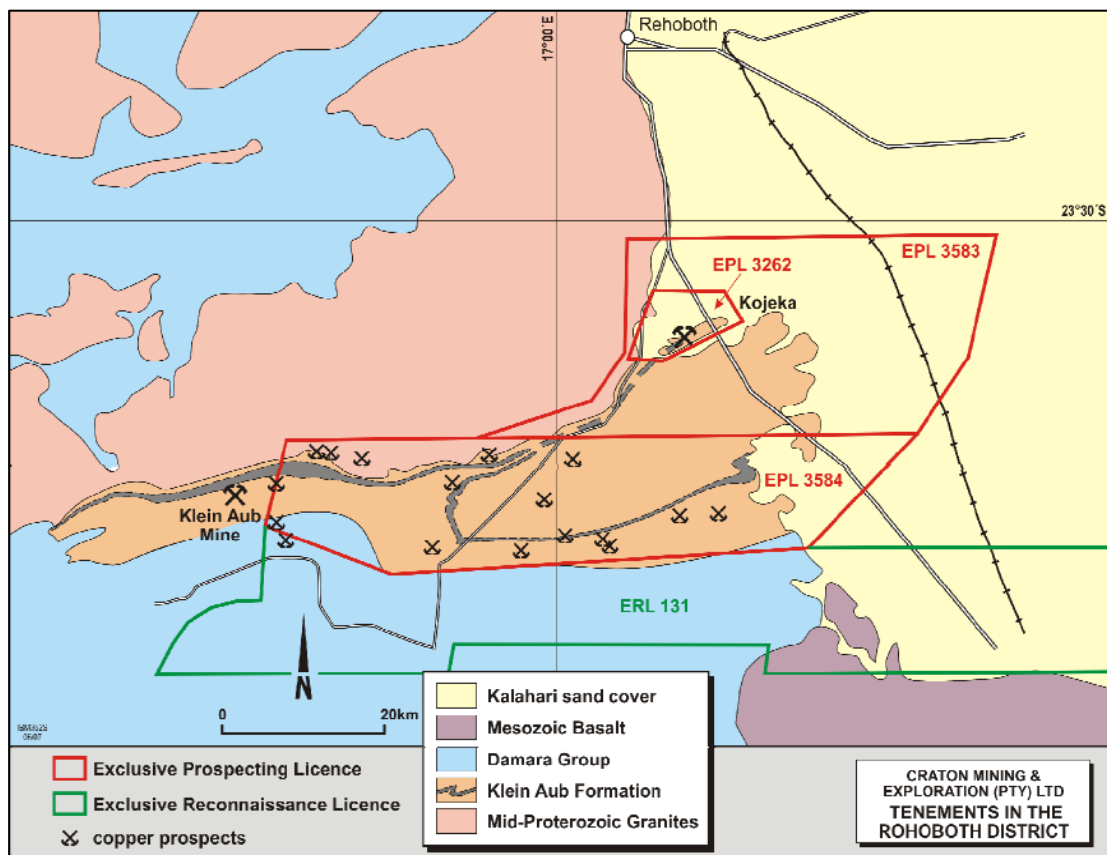
The **Kalahari Copperbelt** is the same age as the Central African Copperbelt and contains similar styles of copper mineralisation.

The **Rehoboth** EPLs are situated along strike to the east from the former Klein Aub mine and cover a series of known copper occurrences which are hosted by beds of slate and sandstone.

At the **Kojeka** prospect, surface showings of malachite are distributed over a strike length in excess of 4,000m with further extensions likely under Kalahari sand cover.

## Pre IPO Exploration Programme

The Company has set itself the tasks of assessing the copper potential of both existing EPLs and the large ERLs and identifying target areas for follow-up exploration. It is anticipated that a number of new EPL applications will flow from the assessment of the ERLs. A budget of A\$750,000 has been set for this work during FY 2007/2008.



## *Kopermyn Project*

The **Kopermyn** project is located in north-west Namibia.



*Oblique aerial view of old copper mine*

### ***Tenement Situation***

The project area contains an open-cut copper mine which operated during the period 1967 – 1975 and produced 100,000 tonnes of ore at 2% Cu and 10g/t Ag. Despite some near mine drilling during the 1980s, exploration has been limited since 1975.

IBML has a JV to earn a 70% interest in the granted EPL 3372 covering an area of 856 km<sup>2</sup> through expenditure of US\$600,000, and can earn an additional 10% interest through completion of a feasibility study. In addition, Craton has applied for a contiguous ERL.

### ***Geology***

Middle Proterozoic basement rocks are flanked by late Proterozoic strata of the Damara Sequence. Copper mineralisation consists of chalcocite with subordinate bornite and covellite, hosted by a tuff unit and overlain by conglomerate of the Damara Sequence.

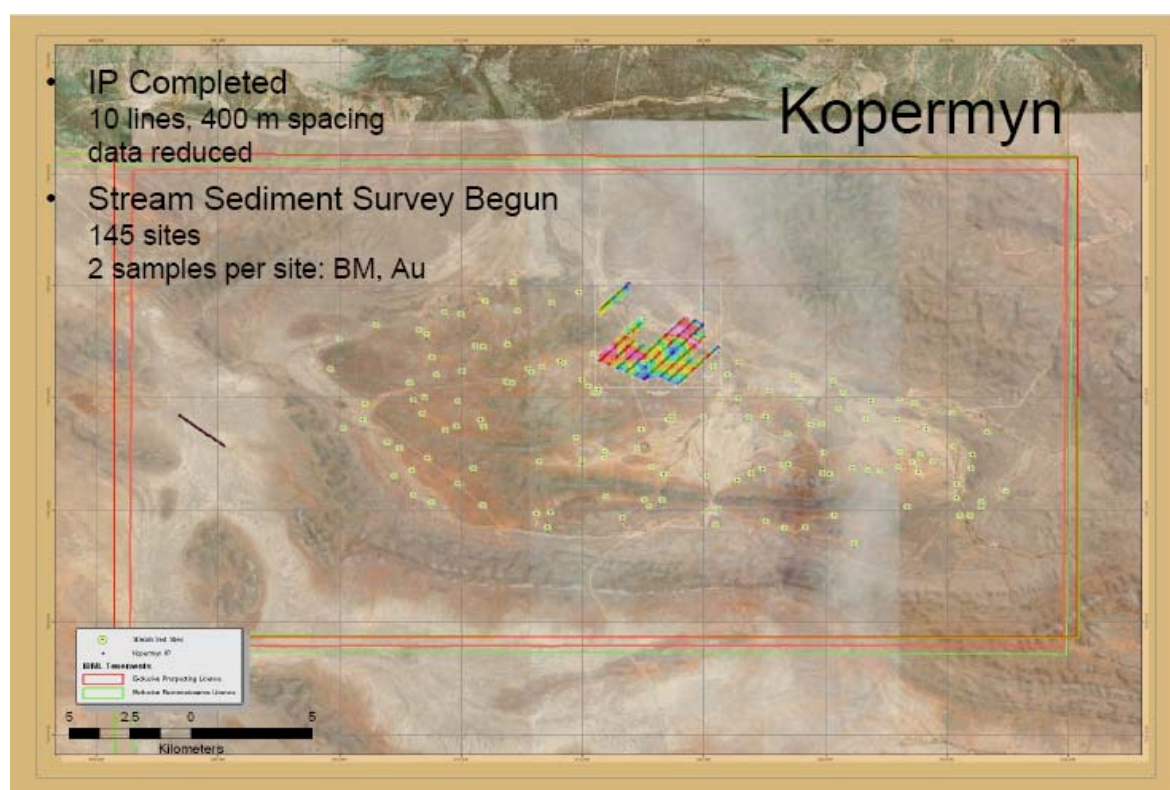
Previous explorers, assuming that the copper-bearing tuff is part of the Damara Sequence, drilled down dip to the north of and along strike from the old mine but intersected only copper values that were never followed up.

Craton's field review indicates that the **Kopermyn** deposit may be a copper-rich "blanket" related to a porphyry copper system. If so, previous exploration has been misdirected.

### *Resource Potential*

Porphyry copper deposits are the world's major source of copper and most known "giant" copper deposits are of this type.

Craton's recognition of a possible porphyry copper system at **Kopermyn** opens up a new exploration concept for the area. There has been no previous exploration for such a deposit. **Kopermyn** therefore provides a target for a large copper-silver resource.



Interpretation of remote sensing data suggests another target to the east of Kopermyn. Other targets within the Kopermyn EPL have been identified from the aeromagnetic and IP data. Craton has secured access to other possible targets with its new application for a large ERL surrounding the Kopermyn EPL.

### *Pre IPO Exploration Programme*

IBML plans to carry out drilling of the known mineralisation and possible extensions as well as some I.P. anomalies. The exploration objective for FY 2007/2008 is to determine whether there is a porphyry copper system at Kopermyn and if so to assess the potential for porphyry copper deposits elsewhere in the project area. The Company has budgeted A\$750,000 for this work.

## *Craton Community Relations*

IBML is conscious of being a new exploration entrant to Namibia and has the intention to contribute as a good corporate citizen.

As a demonstration of this intent, Craton gave final year geology students in September 2007 a chance to interact with and learn from industry professionals on an active exploration project. Exploration Manager, Mr Karl Hartmann, and IBML's Project Generation Manager, Dr Bob Ilchik, escorted 20 young geology students to the **Kojeka** project area where they undertook mapping and reconnaissance exercises.

