



# ANNUAL REPORT 2008

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## INTRODUCTION

International Base Metals Limited (“IBML”) is an Australian unlisted mineral exploration company with an experienced management and technical team of mining industry professionals.

The Company has exploration projects in Queensland and New South Wales in Australia, and in Namibia in Southern Africa. In Namibia, a major resource definition drilling programme has recently been completed at the **Omitiomire** copper project. A formal resource assessment is expected during August 2008.

A cornerstone investor, West Minerals Pty Ltd, now has an 18% equity interest in IBML. A further placement of shares to institutional investors late in 2007 and early 2008 has provided IBML sufficient funding to undertake an Initial Public Offering (“IPO”) planned for late 2008.

IBML has set itself these objectives for the following twelve months:

- Create a value of A\$100 million in IBML by August 2008;
- Produce a Prospectus for an intended Australian Securities Exchange (“ASX”) listing in late 2008;
- Raise A\$30 million at the IPO;
- Initiate a definitive feasibility study on the Omitiomire copper project;
- Carry out initial drill testing of other resource targets in Namibia.



*IBML project areas*

## HIGHLIGHTS

### CORPORATE

- IBML is preparing a Prospectus for a planned IPO of its shares and listing on the ASX in late 2008.

### NAMIBIA

- At the Omitiomire copper project:
  - The Company has completed a major resource drilling programme of 250 drill holes totalling over 32,000 m. This has outlined a deposit over 2,300 m long, 800 m wide and up to 75 m thick;
  - A resource report is expected from the Company's resource consultants, Hellman & Schofield Pty Ltd, in August 2008;
  - Ongoing metallurgical testwork suggests that dense medium pre-concentration followed by conventional flotation to produce a high grade copper sulphide concentrate would be feasible. Recovery levels are expected to be high;
  - A pre-feasibility study is in progress. Completion is expected by end-2008.
- In the Kalahari Copperbelt project, drilling has commenced on the Du Plessis Rus ("DPR") and Eindpaal prospects.
- In the Kamanjab project area, the Company completed a 26-hole drilling programme at the Kopermyn prospect which intersected copper mineralisation within a volcanic breccia unit up to 500 m away from the old mine.

### NEW SOUTH WALES

- At the Shuttleton project, high-grade copper has been intersected in several drill holes.

### QUEENSLAND

- The Company flew a detailed airborne geophysical (magnetic and radiometric) survey over its Maranoa tenements. This has highlighted the presence of a large mafic-ultramafic intrusive complex which may have potential for nickel-copper mineralisation.

### PROJECT GENERATION

- An active project generation programme continues to identify new business opportunities for the Company.
- The Company has established a new subsidiary company, Endolithic Resources Pty Ltd, to pursue exploration opportunities in North Queensland.

## MANAGING DIRECTOR'S LETTER

Dear Shareholders,

It is with great pleasure that I present the sixth Annual Report of International Base Metals Limited ("IBML"). I trust the Quarterly Reports have provided improved shareholder communications and provide a better understanding of the added value that employees are creating for shareholders.

In the past year, the Company has focussed on developing an advanced project as the foundation stone for its future growth.

There are many ingredients for an exploration company's success and IBML has sought to leverage off four of them, namely:

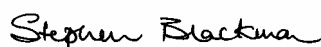
1. **Secure tenure of good ground.** IBML has been very successful in securing sizable coherent tenement positions in both Namibia and Australia. It has focused on the Steinhausen region of central Namibia and the Omitiomire copper project in particular. In addition, its other Namibian interests show potential for future economic deposits. In Australia, its position at Maranoa, Queensland, appears to have attracted competitive activity while the modest ground position in New South Wales has started delivering exploration results.
2. **Building a successful management team.** IBML has been exceedingly fortunate in attracting highly skilled professionals, who have previously worked together, to form the core of the Namibian exploration team. This complements the broadly based skilled Australian team. The interaction between both teams has resulted in the strong exploration achievements over the period.
3. **Strong funding base.** None of the above is achievable without finance and IBML has been well served by its cornerstone investor, West Minerals Pty Ltd, and its financial advisors who were responsible for raising some A\$8.66 million in the October 2007 – January 2008 period. Moreover, the introduction of significant institutional interest has provided a new balance in the shareholder structure which will continue to be vital for the Company to take advantage of its growth opportunities.
4. **Strong business ethics and code of practice.** The value system espoused by the Company is reflected in the attitudes of its staff, contractors, suppliers and shareholders alike. There is an alignment of interests. All staff are shareholders, most contractors have been given the opportunity to become shareholders, suppliers of services are paid promptly and therefore, the Company often obtains priority (which is important when looking for drill rigs) and shareholder trust generates the funding which has enabled the exploration success.

Clearly exploration success feeds all the above and enables the Company to expand its generative pipeline of future projects, which it is continuing to do.

In reading the Highlights, I am very proud of the team's achievements in adding enormous shareholder value in such a short space of time. On behalf of the Board and management I thank the staff and contractors for their significant contribution.

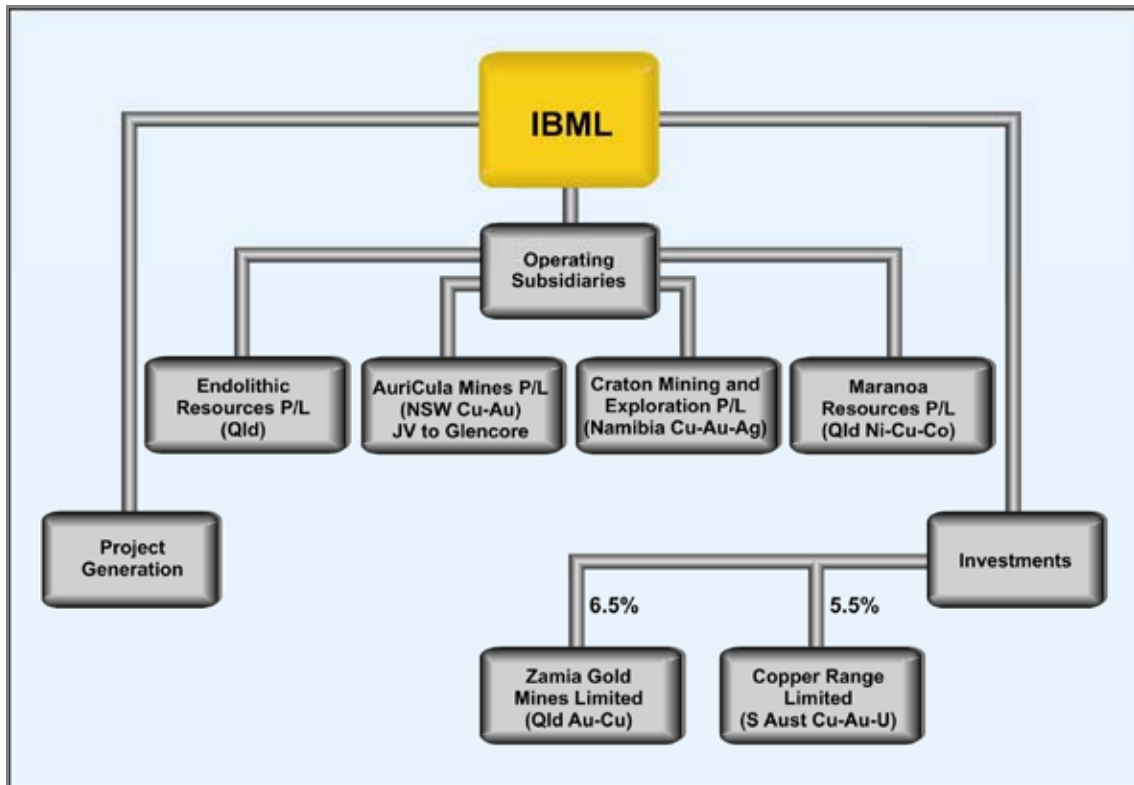
In addition, the Company's investment in Zamia Gold Mines Limited ("Zamia") has proved rewarding as its molybdenum discovery in central Queensland appears to be providing Zamia with every prospect for future sustainability. The Copper Range Limited ("Copper Range") investment will await the outcome of drilling over its extensive Lake Torrens tenements although its more recent initiatives show near term promise in the Adelaide Fold Belt.

Yours sincerely



**Stephen E Blackman**  
**Managing Director**  
**19 August 2008**

## COMPANY STRUCTURE AND INVESTMENTS



*Corporate structure*

## COMPANY STRATEGY

The Company's near-term (two-year) strategy is as follows:

- At Omitiomire, complete a definitive feasibility study and secure government approvals for development of a copper mining and processing operation;
- In the broader Steinhausen project area, build a resource base which can supply the Omitiomire copper processing facility;
- Elsewhere, both in Namibia and in Australia, develop the portfolio of base metal exploration projects by focussing exploration expenditure so as to identify priority targets and move them towards resource definition;
- Where appropriate, seek joint venture partners to fund projects;
- Relinquish or farm-out tenements which do not show early promise of significant resource potential;
- Maintain an active project generation function, seeking new exploration opportunities not only in Namibia and Australia but also in other countries which meet IBML's investment criteria.



## REVIEW OF OPERATIONS

### EXPLORATION PROJECTS IN NAMIBIA

Politically stable, with good infrastructure and generously endowed with mineral resources, Namibia is a desirable exploration destination. It has a well-developed mining industry, geologically favourable base metal trends, and potential for discovery of large base metal deposits.

IBML has registered a wholly-owned Namibian operating subsidiary, **Craton Mining and Exploration (Pty) Ltd** (“Craton”). In early 2007, Craton entered into joint venture agreements for three groups of Exclusive Prospecting Licences (“EPLs”) with Cheetah Minerals Exploration (Pty) Ltd, a wholly owned subsidiary of Manica Minerals Limited, a Canadian-based private company. The tenements included EPL 3589 in which the Omitiomire copper deposit is located.

In December 2007, a purchase agreement was signed with Manica Minerals for the transfer of complete tenement ownership to Craton to replace the joint venture agreements. The Namibian Minister of Mines and Energy approved these transfers on 28 May 2008.

Since this acquisition, a major enhancement of the tenement portfolio has been achieved through applications for an additional nine EPLs. The total area of Craton’s tenement packages is now about 15,000 km<sup>2</sup>.



*Project areas*

Karl Hartmann, an experienced Namibian geologist, joined Craton as Exploration Manager in July 2007 and has put together an exploration team of 20 people involved in resource definition and exploration programmes.

**Omitiomire Project:** This is IBML's premier project. A recently completed resource definition drilling programme has outlined a mineralised zone over an area of 2,300 m x 800 m, and up to 75 m in thickness. A formal resource estimate is expected to be completed in August. Preliminary metallurgical testwork is producing positive results. Additional pre-feasibility studies are proceeding very satisfactorily.

**Steinhausen Project:** The cluster of EPLs surrounding the Omitiomire deposit has several other known copper occurrences and excellent potential for discovery of additional deposits.

**Kalahari Copperbelt Project:** The Company has begun assessment of the copper potential of its tenements and has identified a number of target areas for follow-up exploration including drill testing.

**Kamanjab Project:** An initial drilling programme has been completed at the Kopermyn prospect. Results from this drilling are being followed up.

## OMITIOMIRE PROJECT

### Background

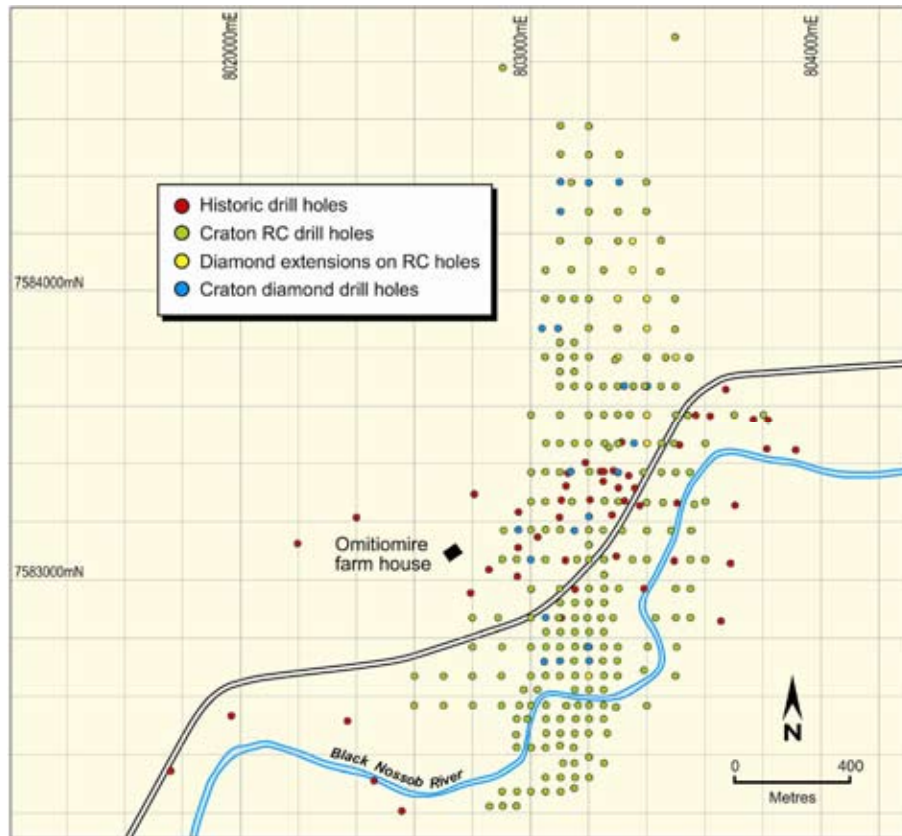
Omitiomire is located in the flat savannah grasslands of central Namibia, there is little surface indication of what is now shaping up as a sizeable copper discovery.

Prior to IBML's involvement, the prospect had a known resource of 7.9 million tonnes at 0.9% Cu. IBML's assessment was that Omitiomire had the potential to host a substantial copper resource.

This optimism has been borne out by Craton's recently completed drilling programme.

This programme was aimed at establishing a copper resource in excess of 30 million tonnes grading 0.7% Cu. Resource estimations have yet to be completed but preliminary assessment suggests that the resource target will be far exceeded. The deposit so far outlined remains open in all directions.