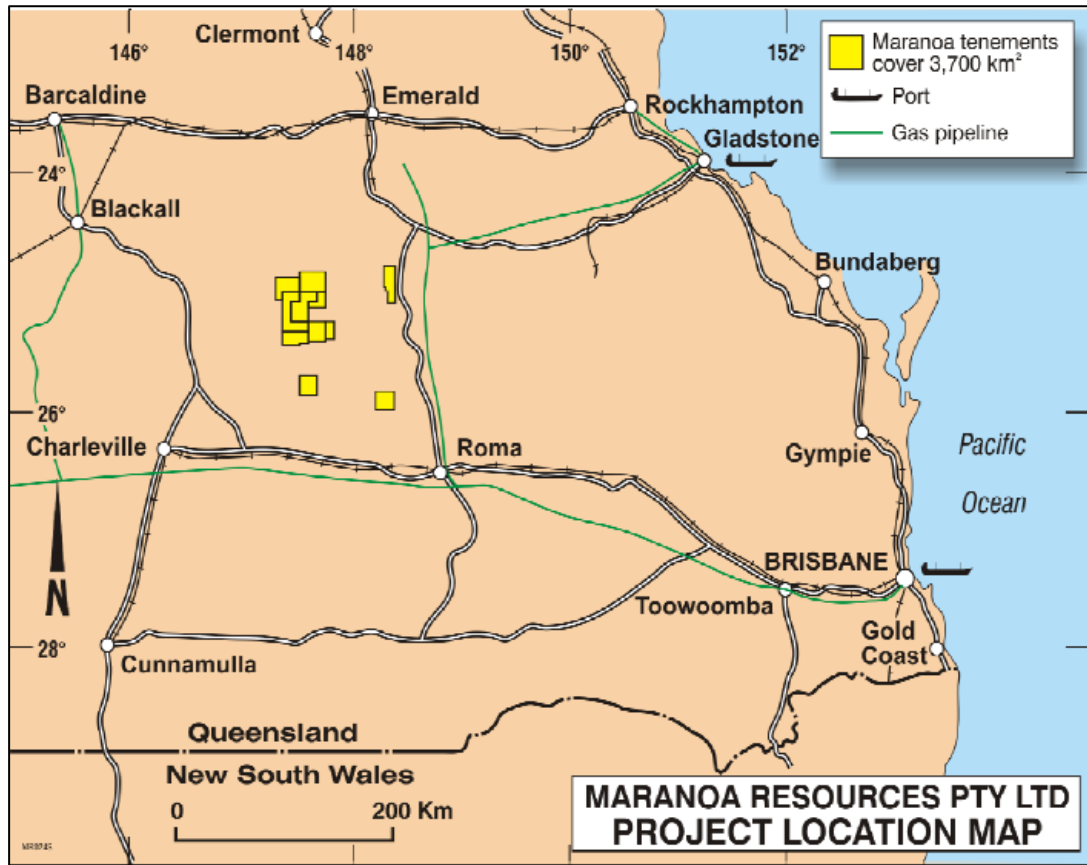


*University of Namibia geology students, staff, and the IBML team*



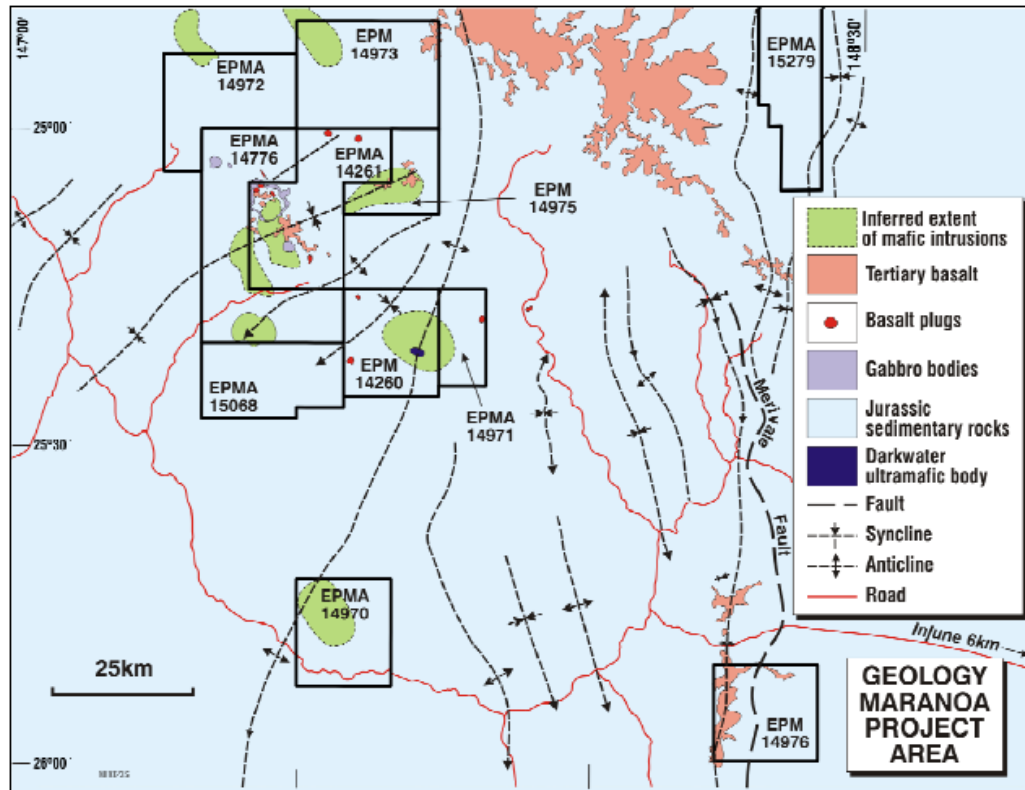
## MARANOA

The Maranoa project is located in south-central Queensland, where IBML is exploring for nickel-copper deposits. IBML, through Maranoa has established a large tenement position in the region, holding four EPMs and seven EPM applications covering over 3,700 km<sup>2</sup> of prospective ground.



## Geology

Eromanga Basin strata are invaded by gabbro bodies, up to 8,000 x 6,000m in aerial extent and representing “feeders” to Tertiary-age basalt flows. In the southern part of the project area is a body of ultramafic rock, the Darkwater ultramafic, which outcrops over an area of 400 x 800m. Imagery produced from poor quality 1963 vintage aeromagnetic data indicate that the gabbro and ultramafic bodies are considerably larger than suggested by their surface outcrops.



*Geological map showing the inferred extent of gabbro and ultramafic bodies as determined from aeromagnetic imagery*



### *Discovery Potential*

Previous exploration for nickel-copper has been limited. In 1970, during the “nickel boom”, a private consortium drilled two diamond core holes at Darkwater. Although the holes were abandoned before reaching their target depth, minor nickel (~ 0.2% Ni) was intersected. The drilling programme was abandoned when the “nickel boom” came to an abrupt end. No follow-up drilling has occurred.

In 1988, surface samples assayed up to 2,450 ppm Ni and 1,500 ppm Cu. In 1990, surface samples were collected which assayed up to 3,400 ppm Ni and 1,250 ppm Cu. Reconnaissance sampling by Maranoa has returned assays up to 1% Ni from surface samples.

Whilst these are preliminary results, they show that the area does contain elevated concentrations of nickel and copper, supporting the Company’s interpretation of geological similarities to the world-class Noril’sk district in Arctic Russia.

In addition to the nickel-copper targets, the Maranoa project area has also known cobalt mineralisation. This takes the form of cobalt-rich manganese oxides, hosted within fractured and brecciated sandstone. Previous drilling has outlined a small resource of 175,000 tonnes at 0.15% Cobalt ( “Co” ) at the **Mount Manganese** prospect in the **Mount Tabor** EPMA.

### *Pre IPO Exploration Programme*

Maranoa has recently completed an airborne magnetic and radiometric survey over its tenements at a budgeted cost of A\$250,000 for the survey plus associated interpretation and image generation cost. It is expected that the resulting interpretation will provide a basis for assessment of discovery potential and identification of targets.

In addition, the Company is pursuing opportunities for other commodities in the project area. These include the following:

- Search for additional cobalt resources
- Assessment of the uranium potential
- Follow-up of alteration zones which may indicate the presence of gold.

## AURICULA

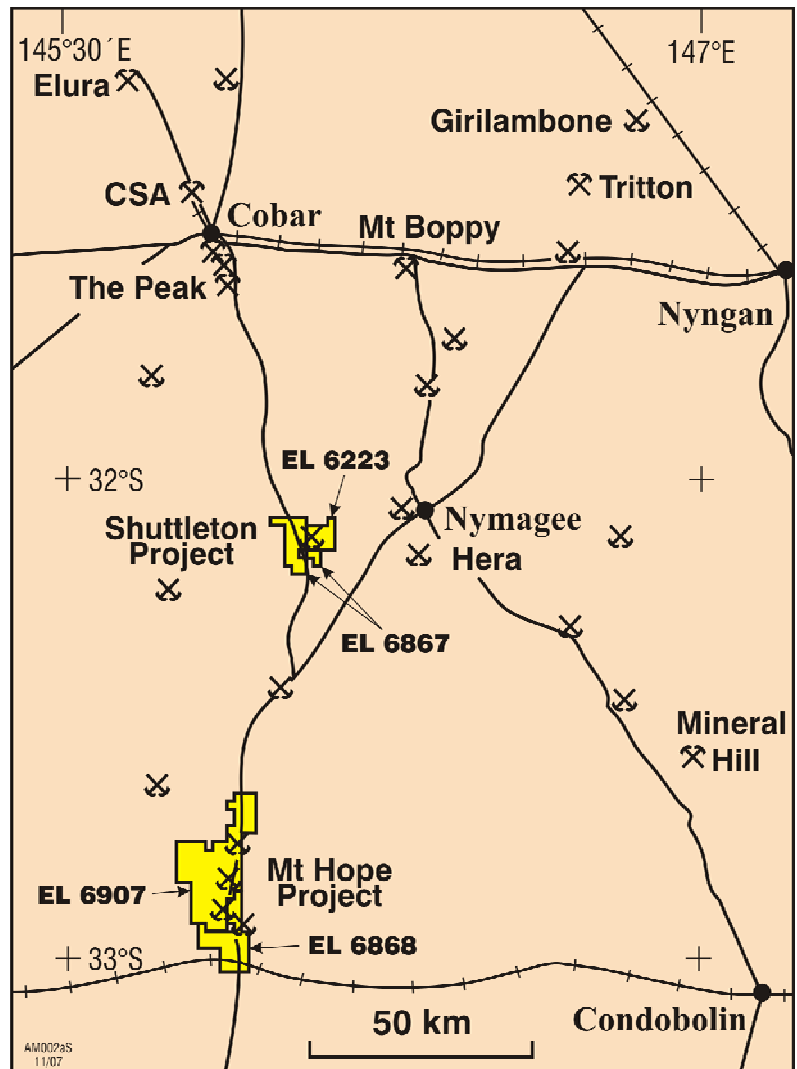
Through its wholly-owned subsidiary, AuriCula, IBML has established a strategic tenement position in the southern part of the Cobar district in NSW. The strategic tenement position covers historic copper mines and other identified copper and gold prospects in the **Shuttleton** and **Mount Hope** areas.

### Tenement Position

AuriCula Mines has interests in the following tenements:

**Shuttleton Project:** Two exploration licences, with a total area of 108 km<sup>2</sup> are subject to a joint venture agreement with Cobar Management Pty Ltd ( "CMPL" ), a wholly owned subsidiary of Glencore. CMPL has earned a 90% interest in the tenement through expenditure of A\$850,000.

**Mount Hope Project:** Two exploration licences, totalling some 600 km<sup>2</sup> in area, are subject to a joint venture agreement with CMPL and Actway Pty Ltd, also a wholly owned subsidiary of Glencore. CMPL and Actway can earn a 90% interest in the tenements through expenditure of A\$1.5 million.



### ***Shuttleton Project***

The Shuttleton project area, 80 km south of Cobar in NSW, contains a number of historic mines which were worked in the early part of the 20<sup>th</sup> century.

Exploration by CMPL has included:

- Seven diamond drill holes totalling 1,891m
- 22 re-drill holes totalling 2,518m
- Detailed geological mapping
- Augur soil/rock geochemical sampling.

Best drill intercepts by CMPL include:

SHDD07004:	8m at 3.07% Cu, 14.4 g/t Ag & 0.43 g/t Au from 20m and 3m at 5.41% Cu, 20.77 g/t Ag & 0.12 g/t Au from 29m
SHRC07009:	19m at 1.57% Cu & 16.1 g/t Ag from 67m
SHRC07010	10m at 1.36% Cu & 0.3 g/t Ag from 43m and 7m at 3.11% Cu & 21.75 g/t Ag from 99m
SHRC07016	7m at 3.63% Cu & 12.95 g/t Ag from 113m
SHRC07017	14m at 2.59% Cu & 12.65 pg/t Ag from 146m
SHRC07019	36m at 2.00% Cu & 1.42 g/t Ag from 29m

CMPL has been very encouraged by the results of its exploration and is confident of defining a significant zone of copper mineralisation.

### ***Mount Hope Project***

The village of Mount Hope is an historic copper mining centre that lies 150 km south of Cobar in NSW. Copper deposits were discovered at Mount Hope and Comet-Great Central in 1878 and were worked intermittently until 1919. Records indicate that the ore was of a high grade, averaging over 10% Cu, with associated silver and gold credits.

CMPL and Actway Pty Ltd have agreed to sole fund exploration on the Mount Hope tenements and may exercise an option to acquire the project following an expenditure of \$1,500,000 within five years from August 2006.

## IBML Tenements

Mineral ownership is vested in the Government of each country or state and exploration is granted on a licensing basis for up to five years. The exploration permit allows the priority right to mine, subject to regulations that safeguard individual and community safety, the environment, and native title claimants' rights, if any.

Below is a list of IBML's interests in Exploration Permits, Licences and Applications.

### *Craton Mining and Exploration (Pty) Ltd, Namibia*

Manica Minerals Limited JVs and Craton wholly owned tenements.

#### Steinhausen Project

Tenement No.	Date Granted	Name	Area km <sup>2</sup>	Right to Earn
EPL3586	26.04.07	Steinhausen South East	726	75%*
EPL3587	26.04.07	Steinhausen North Central	979	75%*
EPL3588	26.04.07	Steinhausen North East	602	75%*
EPL3589	26.04.07	Steinhausen South West	988	75%*
EPL3590	26.04.07	Steinhausen North West	885	75%*
<b>Sub Total = 4,180 km<sup>2</sup></b>				

#### Kalahari Copperbelt Project

Tenement No.	Date Granted / (Application Date)	Name	Area km <sup>2</sup>	Ownership/ Right to Earn
EPL3583	26.04.07	Rehoboth Central	995	80%*
EPL3584	26.04.07	Rehoboth South	983	80%*
ERL130	08.10.07	South Windhoek	1,930	100%
ERL131	08.10.07	Wit Nossob	12,467	100%
EPL3262	13.05.05	Kojeka	73	100%
ERL 137	(16.08.07)	Seeis	2,778	100%
<b>Sub Total = 19,226 km<sup>2</sup></b>				

#### Kopermyn Project

Tenement No.	Date Granted	Name	Area km <sup>2</sup>	Ownership/ Right to Earn
EPL3372	13.12.05	Kopermyn	856	80%*
ERL129	08.10.07	Etosha	6,658	100%
<b>Sub Total = 7,514 km<sup>2</sup></b>				

EPL = Exclusive Prospecting Licence

ERL = Exclusive Reconnaissance Licence

\* pro rata contributions thereafter with dilution clauses

*Maranoa Resources Pty Ltd, Maranoa District, Queensland*

Tenement No.	Date Granted/ (Application Date)	Name	Area km <sup>2</sup>	Right to Earn
EPMA14261	(24.09.04)	Mt. Tabor	466	100%**
<b>Sub Total = 466 km<sup>2</sup></b>				

\*\* Sale Agreement signed by Maranoa to acquire 100% upon grant of tenement from Australian Asiatic Gems Pty Ltd which has a limited 5% buyback right.