*Omitiomire drilling to July 2008*

## The Deposit

The Omitiomire copper deposit occurs as a zone of banded schist and gneiss which underlies a unit of massive barren quartz-feldspar (“felsic”) gneiss. Copper occurs mainly as chalcocite, preferentially concentrated in dark bands of biotite- and amphibole-bearing schist which locally contains minor epidote. In general, epidote-bearing schist contains the highest concentrations of copper. Chlorite, sphene, K-feldspar and magnetite are minor components of the ore.

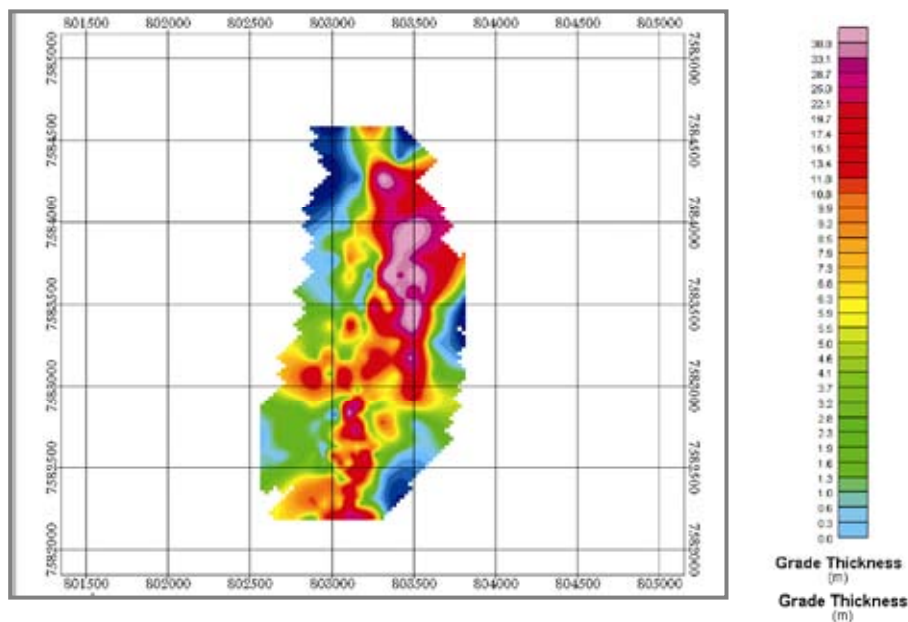
Within the ore zone, the bands of dark, softer copper-bearing schist alternate with hard, barren, felsic gneiss. Banding is on a scale of centimetres to metres. No stratigraphic marker horizons have been recognised.



*Omitiomire ore in drill core. Sawn drill core showing barren felsic gneiss (top), banded quartz-plagioclase-biotite schist with bands of black biotite schist (centre) and epidote-bearing schist (bottom)*

The deposit is a broadly tabular body, extending at least 2,300 m in a north-south direction, 800 m in an east-west direction and generally dipping at a shallow angle to the east. The deposit does not outcrop but drilling and scattered malachite “float” show that it sub-outcrops below sand cover in a north-trending zone. In the near-surface area it is relatively thin (about 5 - 10 m) and it thickens to over 75 m at depth to the east.

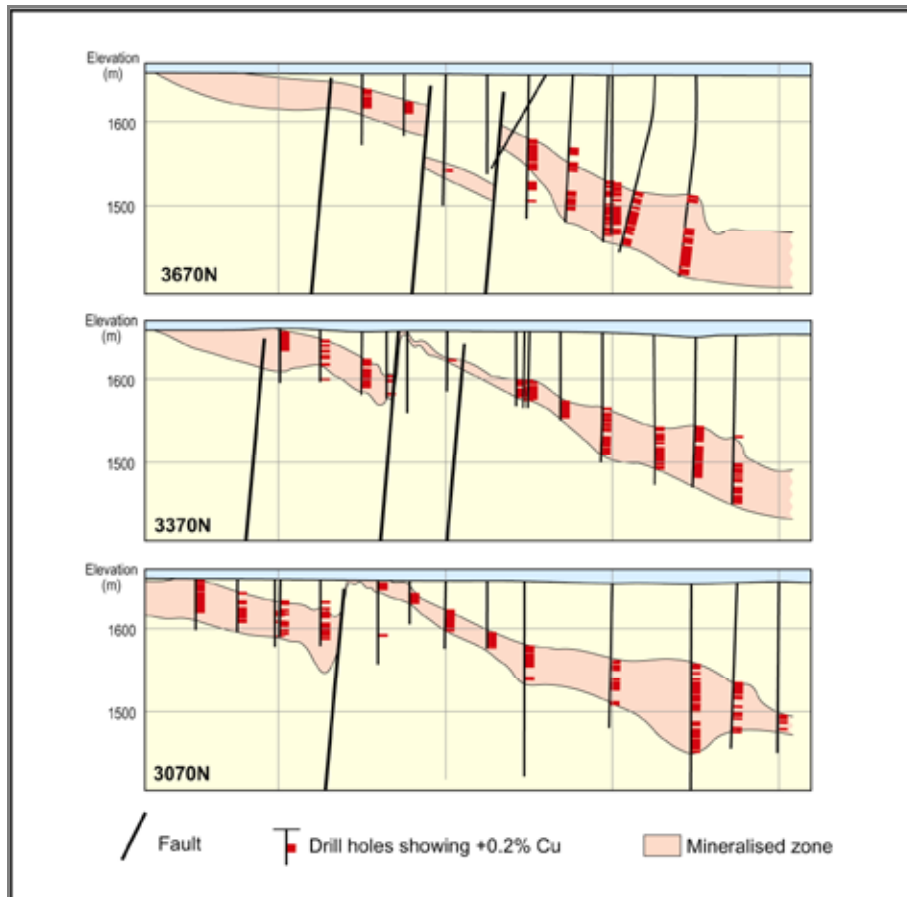
Grade x thickness plots show the north-trending enrichment in copper resulting from this thickening. Local structural complexities due to folding and shearing are commonly associated with higher copper grades and coarser chalcocite.



*Grade x thickness plan of the Omitiomire deposit showing a north-trending zone of thicker and richer copper on the eastern side of the deposit*

The contact between the overlying felsic gneiss and the mineralised darker rock is usually sharp and interpreted to be a sheared contact. Generally, the copper grade is highest immediately below the contact and decreases irregularly downwards. The lower boundary to the deposit is diffuse and not readily discernable.

Grade discontinuities as shown in drill sections are interpreted as near-vertical faults. This has been confirmed by angled diamond drill holes, which have intersected a number of brittle fault zones, generally steeply west-dipping, with associated quartz veining.