Tenement No.	Date Granted/ (Application Date)	Name	Area km <sup>2</sup>	Ownership
EPM14260	13.04.05	Darkwater	310	100%
EPMA14776	(03.09.04)	Mt. Hopeless	544	100%
EPMA14970*	(24.01.05)	Billin Creek	309	100%
EPMA14971*	(24.01.05)	Mt. Eddystone	140	100%
EPMA14972*	(24.01.05)	Mt. Faraday	355	100%
EPM14973	15.11.05	Mt. Emily	467	100%
EPM14975	15.11.05	Murphy Tableland	171	100%
EPM14976	12.04.05	Mt. Hutton	306	100%
EPMA15068	(06.04.05)	Toms Corner	310	100%
EPMA15279	(19.10.05)	Reids Dome	312	100%
<b>Sub Total = 3,224 km<sup>2</sup></b>				

EPM = Exploration Permit for Minerals

EPMA = Exploration Permit for Minerals Application and/or Exploration Permits under offer from the State Government.

*AuriCula Mines Pty Ltd, Cobar District, New South Wales*

**Shuttleton Joint Venture with Cobar Management Pty Ltd (CMPL)**

Tenement No.	Date Granted	Name	Area km <sup>2</sup>	Ownership Right to Earn
EL6223	05.04.04	Shuttleton	38	10%
EL6867	06.09.07	Shuttleton West	70	CMPL 90%***
				<b>Sub Total = 108 km<sup>2</sup></b>

**Mt. Hope Joint Venture with Cobar Management Pty Ltd and Actway Pty Ltd  
(JV partners may earn up to 90%)**

Tenement No.	Date Granted	Name	Area km <sup>2</sup>	Ownership Right to Earn
EL6907	(11.10.07)	Mt. Hope	269	100%***
EL6868	06.09.07	Mt. Hope South	101	100%***
				<b>Sub Total = 370 km<sup>2</sup></b>

\*\*\* Exploration Licences (EL) 6867, 6868 and 6907 were lodged on behalf of the joint venture by Actway Pty Ltd, which is a wholly owned subsidiary of Glencore .

## Company Investments

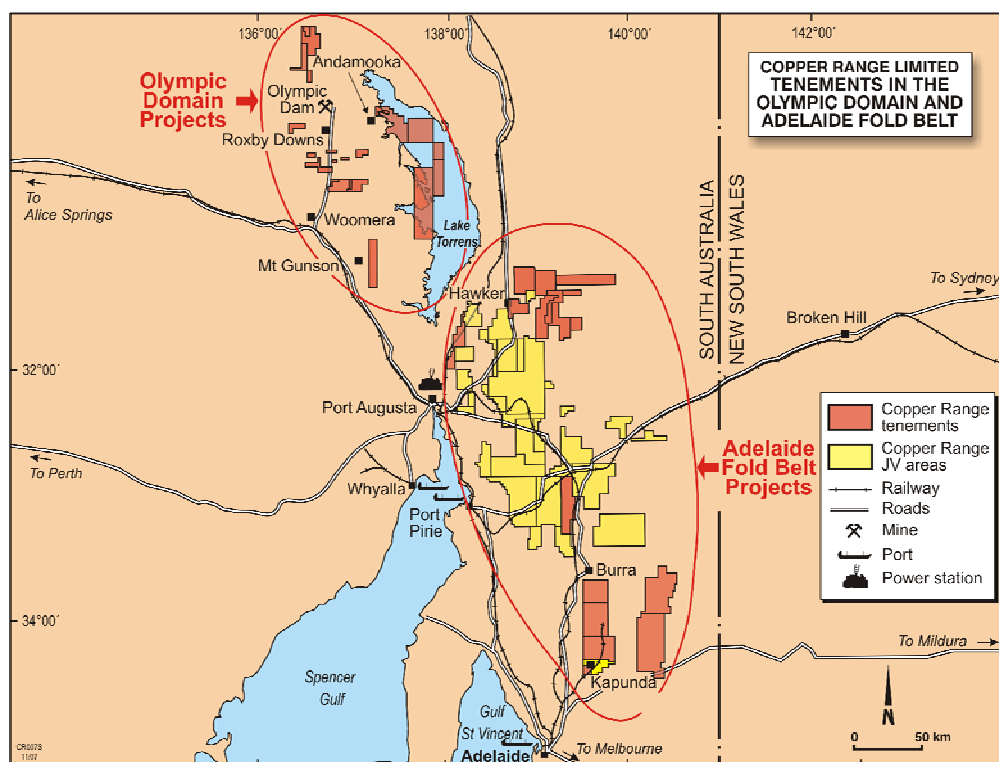
### *Copper Range Limited ("CRJ") – 5.5% interest*

CRJ was listed on the ASX on 6 June 2006, raising \$3,000,000. CRJ issued a Loyalty Entitlements Issue in September 2006 for a one year option and raised \$355,000. Subsequent exercise of these options has raised some \$6,230,000. CRJ is now poised to more actively explore its tenement interests.

CRJ has been building two substantial tenement positions. The Olympic Domain is emerging as a world-class mineral province with the Carrapateena deposit joining Olympic Dam and Prominent Hill as substantial iron oxide-copper-gold (IOCG) deposits. CRJ has Exploration Licences (ELs) and applications totalling more than 2,900 km<sup>2</sup> in the region. Following detailed gravity surveys, CRJ drilled two holes and intends to re-activate its drilling programme after a thorough review of data.

In the Adelaide Fold Belt, CRJ has acquired, through applications and joint ventures, ELs totalling almost 13,000 km<sup>2</sup>. CRJ regards the Adelaide Fold Belt as a significantly under-explored mineral province. Two North American copper experts reviewed the discovery potential of the region and noted the geological similarities to major copper provinces, notably the famous Zambian Copperbelt, and expressed the view that the Adelaide Fold Belt has excellent potential for discovery of world-class copper deposits.

CRJ's exploration team is actively involved in identifying and exploring targets through geological mapping, geochemical surveying, and drilling.



For further information please see the website;

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

**Zamia Gold Mines Limited ( "ZGM" ) – 7.8% interest**

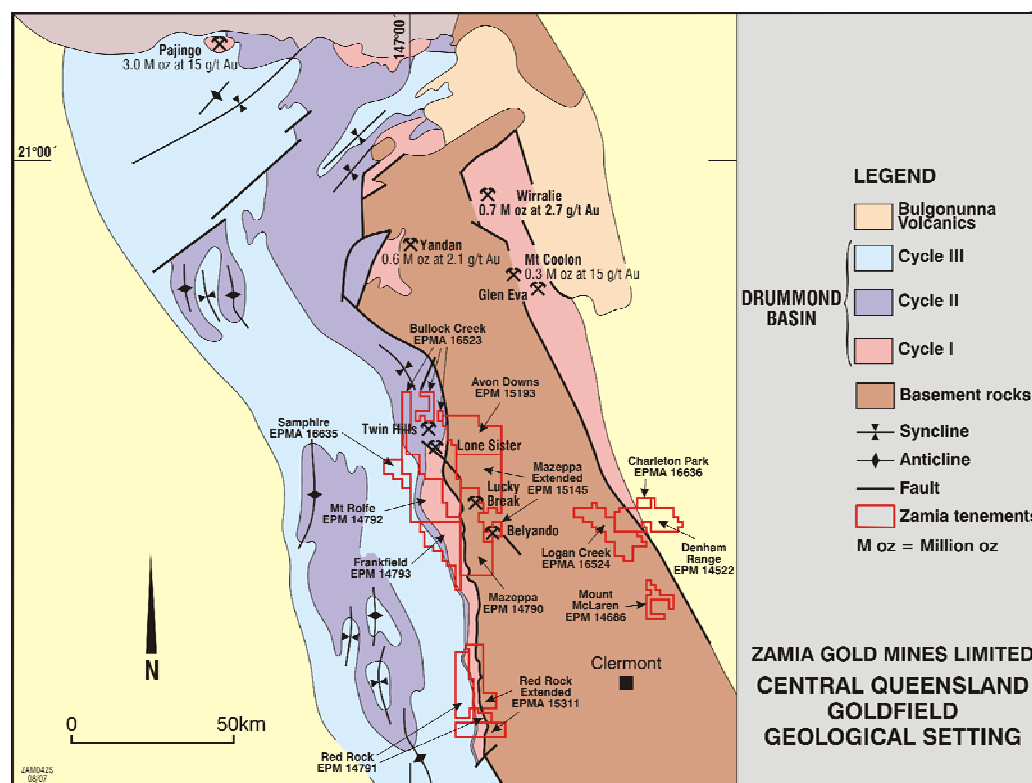
IBML's former subsidiary, ZGM, listed on the ASX on 10 January 2007. The IPO raised \$4,000,000. IBML retains a 7.8% interest in ZGM.

In February 2007, ZGM announced the completion of its initial drilling programme at the Lucky Break gold mine site and at the Belyando mining lease in Central Queensland.

In April 2007, a review of new geophysical data revealed large and exciting structural features including a "caldera" that demands a larger vision than previously considered. Soil geochemistry supplemented by I.P. surveys have been conducted over other prospects and the encouraging results will be followed up with a new drilling programme.

In May 2007, a Loyalty Entitlements Issue raised a further \$235,000 and as a consequence IBML now has 1,962,500 two-year listed options exercisable at 20 cents.

Exploration continues across ZGM's tenements with particular encouragement at **Sally Ann**, on the eastern tenements, and the **West Lucky Break** and **Anthony Prospects** on the western tenements.



For further information please see the website;

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



**International Base Metals Limited**  
ACN 100 373 635

**Directors' and Financial Report**

for the year ended 30 June 2007

## **Directors' Report**

Your Directors present their report on International Base Metals Limited, the "Company", and its controlled entities for the financial year ended 30 June 2007.

### **Directors and Management**

Stephen Edward Blackman – Chairman and Managing Director  
Dr Kenneth John Maiden - Executive Director and Chief Geologist  
Ian Cunynghame Daymond - Non-executive Director  
Dr Deng Jiniu - Non-executive Director (appointed 22 December 2006)  
Brian J Rear - Non-executive Director (resigned 20 July 2007)

Directors have been in office since the beginning of the financial year to the date of this report unless otherwise stated.

### **Company Secretary**

The following persons held the position of Company Secretary at the end of the financial year:

John Stone B. Ec.

John has over 30 years' experience in the Australian and international corporate markets. He has been a director and company secretary for private and public listed companies.

Geoffrey Broomhead B.Comm., M.Comm., FCIS, FCPA, SASIA.

Geoffrey has had extensive financial and secretarial experience both as a director and financial officer for public and private international and Australian companies.

### **Principal Activities**

The principal activity of the entity during the financial year was the continued exploration for economic base metal and gold resources both within Australia and internationally with a specific focus on copper exploration in Namibia.

No significant changes in the nature of these activities occurred during the year.

### **Operating Results**

The net loss of the consolidated entity for the year was \$2,090,986 (2006 loss \$930,226).

### **Dividends**

No dividends were paid during the year and no recommendation is made as to payment of dividends.