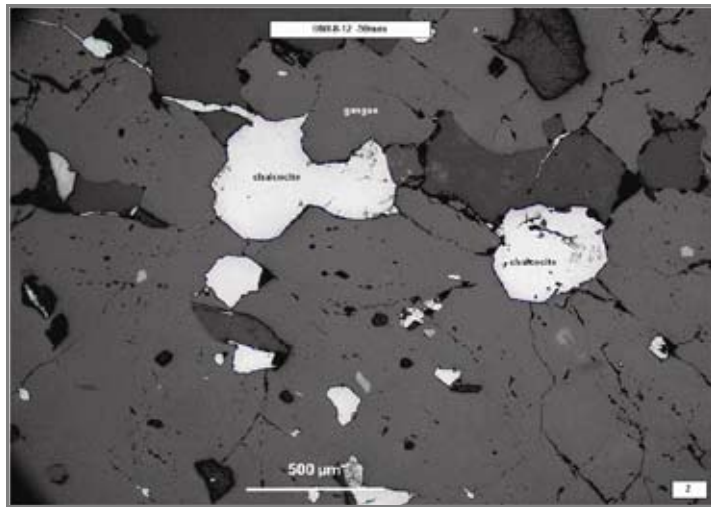
*Omitiomire drill sections*

The deposit remains open in all directions, although to the east the deposit lies at depths greater than 200 m. In the north, it plunges north at a moderate angle and the most northerly drill holes show increases in grade and thickness. The southernmost drill holes indicate that the deposit continues to the south and southwest. Limited drilling to the west and apparent fault complications have resulted in a poor understanding of the potential to the west of the deposit. However, soil geochemistry and geophysical imagery indicate good potential for additional copper.

## Mineralogy

From the drill information to date, 85 - 90% of the copper occurs in sulphide minerals. Nearly all this copper is as chalcocite ( $\text{Cu}_2\text{S}$ ) with minor amounts of bornite ( $\text{Cu}_5\text{FeS}_4$ ) and locally chalcopyrite ( $\text{CuFeS}_2$ ). Chalcocite occurs both as coarse grains which overprint the cleavage and as smaller grains disseminated through the schist.

The deposit is partially oxidised to a depth of 30 - 40 m, with the development of malachite and minor chrysocolla, and locally more deeply along faults, with partial oxidation to malachite and cuprite. Supergene alteration of chalcocite to covellite is also seen near surface.



*Photomicrograph of coarse-grained chalcocite (pale blue) in schist*

## Exploration

Craton's initial compilation and review of previous exploration showed a target area of known and potential copper mineralisation. The Company carried out detailed magnetic and induced polarisation ("IP") geophysical surveys over the target area then, in August 2007, commenced reverse circulation ("RC") and diamond drilling. A 250-hole RC and diamond drilling programme, totalling over 32,000 m, was completed in June 2008.



*First drill hole, August 2007*

The objectives of RC drilling were:

- To extend the known resource. This has been done by “step-out” drilling, generally on a 100 m x 100 m grid;
- To elevate resources from the Inferred category to the Indicated category. This requires infill drilling, generally at 50 m spacing.

The objectives of diamond drilling were:

- To provide drill core samples (of both oxidised and primary chalcocite ore) for metallurgical testing;
- To twin RC drill holes to provide confidence in the assays from RC drill samples;
- To deepen nine RC drill holes that did not reach planned target depth;
- To provide geological information on the location of steep faults.

## **Resource Delineation**

When Craton commenced drilling at Omitionire, the project area contained an Inferred Resource, based on historic drilling, of 7.9 million tonnes at 0.9% Cu (at 0.5% Cu cut-off grade) within an area of 500 m x 400 m. Craton set a delineation target of a minimum 30 million tonnes at 0.7% Cu for this drilling campaign.

Inferred Resources, within the meaning of the 2004 JORC Code and Guidelines, have the lowest confidence level of the three resource categories. With further infill drilling and sampling, confidence on continuity of mineralisation generally increases and Inferred Resources will progressively convert to Indicated Resources.

Whilst IBML does not yet have a formal updated resource assessment, preliminary drilling results suggest that the Company has well exceeded the minimum resource sought and that the assessment will include a mix of resources in the Inferred and Indicated categories.

## **Metallurgical Studies**

As part of a pre-feasibility study on the Omitionire project, the Company’s consultants, Johannesburg-based Green Team International, have been supervising mineralogical studies and metallurgical testwork on drill core samples from Omitionire. The work is being carried out by Johannesburg-based Mintek Laboratories and is aimed at selecting the optimum flow sheet for processing of Omitionire copper ore.

Two metallurgical flow sheet options are under consideration:

- Crushing - heap leaching - solvent extraction - electrowinning;
- Crushing - dense medium separation - milling - sulphide flotation - weak acid leach - cementation.

Because of the low average grade of the deposit (around 0.65 - 0.7% Cu), dense medium separation tests have been carried out to determine the feasibility of a pre-concentration stage to upgrade the ore after mining.

Although final selection of the optimum processing route will await a definitive feasibility study, preliminary results suggest that the route could involve pre-concentration by dense medium separation to increase the head grade to around 1.4% Cu, at the same time decreasing the amount of material to be milled by around 50%. This would be followed by conventional flotation to produce a sulphide concentrate. In addition, a leach operation could recover a considerable percentage of the copper from oxidised ore in a cementation process.

Work to date suggests that such a process could recover at least 90% of the copper in a concentrate which would contain over 55% Cu plus by-product credits. This process would reduce capital and operating costs and produce a very marketable product.

## **Environmental Studies**

Craton has received a draft Scoping Report on Environmental Impact Assessment of a proposed mine development at Omitiomire.

The report covers:

- Archaeology;
- Flora;
- Fauna – amphibians, reptiles, mammals, birds, insects;
- Socio-economic impact;
- Hydrogeology.

The report indicates no serious environmental or social impediments to the development of a mining and processing operation at Omitiomire. Additional field work on all these aspects will be carried out over the coming months. The follow-up work will also include:

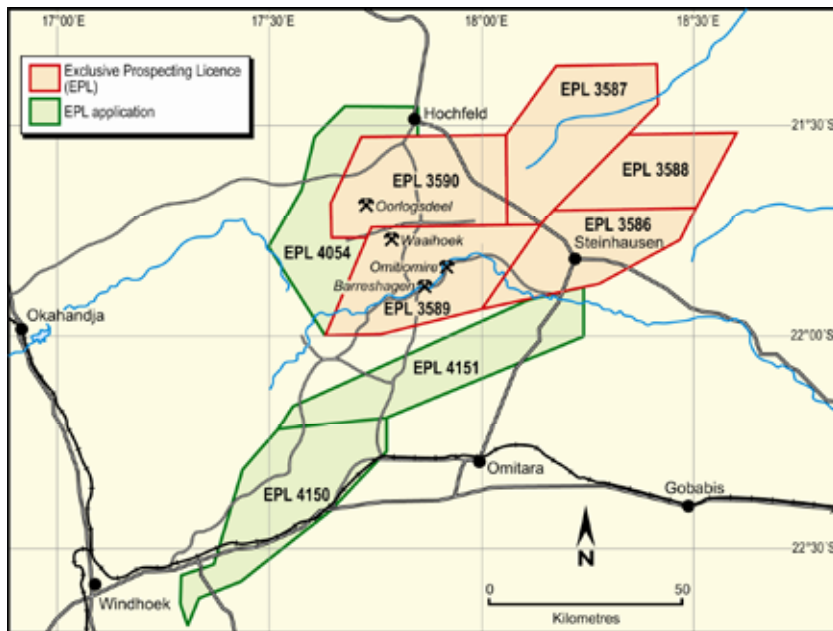
- Noise, illumination, dust and scenic/visual impact;
- Environmental management system;
- Mine closure plan.



## STEINHAUSEN PROJECT

The Steinhausen project area surrounds the Omitiomire deposit. It consists of five granted EPLs and three EPLs under application, totalling around 7,000 km<sup>2</sup>. The tenements under application are expected to be granted during 2008. The project area stretches from just east of Windhoek for almost 200 km in a northeasterly direction.

The project area contains known Omitiomire-style copper at Barreshagen as well as numerous other copper occurrences which have been subjected to limited past exploration.



*Tenements in the Steinhausen area*

Examination of airborne geophysical data has provided a new geological interpretation of the project area, which has shown potential for a variety of deposit types:

**Omitiomire-type deposits:** Omitiomire is emerging as a very significant copper deposit. The Ekuja Dome in the southwest of EPL 3589 has the greatest potential for further discoveries of Omitiomire-type deposits. The known copper at Barreshagen, 10 km southwest of Omitiomire, provides a priority target. Most of the dome remains completely unexplored.

In addition, there are other known basement domes and the geophysical interpretation has identified six possible domes, providing target areas to be explored.

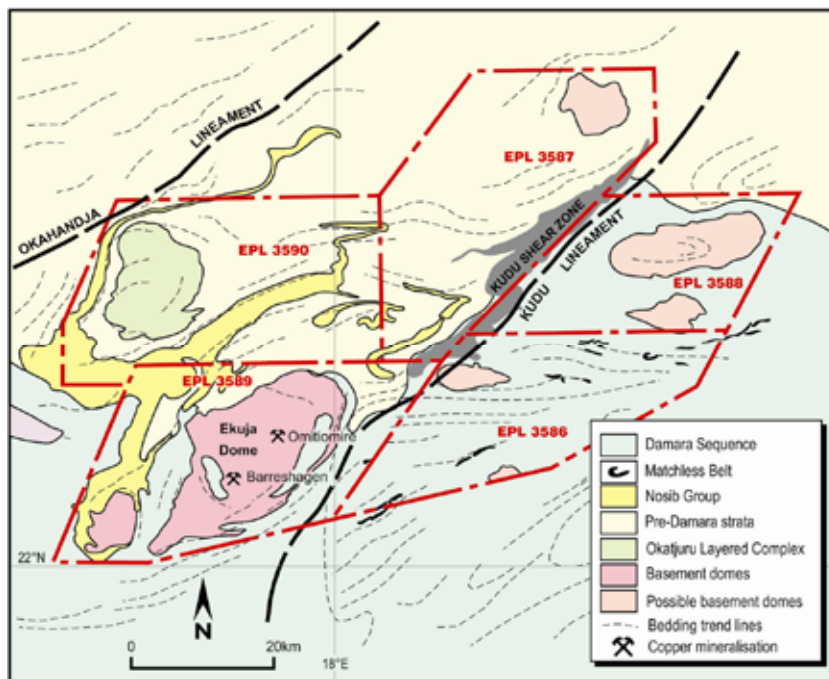
**Sediment-hosted copper deposits:** A unit of quartz-rich strata hosts known copper at several prospects. During the 1970s, some of these prospects were subjected to shallow open-hole drilling which showed the presence of widespread copper. These represent targets for Zambian-type copper deposits.

**Nickel-copper in mafic rocks:** The Okatjuru layered complex, in EPL 3590, has known copper mineralisation at Oorlogsdeel. The geological setting suggests potential for nickel-copper discoveries.

**Massive sulphide deposits:** The Matchless Belt trends northeastwards for 400 km through central Namibia and contains a number of massive sulphide copper-silver deposits occurring as clusters along its length. Two of these deposits are currently being mined and others are being assessed.

The Matchless Belt extends for 70 km within the Company's tenements. Limited previous exploration, including some drilling, identified a number of copper occurrences, implying good potential for discovery of additional deposits.

**Shear zone gold-base metal deposits:** The new interpretation shows a major shear zone related to the Kudu Lineament. There has been no previous exploration along this feature.



*Steinhausen Project geological interpretation over granted EPL areas*

## Exploration Strategy

The Company's strategy for the Steinhausen project area is to build a resource base which can supply the proposed Ekuja Omitiomire copper processing facility. The exploration programme will therefore focus heavily on known copper occurrences.

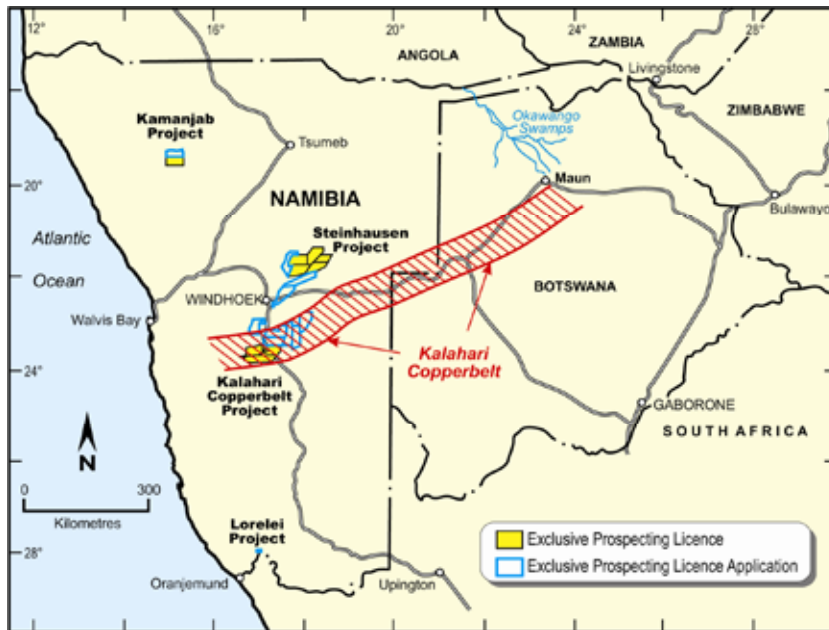
The objectives are:

- To identify an Inferred Resource at the Barreshagen target;
- To determine the discovery potential for Omitiomire-type deposits elsewhere in the Ekuja Dome;
- To prioritise other known copper occurrences for follow-up exploration including drilling;
- To assess the discovery potential elsewhere in the large tenement area;
- To use the knowledge and experience gained from Omitiomire to identify and acquire access to other target areas in the region.

## KALAHARI COPPERBELT PROJECT

The Kalahari Copperbelt stretches for 800 km from central Namibia to northern Botswana. Sediment-hosted copper deposits are of the same style as the Zambian Copperbelt, hosted in rocks of the same age. In the northeastern part of the belt, a resource in excess of 30 million tonnes of copper ore has been established in several deposits in the Maun area. In the central part of the belt, there are two clusters of deposits at Witvlei and Dordabis. In the southwestern part of the belt, the Klein Aub mine produced over 5 million tonnes of copper ore during the 1970s and 1980s.

Craton has established a tenement position consisting of four granted EPLs and three EPLs under application, with a total area of almost 6,000 km<sup>2</sup>. The tenements under application are expected to be granted during 2008.