## Directors' Report (continued)

### Review of Operations

In the year ended 30 June 2007 the Company has:

- Administered and supported the “Loyalty” Option Issue of Copper Range Limited in September.
- Prepared, organised seed capital, funded and lodged the Zamia Gold Mines Limited A\$4 million IPO Prospectus in November.
- Negotiated and secured a A\$2 million investment in the Company as a cornerstone investor from a subsidiary of West Resources Co. Ltd., itself a wholly owned subsidiary of the Qinghai Western Mining Group of China in December.
- Listed Zamia Gold Mines Limited on the Australian Securities Exchange on 10 January.
- Negotiated with Manica Minerals Ltd and secured three joint ventures over some 7,000 km<sup>2</sup> in Namibia in February. The three comprise: the Steinhausen area which includes the Omitiomire copper deposit, the Kopermyn area which hosts the old Kopermyn and the Kalahari Copperbelt area which hosts numerous old copper-silver mines. The Company has the opportunity to earn up to 75% of the first and 80% of the remaining under the joint venture terms before pro-rata funding.
- Taken the opportunity to acquire a further tenement, Kojeka, in its Namibian Kalahari Copperbelt area by an outright purchase of the granted prospecting licence in March.
- Following the grant of Namibian Exclusive Prospecting Licences ( “EPLs” ) to Manica in late April, begun exploration work in May and increased its exclusive footprint by applying for large Exclusive Reconnaissance Licences ( “ERLs” ) covering some 20,000 km<sup>2</sup> including the old Oamites copper mine, worked by Falconbridge Nickel for some 10 years.
- Spent considerable time working on the Maranoa aeromagnetic and radiometric survey which was unfortunately delayed beyond year end.
- Corporately supported the “Loyalty” Option Issue of Zamia Gold Mines Limited in late May/early June.

### Corporate Capital and Financing

The Company has been very transparent in its need for capital and its desire to ramp up activities. As an exploration company we continue to recognise that capital is the lifeblood of any exploration programme and that programmes planned on one basis may be modified in the light of market conditions.

During the year the Company raised \$2,000,000 by issuing 20,000,000 ordinary shares to West Minerals Pty Ltd.

## **Directors' Report (continued)**

### **Corporate Capital and Financing (continued)**

Subsequent to balance date the Company disseminated a Prospectus to all shareholders of a non-renounceable entitlement issue of one (1) share for every four (4) shares held at an issue price of \$0.12 per share to raise approximately \$3,166,920. In conjunction with the non-renounceable entitlement issue the Company also announced a private placement to professional investors of up to 33,333,334 ordinary shares at an issue price of \$0.12 per share to raise approximately \$4,000,000.

As at the date of this report the non-renounceable entitlements issue was closed out subscribed fully. The Company issued 26,390,998 ordinary shares raising \$3,166,920.

The private placement mandate allows Carmichael Capital Markets Pty Ltd the opportunity to use best endeavours to manage and complete this placement on or before 5 February 2008. To date the private placement has raised \$3,465,000 and the Company has issued 28,874,999 ordinary shares.

### **Significant Changes in the State of Affairs**

During the latter part of the financial year the Company incorporated a subsidiary company in Namibia, Craton Mining and Exploration (Pty) Ltd, and acquired the right to obtain significant interests in ERLs to explore for copper mineralisation within Namibia.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the financial report.

## **Directors' Report (continued)**

### **After Balance Date Events**

On 5 July 2007 500,000 ordinary shares in the Company were issued to Karl Hartmann as recognition of a sign-on payment as agreed in his employment agreement.

On 12 July 2007 200,000 ordinary shares in the Company were issued and N\$39,000 paid to the vendors as full payment for the acquisition of the Kojeka EPL3262 in Namibia.

On 9 October 2007 the Company issued a Prospectus to all shareholders registered as at 27 September 2007 announcing a non-renounceable entitlement issue of one (1) share for every four (4) shares held at an issue price of \$0.12 per share to raise approximately \$3,166,920. In conjunction with the entitlement issue the Company also announced a private placement to professional investors of up to 33,333,334 ordinary shares at an issue price of \$0.12 per share to raise approximately \$4,000,000.

As at the date of this report the non-renounceable entitlements issue was closed out subscribed fully. The Company issued 26,390,998 ordinary shares raising \$3,166,920.

The private placement mandate allows Carmichael Capital Markets Pty Ltd the opportunity to use best endeavours to manage and complete this placement on or before 5 February 2008. To date the private placement has raised \$3,465,000 and the Company has issued 28,874,999 ordinary shares.

On 8 November 2007 the Company incorporated a new subsidiary, Endolithic Resources Pty Ltd, which has made application for exploration permits in the Georgetown district of northern Queensland.

The share prices of the Company's listed investments have fallen substantially since balance date such that the carrying values would be reduced by \$836,250 from \$2,186,250 to some \$1,350,000; virtually reversing the revaluation recognised through Equity during the year. The impact of fluctuations in share prices since balance date will be reflected in the Financial Report of the next accounting period.

### **Environment Regulation**

The consolidated entity's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and Namibia. The consolidated entity is at all times in full environmental compliance with the conditions of its licences.

## Directors' Report (continued)

### Information on Directors

Name of Director	Information
<b>Stephen Edward Blackman</b> Chairman & Managing Director	<p>Mr Blackman is a seasoned project developer with over 35 years of experience in the mining and metals industry. He has worked with all levels of management in base and precious metal mining operations, projects, consultancy, marketing and finance functions. He has held positions with a number of large mining companies including ten years (1974-1984) for the Rio Tinto group in project development roles and three years with Consolidated GoldFields plc, principally in London. Mr Blackman represented the Canadian Imperial Bank of Commerce in the resources sector in Australasia before becoming a corporate advisor to both major and emerging growth companies. Mr Blackman is a founding executive Director of the Company and became its inaugural Chairman. Following the CopperCo transaction, he was an Executive Director of CopperCo Limited until June 2006 when he resigned to take up the Managing Directorship of Copper Range Limited. He is also a non executive Director of Zamia Gold Mines Limited.</p>
<b>Dr Kenneth John Maiden</b> Executive Director & Chief Geologist	<p>Dr Maiden is a geologist with 37 years of professional experience — with major resource companies (CSR, MIM), as an academic (University of the Witwatersrand, Johannesburg) and as a mineral exploration consultant. He has extensive base metal experience, especially in South Australia, the Mount Isa Block and in other Australian Proterozoic provinces, as well as in southern Africa, Indonesia and China.</p> <p>Dr Maiden spent some four years in South Australia, fifteen years in southern Africa with a Namibian and Botswanian bias before spending ten years of mineral exploration experience in northwest Queensland, includes six years as Principal Geologist with MIM Exploration and four years as a geological consultant, mainly involved in concept development and project generation. Dr Maiden is a founding Executive Director of the Company. He is responsible for the generation and implementation of technical strategies of the consolidated entity. He acted as the initial Chief Geologist for CopperCo Ltd until he became Executive Director — Technical for Copper Range Limited in June 2006. He has recently been appointed as a Non-executive Director of Zamia Gold Mines Limited.</p>

## Directors' Report (continued)

### Information on Directors (continued)

Name of Director	Information
<b>Ian Cunynghame Daymond</b> Non-executive Director	<p>Ian practises as a solicitor and a consultant in mining and resources. He has spent most of his 36 year legal career associated with mining and exploration companies in Australia, either as the primary in-house lawyer or as the external lawyer.</p> <p>At Delta Gold Ltd as general counsel and company secretary for over 11 years, he was part of the senior management team which was responsible for the growth of the small gold exploration company into one of the largest gold producers in Australia before returning to private legal practice in Sydney in 2001.</p> <p>He was the national chairman of the Australia-Southern Africa Business Council 2002-2005 and has recently been appointed the Honorary Consul for the Republic of Botswana in New South Wales.</p> <p>He is the non-executive Chairman of ActivEX Limited and Copper Range Limited. He has been a Director since June 2002.</p>
<b>Dr Deng Jiniu</b> Non-executive Director	<p>Dr Deng Jiniu is a well known professorial senior engineer with a Doctorate degree from the Chinese University of Geosciences. He has held the position of Chief Geologist and Executive Director of Western Mining Co. Ltd from 2000 and since 2006 has been Chairman and Managing Director of Qinghai West Resources Co. Ltd and Chairman of Qinghai West Rare &amp; Precious Metals Co. Ltd his exploration success has included the discovery of 5 million tonnes of lead-zinc metals in the Xitieshan lead-zinc mine, 100,000 tonnes of nickel metal in Hami Tulaergen copper-nickel mine of Xinjiang province, 1 million tonnes of copper and 2 million lead-zinc metal in Inner-Mongolian Huogeqi copper-polymetallic mine. Dr Deng Jiniu has completed several scientific reports and has been honoured with many awards in China.</p> <p>Dr Deng Jiniu has Mr Xiong Jun, CPA and Financial Controller to West Resources Co. Ltd as his alternate Director.</p>

## Directors' Report (continued)

### Interests in Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, Directors' direct and indirect interests in ordinary shares of the Company are:

	Ordinary Shares	Options
Stephen Blackman *	14,596,172	-
Dr Kenneth Maiden *	10,439,885	-
Ian Daymond *	3,257,977	-
Dr Deng Jiniu	-	-

\* These Directors act as Trustees of the IBML Employee Share Trust that also holds 1,872,744 IBML shares. The Trustees hold these shares as bare trustees and have no economic interest in them. However the Trustees have voting rights on a show of hands and one vote per share on a poll.

No share options remain unexercised at the end of the year and none have been issued subsequent to the year end.

### Meetings of Directors

The names and details of the Directors of the Company in office during the financial year and on the date of this report are set out below.

	Directors' Meetings	
	Number eligible to attend	Number attended
Stephen Blackman	8	7
Dr Kenneth Maiden	8	8
Ian Daymond	8	7
Brian Rear	8	5
Dr Deng Jiniu	3	3

### Directors' and Executives Emoluments

Executive remuneration and other terms of employment are reviewed annually. From 1 January 2007 the Managing Director receives \$72,000 per annum and the Chief Geologist \$48,000 per annum. Non-executive directors each receive \$20,000 per annum. Non-executive directors received shares to the value of \$10,000 for services performed during the first half of the year and \$12,000 in cash for services performed during the second half of the year.



## **Directors' Report (continued)**

### **Insurance of Officers**

During the year no Director or officer of the Company was indemnified by the Company or insurance premiums paid by the Company for Directors and officers liability insurance. Since year end the Company has acquired an insurance policy and paid premiums of \$10,967 for Directors and Officers Liability with coverage limited to A\$5,000,000.

### **Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### **Auditors Independence**

A statement by the Auditors required by section 307C of the Corporations Act follows the Independent Audit Report.

Signed on 26 November 2007 in accordance with a resolution of the Board of Directors



Stephen E Blackman  
Chairman/Managing Director

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**Consolidated Income Statement for the Year Ended 30 June 2007**

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Revenue</b>					
Other Income	2	910,826	237,754	742,562	220,704
<b>Expenditure</b>					
Administrative expenses		(645,610)	(233,857)	(628,058)	(217,316)
Tenement expenses	3	(530,245)	(528,158)	(145,757)	(112,393)
Depreciation and amortisation expense	3	(36,301)	(12,300)	(34,654)	(10,669)
Consultants' expense		(307,839)	(164,310)	(297,985)	(144,118)
Financial and legal advice		(172,314)	(104,077)	(169,496)	(99,842)
Occupancy expenses		(133,606)	(58,155)	(133,606)	(58,155)
Borrowing expenses		(403)	(11)	(277)	(2)
Employee benefits expense		(800,581)	(67,114)	(800,581)	(67,114)
Doubtful debts expense	3	(88,023)	-	(117,663)	(973,122)
Share based payments	3	(247,140)	-	(247,140)	-
Write off of investments		(39,750)	-	(39,750)	-
Profit/(loss) before income tax		(2,090,986)	(930,226)	(1,872,405)	(1,462,026)
Income tax (expense)/benefit	4	-	-	-	-
Profit/(loss) from continuing operations		(2,090,986)	(930,226)	(1,872,405)	(1,462,026)
Profit/(loss) from discontinued operations		-	-	-	-
Profit/(loss) attributable to members of parent entity		(2,090,986)	(930,226)	(1,872,405)	(1,462,026)
<b>Overall Operations</b>					
Basic earnings per share		(\$0.02)	(\$0.01)		
Diluted earnings per share		(\$0.02)	(\$0.01)		

The accompanying notes form part of the financial report

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Balance Sheet as at 30 June 2007