*Kalahari Copperbelt in Namibia and Botswana*

The project area has potential for several mineral deposit styles:

**Sediment-hosted copper deposits:** EPL 3584 contains 60 km of strike extent of rocks that are stratigraphically equivalent to the “Ore Shale” in the Zambian Copperbelt. There are numerous copper occurrences within this zone and extensive geochemical anomalies but open-file reports indicate that only three exploration holes have been drilled in the entire zone. A scout geochemical survey by Craton has confirmed the regional extent of geochemical anomalies.

In addition, the Craton tenements contain:

- The former Oamites mine that produced over 6 million tonnes of copper ore during the 1970s and 1980s;
- The Kojeka prospect, which has three copper-bearing beds extending over 3 km of strike. Craton’s geochemical and IP surveys have identified a number of targets for testing;
- The Sib prospect, where previous trenching has exposed copper mineralisation over several hundred metres.

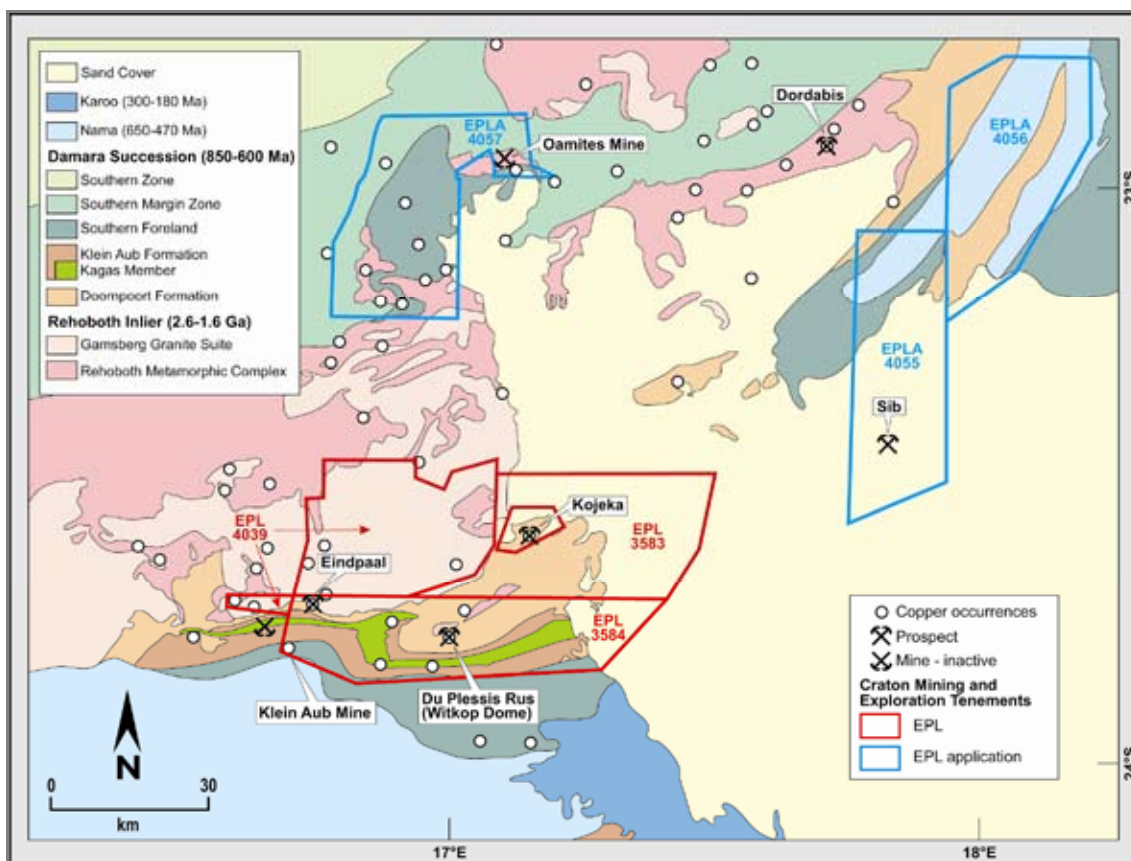


*Copper-bearing phyllite, Kojeka prospect*

**Basement copper-gold deposits:** Although there are numerous copper and gold occurrences in the basement rocks, there has been little detailed exploration. Craton's assessment is that a number of these occurrences represent either porphyry or shear-related copper-gold systems.

Craton's initial exploration has concentrated on two prospects, DPR and Eindpaal. At both prospects, detailed exploration by Craton (geological mapping, IP and geochemical surveys) has shown an area of several square kilometres containing multiple igneous intrusions, quartz stockwork veining, copper occurrences, widespread alteration, and numerous geophysical and geochemical anomalies.

Craton has carried out scout RC drilling on both DPR and Eindpaal prospects. Assay results have not yet been received.



*Kalahari Copperbelt: geological setting and prospects*

## Exploration Strategy

There has been little detailed exploration in the area since the 1970s. In those programmes, target areas were explored by surface sampling followed by trenching and, in some cases, shallow open-hole percussion drilling. Within the Company's tenements, some copper occurrences (e.g. Kojeka) were intensively explored, but beyond these areas little exploration has taken place. Much of the eastern part of the project area is covered by wind-blown sand.

The Company's objectives are:

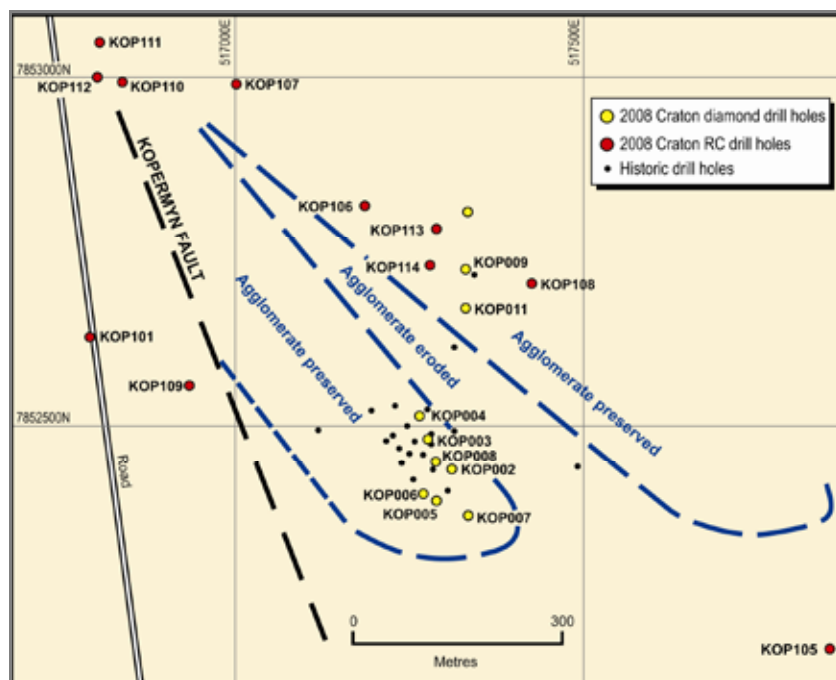
- To prioritise sediment-hosted copper targets for detailed exploration including drilling;
- To determine the potential for porphyry and shear-hosted copper-gold deposits in the basement rocks;
- To determine the potential for supergene copper and oxide copper derived from primary porphyry copper.