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash assets	8	1,463,594	44,707	1,444,830	40,515
Receivables	9	52,690	115,163	47,532	99,924
Other	10	-	311	-	311
<b>Total Current Assets</b>		<b>1,516,284</b>	<b>160,181</b>	<b>1,492,362</b>	<b>140,750</b>
<b>Non-current Assets</b>					
Receivables	11	305,013	92,457	305,013	470,504
Property, plant and equipment	12	66,227	53,393	64,772	50,291
Exploration expenditure capitalised	13	-	613,009	-	-
Other assets	14	10,295	10,460	10,295	10,460
Other financial assets	15,24	2,186,250	1,272,000	2,186,272	1,272,008
<b>Total Non-current Assets</b>		<b>2,567,785</b>	<b>2,041,319</b>	<b>2,566,352</b>	<b>1,803,263</b>
<b>Total Assets</b>		<b>4,084,069</b>	<b>2,201,500</b>	<b>4,058,714</b>	<b>1,944,013</b>
<b>Current Liabilities</b>					
Payables	16	238,816	158,965	228,946	132,156
Accrued expenses	17	110,888	30,800	107,500	30,800
Provisions	18	30,670	-	30,670	-
<b>Total Current Liabilities</b>		<b>380,374</b>	<b>189,765</b>	<b>367,116</b>	<b>162,956</b>
<b>Total Liabilities</b>		<b>380,374</b>	<b>189,765</b>	<b>367,116</b>	<b>162,956</b>
<b>Net Assets</b>		<b>3,703,695</b>	<b>2,011,735</b>	<b>3,691,598</b>	<b>1,781,057</b>
<b>Equity</b>					
Contributed equity	19	3,851,982	963,409	3,851,982	963,409
Asset revaluation reserve	20	2,166,371	1,271,998	2,166,371	1,271,998
Accumulated profits/(losses)	21	(2,314,658)	(223,672)	(2,326,755)	(454,350)
<b>Total Equity</b>		<b>3,703,695</b>	<b>2,011,735</b>	<b>3,691,598</b>	<b>1,781,057</b>

The accompanying notes form part of the financial report

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**Statement of Changes in Equity for the Year Ended 30 June 2007**

	Note	Share Capital \$	Asset Revaluation Reserve \$	Retained Profits/ Accumulated (Losses) \$	Total \$
<b>Consolidated</b>					
<b>Balance at 1 July 2005</b>		65,431	-	706,554	771,985
Shares issued during the year	19	897,978	-	-	897,978
Share issue costs	19	-	-	-	-
Gain/(loss) on investment revaluation	20	-	1,271,998	-	1,271,998
Profit/(loss) attributable to members of parent entity	21	-	-	(930,226)	(930,226)
<b>Balance at 30 June 2006</b>		963,409	1,271,998	(223,672)	2,011,735
Shares issued during the year	19	2,696,001	-	-	2,696,001
Share issue costs	19	(54,568)	-	-	(54,568)
Share based payments	19	247,140	-	-	247,140
Gain/(loss) on investment revaluation	20,24	-	894,373	-	894,373
Profit/(loss) attributable to members of parent entity	21	-	-	(2,090,986)	(2,090,986)
<b>Balance at 30 June 2007</b>		3,851,982	2,166,371	(2,314,658)	3,703,695

The accompanying notes form part of the financial report

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**Statement of Changes in Equity for the Year Ended 30 June 2007  
(continued)**

	<b>Note</b>	<b>Share Capital</b>	<b>Asset Revaluation Reserve</b>	<b>Retained Profits/ Accumulated (Losses)</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Parent</b>					
<b>Balance at 1 July 2005</b>		65,431	-	1,007,676	1,073,107
Shares issued during the year	19	897,978	-	-	897,978
Share issue costs	19	-	-	-	-
Gain/(loss) on investment revaluation	20	-	1,271,998	-	1,271,998
Profit/(loss) attributable to members of parent entity	21	-	-	(1,462,026)	(1,462,026)
<b>Balance at 30 June 2006</b>		963,409	1,271,998	(454,350)	1,781,057
Shares issued during the year	19	2,696,001	-	-	2,696,001
Share issue costs	19	(54,568)	-	-	(54,568)
Share based payments	19	247,140	-	-	247,140
Gain/(loss) on investment revaluation	20,24	-	894,373	-	894,373
Profit/(loss) attributable to members of parent entity	21	-	-	(1,872,405)	(1,872,405)
<b>Balance at 30 June 2007</b>		3,851,982	2,166,371	(2,326,755)	3,691,598

The accompanying notes form part of the financial report

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Cash Flow Statement for the Year Ended 30 June 2007

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Cash flow from operating activities</b>					
Receipts from customers		635,533	112,725	654,619	237,563
Payments to suppliers and employees		(1,809,026)	(440,675)	(1,933,611)	(518,211)
Payments for exploration expenditure		(240,484)	(712,349)	(145,757)	(79,612)
Interest received		89,411	3,896	87,943	3,823
Finance costs		(403)	(6)	(277)	(2)
<b>Net cash outflow from operating activities</b>	27c	<b>(1,324,969)</b>	<b>(1,036,409)</b>	<b>(1,337,083)</b>	<b>(356,439)</b>
<b>Cash flows from investing activities</b>					
Proceeds for property, plant and equipment		-	750	-	750
Payments for property, plant and equipment		(49,135)	(20,226)	(49,135)	(19,609)
Loans to controlled entities		-	-	(29,676)	(646,333)
Investment in controlled entities		-	(4)	122	(4)
Investment in listed entities		(19,877)	-	(19,877)	-
Loss of cash from loss of control of subsidiary		(1,591)	(85,471)	-	-
<b>Net cash outflow from investing</b>		<b>(70,603)</b>	<b>(104,951)</b>	<b>(98,566)</b>	<b>(665,196)</b>
<b>Cash flows from financing</b>					
Proceeds from issue of shares		2,729,141	714,243	2,729,141	714,243
Less: costs of capital raising		(54,568)	-	(54,568)	-
Proceeds from borrowings		139,886	149,631	165,391	46,150
Repayment of borrowings		-	(500)	-	(500)
<b>Net cash inflow from financing activities</b>		<b>2,814,459</b>	<b>863,374</b>	<b>2,839,964</b>	<b>759,893</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,418,887</b>	<b>(277,986)</b>	<b>1,404,315</b>	<b>(261,742)</b>
Cash at beginning of the period		44,707	322,693	40,515	302,257
<b>Cash at end of the period</b>	27a	<b>1,463,594</b>	<b>44,707</b>	<b>1,444,830</b>	<b>40,515</b>

The accompanying notes form part of the financial report

# **International Base Metals Limited (ACN 100 373 635) and its Controlled Entities**

## **Notes to the Financial Statements for the Year Ended 30 June 2007**

### **1. Statement of significant accounting policies**

#### **Financial Reporting Framework**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, International Financial Reporting Standards and the *Corporations Act 2001*.

The financial report covers the economic entity of International Base Metals Limited and Controlled Entities, and International Base Metals Limited as an individual parent entity. International Base Metals Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report of International Base Metals Limited and Controlled Entities, and International Base Metals Limited as an individual parent entity, comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **Basis of Preparation**

International Base Metals Limited and Controlled Entities, and International Base Metals Limited as an individual parent entity, have prepared financial statements in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

#### **Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### **Accounting Policies**

##### **a. Principles of Consolidation**

A controlled entity is any entity International Base Metals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a June financial year-end.

Goodwill on consolidation is initially recorded at the amount by which the purchase price for an ownership interest in a Controlled Entities exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### a. Principles of Consolidation (continued)

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

### 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 by the balance sheet date.

Deferred tax is accounted for using the balance sheet 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 the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

International Base Metals Limited and its wholly owned subsidiaries have not formed an income tax consolidated group under the tax consolidation regime.

### c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.



# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### Plant and equipment (continued)

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 item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Furniture & Fittings	5 - 20%
Office Equipment	20 – 37.5%
Software	33.33 - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### d. Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest of which the Group has tenure to explore. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or exploitation of the area, or by sale, or where activities in the area have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in respect of the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### e. Financial Instruments

#### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

#### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

#### Financial assets at fair value through profit or loss

In the financial statements of the parent company, investments in subsidiaries are included at cost as their fair value cannot be reliably measured. No impairment losses are recognised as the parent intends to support the subsidiaries until the present value of future cash flows equates with the cost of the investment.

#### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### e. Financial Instruments (continued)

#### Impairment

At each reporting date, the group assess 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 impairment has arisen. Impairment losses are recognised in the income statement.

### f. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### g. Foreign Currency Transactions and Balances

#### Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### g. Foreign Currency Transactions and Balances (continued)

#### Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

### h. Interests in Joint Ventures

The economic entity's share of assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements.

### i. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### j. Equity-settled compensation

The Group operates an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount is expensed by reference to the fair value of those shares or options at the date the shares or options are granted, rather than over the vesting period, having regard to the short term nature of these vesting periods.

### k. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### l. 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 three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### m. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Administrative service fees are charged to controlled entities on a cost plus basis for services provided.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

### n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

### o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### q. Share Based Payments

Equity settled share based payments in consideration for goods and services provided by third parties are determined on a basis equal to the value of goods and services received.

Payments to directors and employees are based on the Directors' estimated valuation of the shares that takes into account the Net Tangible Assets ("NTA") of the shares and also the most recent share price at the time at which the capital is raised from independent investors. (Refer Note 28.)

The Fair Value of such shares is charged to the Income Statement; or capitalised to Exploration Expenditure where the amount qualifies for recognition as an asset, and is accounted for in accordance with the policy set out in Note 1(d).

# International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

## Accounting Policies (continued)

### r. **Going Concern Basis of Accounting**

The Directors have prepared the accounts on a going concern basis notwithstanding the loss reported for the year. The Directors are of the opinion that the consolidated entity has sufficient funds and potential projects to continue to operate as a going concern for a period of twelve months from the date of this financial report.

The Company, being a base minerals explorer and without a current significant revenue stream, will require to raise additional equity and/or debt to finance its future activities. No assurance is given that the Group will be able to raise future funding on acceptable terms or in a timely manner. Directors continue to manage the Group's activities with due respect to and understanding of the Group's current and future funding requirements.

The parent entity has issued a Letter of Support to each of its wholly owned subsidiaries and having regard to the financial position of each subsidiary as at 30 June 2007 has undertaken not to call up any outstanding loans for a period of twelve months and to continue to provide further funding to enable each subsidiary to pay its debts as and when they fall due.

### s. **Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

### t. **Key Estimates — Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### u. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line over the life of the lease term.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 2. Revenue

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenue from operating activities				
- Administrative service fees	330,979	23,602	330,979	181,429
- Technical services	300,360	34,700	319,446	34,700
- Surplus on disposal of controlled entity (Note 3(b))	185,882	174,806	-	2
- Proceeds from sale of plant and equipment	-	750	-	750
- Interest income	89,411	3,896	87,943	3,823
- Other	4,194	-	4,194	-
Total revenue from continued operations	<u>910,826</u>	<u>237,754</u>	<u>742,562</u>	<u>220,704</u>

### 3. Loss for the period

Loss from ordinary activities before income tax has been determined after charging/(crediting) the following net gains or expenses:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>a) Expenses</b>				
Depreciation of non-current assets				
- Plant and equipment	36,301	12,300	34,654	10,669
Exploration expenditure	240,484	99,028	145,757	104,661
Capitalised exploration expenditure written off	289,761	274,478	-	7,732
Auditor's remuneration	52,572	22,030	50,030	19,430
Doubtful debts	88,023	-	117,663	973,122
Share based payments expensed – Non cash (Note 28)				
- Directors and employees	234,000	20,000	234,000	20,000
- Third parties	13,140	17,000	13,140	17,000

#### b) Significant revenue and expenses

The following significant revenue and expense items are relevant to explaining the financial performance:

Consideration on disposal of controlled entity	185,884	174,808	-	2
Carrying amount of net assets sold	2	2	-	-
Surplus on disposal of controlled entity	<u>185,882</u>	<u>174,806</u>	<u>-</u>	<u>2</u>
Share based payments	247,140	37,000	247,140	37,000

Share based payments include \$214,000 expensed during the year rather than spread over the vesting period to 22 December 2008

Capitalised exploration expenditure written off	289,761	274,478	-	7,732
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During the year Directors reviewed the Capitalised Exploration Expenditure and decided to write off all amounts carried forward to date as they were not able currently to determine whether the expenditure will be recouped through successful development or exploitation.

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**4. Income tax expense**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>a.</b> The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
 <b>b.</b> The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30%:				
- consolidated	(627,296)	(279,067)		
- parent			(561,722)	(438,608)
Add tax effect of:				
- Doubtful debts expense	-	-	35,299	291,937
- Share based payments expensed	74,142	-	74,142	-
- Other non allowable items	11,925	1,443	11,925	1,443
- Other assessable items	85,500	-	-	-
Less tax effect of:				
- Deductible capital costs	-	(692)	-	(596)
- Exploration expenditure	-	(57,703)	-	6,203
- Taxation decline in value	-	(1,086)	-	(983)
- Other allowable items	(3,274)	-	(3,274)	-
 - Timing differences	(206)	192,819	(206)	(4,687)
 - Tax losses not recognised	459,209	144,286	443,836	145,291
 Income tax benefit attributable to operating loss	-	-	-	-



## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 4. Income tax expense (continued)

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>c. Deferred tax asset not recognised</b>				
The deferred tax asset that has not been recognised as it is not probable that there will be future taxable income to offset the deductible temporary differences are:				
Net deferred tax asset not recognised	116,261	72,725	76,266	-

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- i) the Company and the consolidated entity derive further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- ii) the Company and the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and
- iii) no changes in tax legislation adversely affect the Company and the consolidated entity's ability in realising the benefit from the deductions.

### d. Tax Consolidation

The entity has not elected to be consolidated for taxation purposes and has not generated any taxable income since incorporation.

## 5. Key management personnel compensation

- a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Stephen Edward Blackman	Chairman and Managing Director
Dr Kenneth John Maiden	Director – Executive
Ian Cunynghame Daymond	Non-executive Director
Brian James Rear	Non-executive Director
Dr Deng Jiniu	Non-executive Director
Garry Baglin	Exploration Manager
Dr Robert Ilchik	Project Generation Manager
Geoffrey Broomhead	Chief Financial Officer

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 5. Key management personnel compensation (continued)

#### b. Compensation practices

The Board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The Managing Director receives a base remuneration of \$72,000 per annum and the Executive Director receives a base remuneration of \$48,000 per annum. This is the first year that cash remuneration has been paid to any executive director and may not reflect expected commercial consideration for their contribution to the Company.

Non-executive Directors are entitled to directors fees of \$24,000 per annum which up to 31 December 2006 were satisfied by the allocation of shares in lieu for services provided as a director.

The entity does not have a formal remuneration policy and does not have a remuneration committee.

#### c. Key management personnel

	Year	Short-term benefits				
		Cash, salary and commissions \$	Cash profit share \$	Non-cash benefit \$	Other \$	Super- annuation \$
Stephen Blackman	2007	56,000	-	-	-	-
	2006	-	-	-	-	-
Kenneth Maiden	2007	36,000	-	-	-	-
	2006	-	-	-	-	-
Ian Daymond	2007	12,000	-	-	-	-
	2006	-	-	-	-	-
Brian Rear	2007	12,000	-	-	-	-
	2006	-	-	-	-	-
Deng Jiniu	2007	12,000	-	-	-	-
	2006	-	-	-	-	-
Garry Baglin	2007	75,000	-	-	-	6,750
	2006	-	-	-	-	-
Robert Ilchik	2007	106,500	-	-	-	9,585
	2006	-	-	-	-	-
Geoffrey Broomhead	2007	60,000	-	-	-	5,400
	2006	-	-	-	-	-

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### c. Key management personnel (continued)

	Year	Other long term benefits \$	Share based Equity \$	payment Options \$	Total \$
Stephen Blackman	2007	-	-	-	56,000
	2006	-	-	-	-
Kenneth Maiden	2007	-	-	-	36,000
	2006	-	-	-	-
Ian Daymond	2007	-	10,000	-	22,000
	2006	-	10,000	-	10,000
Brian Rear	2007	-	10,000	-	22,000
	2006	-	10,000	-	10,000
Deng Jiniu	2007	-	-	-	12,000
	2006	-	-	-	-
Garry Baglin	2007	-	42,000	-	123,750
	2006	-	-	-	-
Robert Ilchik	2007	-	34,000	-	150,085
	2006	-	-	-	-
Geoffrey Broomhead	2007	-	42,500	-	107,900
	2006	-	-	-	-

### d. Options granted as compensation

Options have not been issued by the Company as a type of remuneration for key management personnel at any time up to 30 June 2007.

### e. Shareholdings

Number of shares held by key management personnel directly or indirectly through controlled entities as at year end were:

	Balance as at 1 July 2006	Received as compensation	Net change other*	Balance as at 30 June 2007
Stephen Blackman (a)	11,676,937	-	-	11,676,937
Kenneth Maiden (a)	10,314,635	-	-	10,314,635
Ian Daymond (a)	2,498,930	100,000	-	2,598,930
Deng Jiniu	-	-	-	-
Brian Rear	6,251,962	100,000	-	6,351,962
Garry Baglin	400,000	195,000	-	595,000
Robert Ilchik	-	115,000	-	115,000
Geoffrey Broomhead	-	125,000	-	125,000
	31,142,464	635,000	-	31,777,464

(a) These Directors act as Trustees of the IBML Employee Share Trust that also holds 1,660,000 IBML shares. The Trustees hold the 1,660,000 IBML shares as bare trustee's and have no economic interest in them. However, the Trustees have voting rights on a show of hands and one vote per share on a poll.

\* Net change other refers to shares purchased or sold during the financial period, by key management personnel acting for, or on their own behalf.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### e. Shareholdings (continued)

Number of shares held by key management personnel directly or indirectly through controlled entities in the previous year were:

	Balance as at 1 July 2005	Received as compensation	Net change other	Balance as at 30 June 2006
Stephen Blackman	11,301,937	-	375,000	11,676,937
Kenneth Maiden	10,314,635	-	-	10,314,635
Ian Daymond	2,077,501	171,429	250,000	2,498,930
Brian Rear	5,880,533	171,429	200,000	6,251,962
Garry Baglin	-	400,000	-	400,000
	<u>29,574,606</u>	<u>742,858</u>	<u>825,000</u>	<u>31,142,464</u>

### 6. Auditor's remuneration

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Remuneration of the auditor of the parent entity, paid and accrued, for:				
- auditing and reviewing services	52,572	22,030	50,030	19,430
- other services	-	-	-	-
Balance at end of year	<u>52,572</u>	<u>22,030</u>	<u>50,030</u>	<u>19,430</u>

### 7. Earnings per share

	Consolidated	
	2007	2006
a. Earnings used to calculate basic EPS	(2,090,986)	(930,226)
Earnings used to calculate dilutive EPS	(2,090,986)	(930,226)
	Number of shares	
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	90,452,308	75,365,957
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	90,452,308	75,365,957

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 8. Cash and cash equivalents

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and on hand	1,463,594	44,707	1,444,830	40,515

#### Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	1,463,594	40,707	1,444,830	40,515
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### 9. Receivables - current

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade debtors	-	1,155	-	1,155
Trade debtors – related parties	29,652	46,151	29,652	46,151
Sundry debtors	23,038	67,857	17,880	52,618
	52,690	115,163	47,532	99,924

### 10. Other receivables - current

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Prepayments	-	311	-	311

### 11. Receivables – non current

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Wholly owned subsidiaries	-	-	1,002,762	1,343,816
Less provision for doubtful debts	-	-	(1,002,762)	(973,122)
Other related entities (Note 26(b))	305,013	92,457	305,013	99,810
	305,013	92,457	305,013	470,504

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**12. Property, plant and equipment**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Office equipment and furniture</b>				
Cost	121,320	72,185	116,379	67,244
Less: accumulated depreciation	(55,093)	(18,792)	(51,607)	(16,953)
	<u>66,227</u>	<u>53,393</u>	<u>64,772</u>	<u>50,291</u>
<b>Gross carrying amount – plant and equipment</b>				
Opening balance	72,185	55,121	67,244	50,180
Additions	49,135	19,609	49,135	19,609
Disposals	-	(2,545)	-	(2,545)
Balance at year end	<u>121,320</u>	<u>72,185</u>	<u>116,379</u>	<u>67,244</u>
<b>Accumulated depreciation – plant and equipment</b>				
Opening balance	18,792	6,741	16,953	6,533
Disposals	-	(249)	-	(249)
Depreciation expense	36,301	12,300	34,654	10,669
Balance at year end	<u>55,093</u>	<u>18,792</u>	<u>51,607</u>	<u>16,953</u>

**13. Exploration expenditure capitalised**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Exploration and evaluation phase	-	613,009	-	-

**14. Other assets – non current**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Security deposits	10,295	10,460	10,295	10,460

**15. Other financial assets – non current**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Shares in subsidiary companies – at cost	-	-	22	8
Shares in listed companies – at fair value (Refer Note 24)	2,186,250	1,272,000	2,186,250	1,272,000
	<u>2,186,250</u>	<u>1,272,000</u>	<u>2,186,272</u>	<u>1,272,008</u>

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**16. Current payables**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Unsecured:				
Trade payables	236,868	157,017	226,998	130,208
Amounts due to director related entities	1,948	1,948	1,948	1,948
	<u>238,816</u>	<u>158,965</u>	<u>228,946</u>	<u>132,156</u>

**17. Current accruals**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accrued expenses (Includes related parties \$52,500 – 2006: Nil)	110,888	30,800	107,500	30,800

**18. Current provisions**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Employee benefits	30,670	-	30,670	-

**19. Contributed equity**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
104,864,023 (2006 – 75,365,957) fully paid ordinary shares	3,851,981	963,409	3,851,981	963,409
1 (2006 – nil) fully paid “A” class preference share	1	-	1	-
	<u>3,851,982</u>	<u>963,409</u>	<u>3,851,982</u>	<u>963,409</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The “A” class preference share grants to West Minerals Pty Ltd the right to one Director on the Board of the Company for so long as it holds at least 15% of the ordinary share capital of the Company. Pursuant to the Subscription Agreement the “A” class preference share will become one ordinary share upon West Minerals’ shareholding in the Company falling below 15% or upon the Board’s resolution to lodge a prospectus for an initial public offering of the Company’s shares on a stock exchange.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 19. Contributed equity (continued)

	Parent - 2007		Parent - 2006	
	Number	\$	Number	\$
<b>Movement in ordinary share capital</b>				
Balance at beginning of period	75,365,957	963,409	62,917,290	65,431
Shares issued during period:				
Issued for tenements and information acquired	-	-	835,000	25,050
Issued for services rendered	131,400	13,140	225,000	17,000
Issued to Directors in lieu of fees	200,000	20,000	342,858	20,000
Issued in placements to institutional and other investors (including 20,000,000 shares issued to West Minerals Pty Ltd – related party)	27,026,666	2,696,000	11,045,809	835,928
Issued as share based payment	2,140,000	214,000	-	-
Cost of capital raising	-	(54,568)	-	-
Balance at end of year	<u>104,864,023</u>	<u>3,851,981</u>	<u>75,365,957</u>	<u>963,409</u>

	Parent - 2007		Parent - 2006	
	Number	\$	Number	\$
<b>Movement in "A" class preference share capital</b>				
Balance at beginning of period	-	-	-	-
Issued in placements to institutional and other investors	1	1	-	-
Balance at end of year	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

### 20. Reserves

#### Asset Revaluation Reserve

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at beginning of financial year	1,271,998	-	1,271,998	-
Movement in revaluation reserve	894,373	1,271,998	894,373	1,271,998
Balance at end of financial year	<u>2,166,371</u>	<u>1,271,998</u>	<u>2,166,371</u>	<u>1,271,998</u>

Refer Note 24.



## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 21. Retained profits/accumulated losses

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at beginning of year	(223,672)	706,554	(454,350)	1,007,676
Net profit/(loss) attributable to members of the parent entity	(2,090,986)	(930,226)	(1,872,405)	(1,462,026)
Accumulated losses at end of financial year	(2,314,658)	(223,762)	(2,326,755)	(454,350)

### 22. Controlled entities

	Country of incorporation	Class of shares	Ownership interest 2007	Ownership interest 2006
AuriCula Mines Pty Ltd (incorporated 15 March 2004)	Australia	Ordinary	100%	100%
Maranoa Resources Pty Ltd (incorporated 31 August 2004)	Australia	Ordinary	100%	100%
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	Ordinary	100%	100%

### 23. Commitments and contingent liabilities

Exploration tenements granted in Australia are based on a minimum annual expenditure commitment. The total commitments to date are \$840,000 although there is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms.