## KAMANJAB PROJECT

The project area is in northern Namibia, approximately 350 km north of the capital Windhoek. The Kamanjab project consists of one granted EPL and one EPL under application. The area has potential for several mineral deposit styles.

**Breccia-hosted copper:** In EPL 3372, the Kopermyn open-cut mine dating from the 1970s produced around 100,000 tonnes at ~ 2% Cu and 10 g/t Ag. Copper occurs as chalcocite and covellite in a volcanic breccia or agglomerate. Drilling by Craton in early 2008 near to the old mine intersected up to 21 m at 0.58% Cu. Adjacent to a fault zone 500 m northwest of the old mine, drill holes intersected up to 9 m at 0.53% Cu. These early results indicate potential to define a resource.



*Kopermyn project 2008 drilling*

**Porphyry copper:** Stockwork veining and alteration within a body of quartz porphyry adjacent to the old mine indicate potential for porphyry copper mineralisation. Away from the old mine, Aster satellite imagery shows areas of alteration defining exploration targets.

**Carbonate-hosted copper:** EPL 4058 covers a sequence of carbonate strata containing numerous copper geochemical anomalies. These are in the same rock sequence as the famous Tsumeb copper mine, which lies 250 km to the east. The Tsumeb mine closed several years ago after 100 years of operation. There has been no detailed exploration of the copper geochemical anomalies.



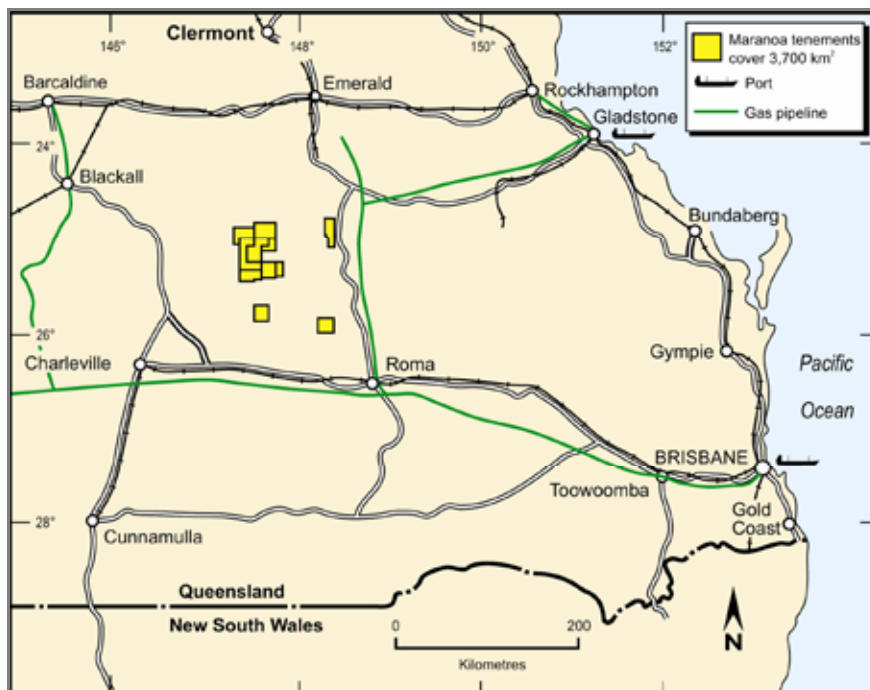
## EXPLORATION IN SOUTHERN QUEENSLAND, AUSTRALIA

### Background

Assessment of the geology of the Maranoa region of south-central Queensland indicated that there are geological similarities to the Noril'sk district of arctic Russia, the world's premier nickel-copper district. If this concept is shown to be valid, it could open up a new nickel-copper province in the region.

With this new exploration concept in mind, **Maranoa Resources Pty Ltd** ("Maranoa") was established as a wholly owned subsidiary of IBML to explore for base metals in the region. The company has four granted Exploration Permits for Minerals ("EPMs") and an additional seven EPMs under application, totalling almost 3,700 km<sup>2</sup>.

Maranoa has flown a high resolution airborne magnetic and radiometric survey over the area and is preparing for detailed exploration.

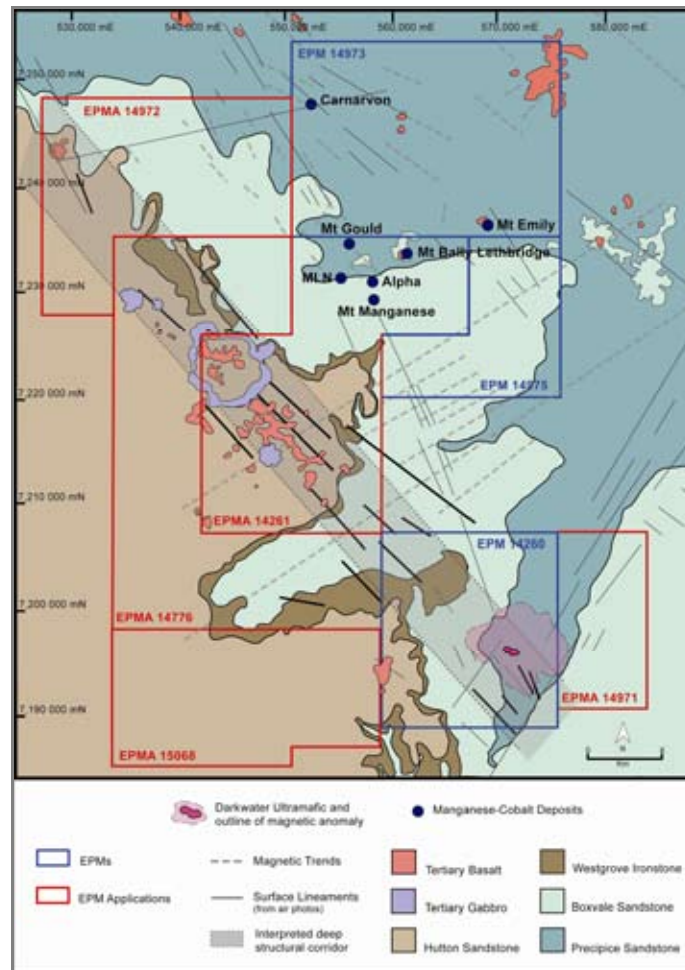


*Tenement location map*

In addition to its potential for large nickel-copper (and perhaps platinum) deposits, the project area has known cobalt deposits and potential for other deposit styles.