The Company has issued Letters of Support to its subsidiary companies agreeing not to call up loans totalling \$1,002,762 referred to in Note 11 until each of the companies is able to pay its debts as and when they fall due; and to provide further funding as is necessary to enable each of the companies to pay its debts as and when they become due and payable.

## **International Base Metals Limited (ACN 100 373 635) and its Controlled Entities**

### **24. Events subsequent to balance date**

On 5 July 2007 500,000 ordinary shares in the Company were issued to Karl Hartmann as recognition of a sign-on payment as agreed in his employment agreement.

On 12 July 2007 200,000 ordinary shares in the Company were issued and N\$39,000 paid to the vendors as full payment for the acquisition of the Kojeka Exploration Permit Licence - 3262 in Namibia.

On 9 October 2007 the Company issued a Prospectus to all shareholders registered as at 27 September 2007 announcing a non-renounceable entitlement issue of one (1) share for every four (4) shares held at an issue price of \$0.12 per share to raise approximately \$3,166,920. In conjunction with the entitlement issue the Company also announced a private placement to professional investors of up to 33,333,334 ordinary shares at an issue price of \$0.12 per share to raise approximately \$4,000,000.

As at the date of this report the non-renounceable entitlements issue was closed out subscribed fully. The Company issued 26,390,998 ordinary shares raising \$3,166,920.

The private placement mandate allows Carmichael Capital Markets Pty Ltd the opportunity to use best endeavours to manage and complete this placement on or before 5 February 2008. To date the private placement has raised \$3,465,000 and the Company has issued 28,874,999 ordinary shares.

On 8 November 2007 the Company incorporated a new subsidiary, Endolithic Resources Pty Ltd, which has made application for exploration permits in the Georgetown district of northern Queensland.

The share prices of the Company's listed investments have fallen substantially since balance date such that the carrying values would be reduced by \$836,250 from \$2,186,250 to some \$1,350,000; virtually reversing the revaluation recognised through Equity during the year. The impact of fluctuations in share prices since balance date will be reflected in the Financial Report of the next accounting period.

This financial report was authorised for issue on 26 November 2007 by the Board of Directors.

### **25. Financial instruments**

#### **Significant account policies**

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 25. Financial instruments (continued)

#### Interest rate risk

The consolidated entity has not entered into interest rate hedging transactions. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate	Floating interest	1 year or less	Over 1 to 5 years	More than 5 years	Non- Interest bearing	Total
<b>2007</b>							
Financial assets							
- cash	5.80%	1,463,594	-	-	-	-	1,463,594
- receivables	8.74%	305,013	-	-	-	52,690	357,703
- deposits paid	-	-	-	-	-	10,295	10,295
- investments	-	-	-	-	-	2,186,250	2,186,250
<b>Total assets</b>		<b>1,768,607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,249,235</b>	<b>4,017,842</b>
Financial liabilities							
- payables	-	-	-	-	-	236,868	236,868
- non interest bearing loans	-	-	-	-	-	1,948	1,948
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238,816</b>	<b>238,816</b>
<b>Net financial assets/(liabilities)</b>		<b>1,768,607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,010,419</b>	<b>3,779,026</b>
<b>2006</b>							
Financial assets							
- cash	2.12%	44,707	-	-	-	-	44,707
- receivables	-	-	-	-	-	207,620	207,620
- deposits paid	-	-	-	-	-	10,460	10,460
- investments	-	-	-	-	-	1,272,000	1,272,000
<b>Total assets</b>		<b>44,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,490,080</b>	<b>1,534,787</b>
Financial liabilities							
- payables	-	-	-	-	-	157,017	157,017
- non interest bearing loans	-	-	-	-	-	1,948	1,948
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158,965</b>	<b>158,965</b>
<b>Net financial assets/(liabilities)</b>		<b>44,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,331,115</b>	<b>1,375,822</b>

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 25. Financial instruments (continued)

Carrying amounts and estimated values of the Company's financial statements, referred to above were as follows:

	Consolidated – 2007		Consolidated - 2006	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Recognised in the balance sheet</b>				
Financial assets				
- cash assets	1,463,594	1,463,594	44,707	44,707
- current receivables	52,690	52,690	115,163	115,163
- non current receivables	305,013	305,013	92,457	92,457
- non current other	10,295	10,295	10,460	10,460
- investments	2,186,250	2,186,250	1,272,000	1,272,000
Financial liabilities				
- current payables	238,816	238,816	158,965	158,965

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

#### Cash assets

The carrying amount approximates the fair value due to the short maturity of these instruments.

#### Debtors and creditors

Current debtors and creditors represent financial obligations in exchange for goods and services provided and received by the group in the normal course of operations, net of provisions for doubtful debts. Due to the short term nature of these obligations, their carrying amounts are estimated to be their fair values.

#### Other assets

These transactions represent bonds paid for services. Given the return will approximate the nominal cost, the carrying amount is estimated to be their fair values.

#### c. Foreign exchange risk

Given the minimal exposure to foreign currencies, it is the current policy of the consolidated entity not to hedge foreign exchange risk.

#### d. Credit risk

There is negligible credit risk on financial assets, excluding investments, of the consolidated entity since there is no exposure to individual customers or countries and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet and is minimised by using recognised financial intermediaries as counterparties.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### e. Liquidity risk

The group manages liquidity risk by monitoring cash flows and ensuring that adequate capital raising activities are undertaken.

## 26. Related party disclosures

Transactions between related parties are on normal terms and conditions no more favourable than those available to other parties unless otherwise stated.

Details concerning key management personnel are set out in Note 5.

### a. Loans to controlled entities

The parent has advanced interest free funds to its controlled entities to enable each subsidiary to conduct its exploration activities.

	<b>Parent</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Receivables – non current	1,002,762	1,343,816
Less provision for doubtful debts	(1,002,762)	(973,122)
	-	370,694

The amount due from controlled entities at balance date relates to funding services provided to AuriCula Mines Pty Ltd, Maranoa Resources Pty Ltd and Craton Mining and Exploration (Pty) Ltd to allow each to undertake exploration activities. Provision has been made on the full amount of the loans on the basis that these loans may not be able to be recovered until such time as the subsidiaries are sold.

### b. Loans to related parties

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Receivables – non current	305,013	92,457	305,013	99,810

The amount due relates to the balance of loan funds advanced to Zamia Gold Mines Limited prior to its listing. This loan is unsecured and bears an interest rate of 8.74% per annum. Subsequent to year end, this loan, including accrued interest, was repaid in full.

The amounts due in 2006 relate to funds advanced to Copper Range Ltd, and subsidiary, prior to its listing. These loans were repaid in full during the financial year.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 26. Related party disclosures (continued)

#### c. Services to related parties

The Company has an Administrative Services Agreement with Copper Range Limited ("CRJ") whereby the Company provides services of receptionist, secretarial, tenement management, accounting, investor relations, information technology and office facilities. Under a separate agreement, the Technical Services Agreement, the Company provides geological services, as and when required, to the CRJ group. During the year the Company received \$518,881 in fees from the CRJ group for these services. Ian Daymond, Stephen Blackman, Kenneth Maiden and Brian Rear are also directors of Copper Range Limited.

The Company has an Administrative Services Agreement with Zamia Gold Mines Limited ("ZGM") whereby the Company provides services of receptionist, secretarial, tenement management, accounting, investor relations, information technology and office facilities. Under a separate agreement, the Technical Services Agreement, the Company provides geological services, as and when required, to the ZGM group. During the year the Company received \$150,530 in fees from the ZGM group for these services. Stephen Blackman and Kenneth Maiden are also directors of Zamia Gold Mines Limited.

### 27. Notes to cash flow statement

#### a. Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the balance sheet as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash	1,463,594	44,707	1,444,830	40,515

#### b. Non-cash financing and investing activities

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Share payments expensed	247,140	37,000	247,140	37,000

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**27. Notes to cash flow statement (continued)**

**c. Reconciliation of operating loss after income tax to net cash outflow from operating activities**

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating profit/(loss) after income tax	(2,090,986)	(930,226)	(1,872,405)	(1,462,026)
Non cash items included in profit and loss:				
- proceeds from disposal of controlled entity	(134,255)	(174,806)	-	-
- depreciation and amortisation	36,301	12,300	34,654	10,669
- share based payments	247,140	62,050	247,140	62,050
- provision for doubtful debts	-	-	29,640	-
- management fees to controlled entities	-	133,358	-	-
- loss on sale property, plant & equipment	-	1,546	-	1,546
	(1,941,800)	(895,778)	(1,560,971)	(1,387,761)
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the period				
Decrease/(increase) in:				
- receivables	154,930	(45,004)	54,410	(34,732)
- bonds paid	165	-	-	-
- prepayments	311	(311)	-	(311)
- write offs and payments for exploration	289,761	(229,688)	-	7,732
Increase/(decrease) in:				
- payables	60,906	129,607	62,108	80,746
- accruals	80,088	5,800	76,700	5,800
- provisions	30,670	(1,035)	30,670	972,087
Net cash (outflow) from operating activities	(1,324,969)	(1,036,409)	(1,337,083)	(356,439)

**d. Credit standby arrangements with financial institutions**

The Company has no standby arrangements for credit with any financial institutions at 30 June 2007.

## International Base Metals Limited (ACN 100 373 635) and its Controlled Entities

### 28. Share based payments

The following share-based payment arrangements existed at 30 June 2007.

- a. On 26 October 2006 100,000 shares were issued each to Brian Rear and Ian Daymond as consideration for directors' fees for the six months ending 31 December 2006 (200,000 shares issued in total). The shares were deemed to be issued at 10 cents per share. An amount of \$20,000 was expensed through the income statement.
- b. On 24 November 2006 131,400 shares were issued to Ken Reid as consideration for services provided to the Company. The shares were deemed to be issued at 10 cents per share. An amount of \$13,140 was expensed through the income statement.
- c. On 26 June 2006 2,140,000 shares were issued to employees and consultants to the Company as recognition for services provided, and to be provided, to the Company. The shares were deemed to be issued at 10 cents per share. An amount of \$214,000 (including \$118,500 relating to Key Management Personnel) was expensed through the income statement even though most of the shares vest only during the next 18 months.

### 29. Dividends

The consolidated entity did not declare or pay a dividend during the year.

### 30. Segment reporting

The consolidated entity materially operates in one business segment and one geographical segment only, being mineral exploration in Australia. Exploration activities in Namibia did not commence until subsequent to Balance Date.

### 31. Pending application of accounting standards

The following Australian Accounting Standards have been issued or amended and are applicable but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date:

Standards Affected		Application
AASB No.	Title	Date of Standard
1	First time adoption of AIFRS	01/01/2008
101	Presentation of Financial Statements	01/01/2007
114	Segment Reporting	01/07/2007
117	Leases	01/07/2007
132	Financial Instruments: Disclosure and Presentation	01/01/2007
133	Earnings Per Share	01/01/2007
139	Financial Instruments: Recognition and Measurement	01/01/2007

No known or reliably estimable information relevant to assessing the possible impact of these standards on the Group is presently available



## **International Base Metals Limited (ACN 100 373 635) and its Controlled Entities**

### **32. Company information**

The registered office of the Company is:

Level 4, 72 Pitt Street  
SYDNEY NSW 2000

The principal place of business of the Company is:

Level 4, 72 Pitt Street  
SYDNEY NSW 2000

**International Base Metals Limited (ACN 100 373 635)  
and its Controlled Entities**

**Directors' Declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 31 to 72, are in accordance with the Corporations Regulations 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2007 and the performance for the financial year ended on that date of the Company and the economic entity.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Stephen E Blackman  
Managing Director

Dated at Sydney, 26 November 2007

# **brentnalls assurance**

chartered accountants

26 November 2007

The Board of Directors  
International Base Metals Limited  
Level 4, 72 Pitt Street  
Sydney NSW 2000

Dear Directors

## **International Base Metals Limited**

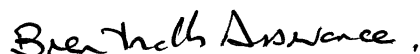
We declare that to the best of our knowledge and belief, during the period ended 30 June 2007 there has been:

- i. No contraventions of auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully



GK Day  
A Member of the Firm



Brentnalls Assurance  
Sixth Floor 222 Clarence Street  
Sydney NSW 2000

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6<sup>th</sup> floor 222 Clarence St Sydney NSW 2000 Australia. PO Box Q1023, QVB Post Office NSW 1230.  
Tel (02) 8221 0990. Fax (02) 9267 9592.

[www.brentnallsassurance.com.au](http://www.brentnallsassurance.com.au) Email [graeme@brentnallsassurance.com.au](mailto:graeme@brentnallsassurance.com.au)

An independent member of the Brentnalls National Affiliation of Accounting Firms and of the Affilica International Affiliation of Accountancy Practices. Practitioner: Graeme Keith Day. BEc. FCA. ACIS.

Where applicable, liability is limited by a Scheme approved under Professional Standards Legislation.

# **brentnalls assurance**

chartered accountants

## **Independent Auditor's Report To the Members**

### **Scope**

We have audited the accompanying Financial Report of International Base Metals Limited ("the Company"), including the financial statements of the Company and the consolidated financial statements of the Company and its Controlled Entities, comprising the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow statement for the period then ended, a Summary of Significant Accounting Policies, other explanatory Notes and the Directors' Declaration.

### **Directors' Responsibility for the Financial Report**

The Directors of the Company are responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Report to the Members of the Company based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 previously provided to the Directors of the Company would be in the same terms if provided as at the date of this Auditor's report.

### **Auditor's Opinion**

In our opinion, the Financial Report of the Company is in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2007 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- The Financial Report complies with International Financial Reporting Standards as disclosed in Note 1.

*G.K. Day,*

Name of Member: Graeme Keith Day

*Brentnalls Assurance*

Name of Firm: Brentnalls Assurance. Sixth Floor, 222 Clarence Street, Sydney NSW 2000, Australia

Date: 26 November 2007

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6<sup>th</sup> floor 222 Clarence St Sydney NSW 2000 Australia. PO Box Q1023, QVB Post Office NSW 1230.  
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## Additional Information

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### Top 20 ordinary shareholders as at 26 November 2007

Outlined below is a list of the top twenty shareholders;

Holder Name		%
WEST MINERALS PTY LIMITED	28,750,000	18.030
BLACKMANS & ASSOCIATES PTY LTD <BLACKMAN INVESTMENT A/C>	10,038,672	6.300
KRATON GEOSCIENCE PTY LTD <MAIDEN INVESTMENT A/C>	9,813,635	6.160
PERPETUAL CORPORATE TRUST LIMITED <AEF LINO RESOURCES FUND A/C>	8,333,333	5.230
MACQUARIE BANK LTD	8,333,333	5.230
GOLDVANCE PTY LTD <BMR A/C>	5,047,200	3.170
BLACKMANS & ASSOCIATES PTY LTD <SUPER FUND A/C>	4,556,250	2.860
MR MATTHEW STEPHENS	2,859,702	1.790
MULATO NOMINEES PTY LTD	2,500,000	1.570
AUSTRALIAN GEOSCIENTISTS PTY LTD	2,362,500	1.480
FIRST NATIONAL SECURITIES LTD	2,153,846	1.350
DAYMOND & ASSOCIATES PTY LTD <IAN DAYMOND FAMILY A/C>	2,069,167	1.300
SEMPRA METALS & CONCENTRATES LLC	2,000,000	1.250
LEWER CORPORATION PTY LTD	2,000,000	1.250
MR JOCK BANKS	1,993,727	1.250
I C DAYMOND & K J MAIDEN & S E BLACKMAN <IBML EMPLOYEE SHARE A/C>	1,872,744	1.170
AUSTRALIAN ASIATIC GEMS PTY LIMITED	1,690,000	1.060
MR PETER MARTIN VANDERSPUY	1,666,666	1.040
SOS INITIATIVES PTY LTD <SEABORN SUPER FUND A/C>	1,593,750	1.000
FODEMO PTY LIMITED	1,402,865	0.890
	<hr/>	
	101,037,390	63.380

## Glossary of Technical Terms

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Alteration	Changes in the chemical and mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions.
Anomaly	A value (e.g. of geochemical parameters) significantly higher than the norm.
Assay	Determination of the proportion of metals in a mineral sample.
Basalt	A common volcanic rock.
Base Metals	The common metals such as copper, lead, nickel, and zinc.
Basin	A broad sub-continental depression in which sediments are deposited. The Gulf of Carpentaria and the Coral Sea are examples.
Block	A large (map scale) region with distinct geological (and usually age) characteristics.
Breccia	A rock consisting of large angular fragments cemented together. Fragmentation (brecciation) can be caused by processes such as faulting, igneous intrusion, and hydrothermal activity.
Chalcocite	A copper sulphide mineral typically found in the supergene zone of copper deposits.
Chalcopyrite	A copper sulphide mineral, the most common ore mineral of copper
Costean	A trench cut for the purpose of mapping and sampling rocks.
Cut-off Grade	The lowest grade to which it is economically feasible to mine.
Diamond Drilling	Recovery of drill core using a hollow drilling bit studded with diamonds.
Dip	The angle that rock strata make with a horizontal surface measured at right angles to the strike.
Drill Core	Long cylinders of rock recovered by diamond drilling.
Epithermal	A low temperature hydrothermal mineral deposit.
Exploration Permit	A mineral exploration tenement conferred by the Queensland Government.
Fault	A break in a rock sequence along which there has been movement.
Fracture	A break in a rock sequence along which there has been no movement.
Gabbro	Mafic intrusive igneous rock.
Geochemical	Prospecting techniques which measure the concentration of certain metals in soil and rocks and define anomalies for further testing.
Geophysical	Prospecting techniques which measure physical properties of rocks (e.g. magnetic susceptibility and electrical conductivity) and define anomalies for further testing.
Grade	The relative quantity or percentage of metal contained in mineral deposits.
Granite	A common intrusive igneous rock.
Gravity Survey	A geophysical survey which measures variations in rock density.
Hydrothermal	Literally, hot water. Hydrothermal fluids, typically carrying metals in solution, develop in the Earth's crust through a number of processes.
Igneous Rocks	Rocks formed by crystallisation of molten rock (magma).
Intersection	A width of rock cut by a section of a drill hole.
Intrusion	A mass of igneous rock which, while molten, was forced into or between other rocks.
I.P. (Induced Polarisation) Survey	An electrical geophysical survey that measures the potential fields under the influence of an applied electric current.
Leaching	The process by which metals are dissolved out of a rock.
Lode	Another name for an orebody or ore shoot.
Mafic Rocks	Igneous rocks containing a high proportion of dark-coloured minerals - e.g. gabbro.
Magnetic Survey	A geophysical survey which measures variations of the Earth's magnetic field, caused by variations in the magnetic susceptibility of the rocks. Magnetic surveys are used to assist in determining the sub-surface rock types and rock structure.
Malachite	A green hydrated copper carbonate mineral typically found in the oxide zone of copper deposits.
Massive Sulphide Deposit	A mineral deposit composed mainly of metal sulphide minerals.
Metallurgical	Refers to the process by which metals are recovered from their ores.
Metamorphism	The processes by which rocks become mineralogically and texturally altered under the influence of heat and pressure.
Metamorphic Rocks	Rocks formed by the processes of metamorphism.
Mineralisation	The process by which ore minerals are emplaced into rocks. The concentration of metals, not necessarily to ore grade, within a body of rock.
Mining Lease	A mining title conferred on the holder by the State government.
Molybdenum	A chemical element with the sixth highest melting point that is often used in high-strength steel alloys.
Ore/Orebody	The economically-extractable portion of a mineral deposit.
Ore Shoot	A structurally-controlled body of ore commonly elongated in one direction.
Outcrop	The part of a rock unit which appears at the Earth's surface.

Oxide Zone	The near-surface zone of a mineral deposit affected by weathering processes so that primary metal sulphide minerals are replaced by a range of new minerals, typically oxides, carbonates and silicates.
Oxide Copper Deposit	A concentration of secondary copper minerals, such as malachite, formed in the oxide zone.
Palaeozoic	A division of geological time from 543 to 248 million years ago.
Percussion Drilling	Drilling by a succession of blows producing only chips of rock.
Petrology	The study of the nature and composition of rocks.
Pipe	A steeply-plunging, essentially one-dimensional body of ore.
Plunge	The orientation of the long axis of a one-dimensional body such as a pipe.
Primary Ore Deposit	An ore deposit as originally formed prior to superimposed weathering processes (cf. secondary ore deposit).
Proterozoic	A major division of geological time from 2500 to 570 million years ago.
Radiometric Survey	Geophysical survey that measures the emissions from radioactive isotopes in rocks
Reef	An old-fashioned mining term for an orebody, usually a vein.
Reserve	An estimate of tonnage and grade of an orebody based on detailed sampling and measurement. The categories Proven and Probable reflect the degree of uncertainty.
Resource	An estimate of the tonnage and grade of a mineral deposit, but not implying that it can all be profitably mined. The categories Measured, Indicated and Inferred reflect the degree of uncertainty.
Reverse Circulation (RC)	A percussion drilling technique in which rock cuttings are recovered through the centre of hollow drill rods thus minimising sample contamination.
Sandstone	A sedimentary rock consisting of cemented sand grains.
Secondary Mineralisation	A term which embraces supergene and oxide zone mineralisation.
Sedimentary Rocks	Rocks formed through Earth surface processes such as mechanical (transport of solid particles), chemical, and biological activity.
Stockwork	A zone of intersecting multiple veins.
Strata	Layers of sedimentary and volcanic rock.
Stratabound	A descriptive term for mineral concentrations hosted within rock strata.
Stratiform	Mineral concentrations which are parallel to the rock strata.
Strike	The course or bearing of a rock layer or rock structure.
Sulphide	A mineral composed of sulphur combined with metals.
Supergene Zone	Zone of metal sulphide deposits affected by near-surface weathering processes resulting in the formation of new sulphide minerals. In copper deposits, primary chalcopyrite is typically replaced by supergene chalcocite.
SX-EW	Solvent extraction – Electrowinning. A hydrometallurgical metal recovery process.
Tenement	A mining or exploration title, such as a Mining Lease or Exploration Licence, conferred on the holder by a Federal or State government.
Ultramafic Rocks	Igneous rocks consisting almost entirely of dark-coloured minerals.
Vein	A generally tabular or reef-like mineral deposit, usually relatively narrow, and confined between well-defined walls. Commonly contains quartz as the main mineral.
Volcanic	Pertaining to the activities, structures, or rock types of a volcano.
Weathering	Processes, such as oxidation and hydration, which act on rocks in the near surface and eventually convert them to soil.

#### Abbreviations

ASX	Australian Securities Exchange	I.P.	Induced polarisation (electrical geophysical technique)
Ag	Silver	IPO	Initial public offering
Au	Gold	JV	Joint venture
A\$	Australian dollars	km	Kilometres
Co	Cobalt	km <sup>2</sup>	Square kilometres
Cu	Copper	m	Metres
EL	Exploration Licence (New South Wales and South Australia)	Pb	Lead
EPL	Exclusive Prospecting Licence (Namibia)	ppm	Parts per million
EPM	Exploration Permit for Minerals (Queensland)	US\$	United States dollars
ERL	Exclusive Reconnaissance Licence (Namibia)	Zn	Zinc
g/t	Grams per tonne		



## Corporate Directory

### Directors

Mr Stephen Edward Blackman  
Dr Kenneth John Maiden  
Mr Ian Cunynghame Daymond  
Dr Deng Jiniu

### Joint Company Secretaries

Mr Geoffrey Broomhead  
Mr John Stone

### Registered Office

Level 4, 72 Pitt Street  
SYDNEY NSW 2000  
AUSTRALIA

Telephone: + 61 2 8223 3777  
Facsimile: + 61 2 8223 3799

### Auditor

Brentnalls Assurance

### Taxation Advisors

Emerson Randell Young

### Legal Counsel

Gadens  
Steinpreis Paganin

### Financial Advisors

Carmichael Capital Markets  
Balmoral Capital  
SinoNew Capital

### Banks

Bank West  
Standard Bank of  
Namibia

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