### Geological Setting

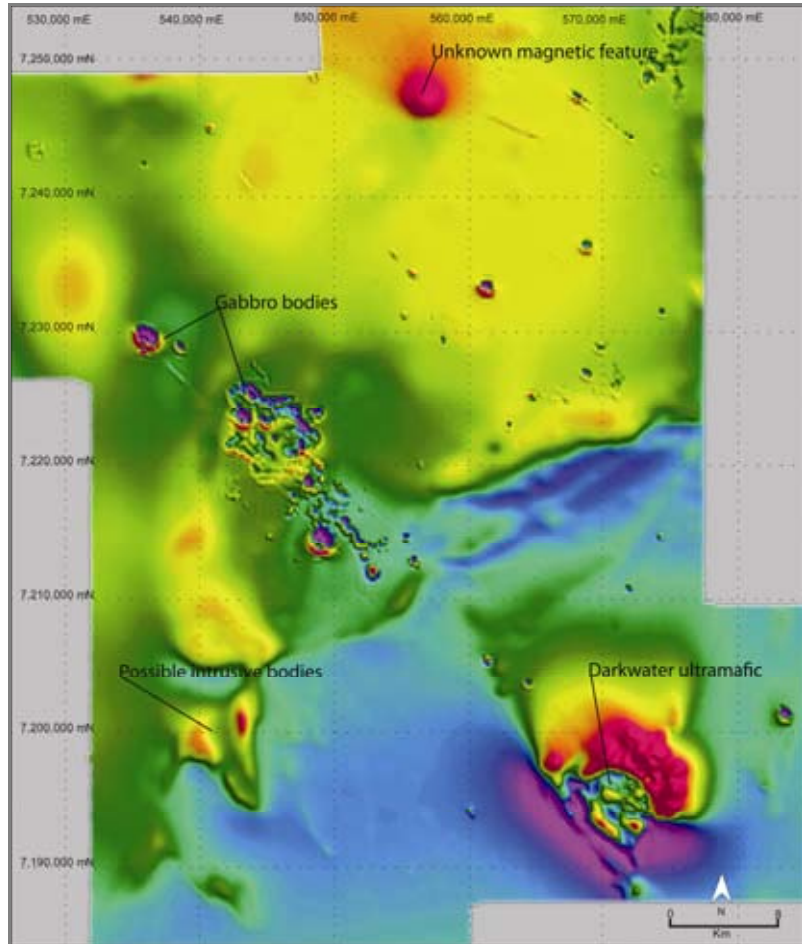
The project area contains a sequence of Mesozoic-age sedimentary rocks invaded by Tertiary-age bodies of gabbro (mafic intrusive rock) and by basalt plugs representing the eroded remnants of volcanoes. In addition, in the south of the area, there is a small outcrop of mafic-ultramafic rock, the Darkwater Intrusion, which appears to be older than the Mesozoic sedimentary sequence.



*Geological interpretation of the Maranoa project area*

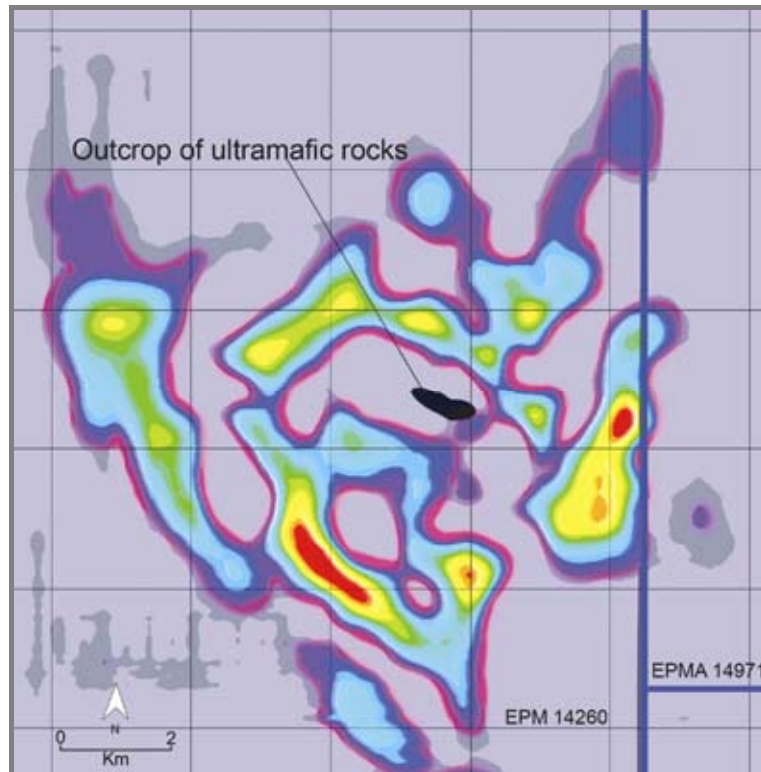
## Nickel-Copper-Platinum in Mafic-Ultramafic Rocks

In the Noril'sk district, nickel-copper-platinum orebodies are hosted within gabbro bodies which are intruded into a sedimentary sequence. The Maranoa district also contains bodies of the Tabor Gabbro up to 8 km across as well as a large mafic-ultramafic intrusive complex, the Darkwater Intrusion. The gabbro bodies and the Darkwater Intrusion are aligned along a prominent northwest structural trend.



*Magnetic image showing alignment of mafic and ultramafic intrusions along a prominent northwest structural trend*

In detail, the magnetic imagery shows that the Darkwater Intrusion, although only 800 m by 400 m in outcrop, is actually a composite body, 10 km across, apparently made up of several intrusive bodies of varying composition.



*Detail of magnetic imagery in the Darkwater area showing the small outcrop area of mafic-ultramafic rocks and the much larger area of magnetic anomalies indicating the extent of the Darkwater intrusive complex*

In limited previous exploration at the Darkwater prospect, two shallow holes were drilled in the early 1970s to around 100 m depth. Although minor sulphides were reported, no samples were analysed. Geochemical sampling has shown elevated nickel, up to 0.87% Ni, in outcrop. At the Mount Hutton prospect, outcrop samples assayed up to 1.27% Ni and 3.43% Cu in separate outcrop samples.

These geochemical anomalies, combined with the aeromagnetic data, support the Company's exploration concept that the project area has potential for large nickel-copper deposits.

### **Cobalt Associated with Manganese**

Mount Manganese is a cobalt prospect where drilling in the early 1990s outlined a small deposit (< 200,000 tonnes) averaging around 0.15% Co. Most holes were very shallow – to about 35 m depth. Only four holes reached a vertical target depth of 50 m. Many holes stopped in cobalt mineralisation.

Mount Manganese represents a priority target where deeper drilling could well define a larger cobalt deposit.

Several other manganeseiferous cobalt occurrences are known in the project area. A new geological concept, developed by IBML to explain these occurrences, suggests that there could be considerably more cobalt not directly associated with manganese concentrations. Application of the new concept in exploration of the region could result in discovery of significant cobalt resources.

## Stratabound Base Metal Deposits

IBML's review of regional geological information, in particular the re-assessment of deep petroleum wells, has indicated that the sedimentary rock sequence has potential for sandstone-hosted deposits of copper, lead and zinc. IBML has sought the assistance of US-based geological consultants to assist in the assessment of the regional potential for these deposit styles.

## Exploration Strategy

With access agreements now in place, IBML's exploration objectives in the Maranoa project area are:

- To identify and prioritise targets for nickel-copper in the Darkwater Intrusion, and to commence detailed exploration including drilling;
- To assess the potential for an expanded resource at Mount Manganese;
- To assess the potential for additional cobalt deposits in the area. IBML has been granted funding from the Queensland Department of Mines and Energy to assist in this drilling programme;
- To advance the understanding of stratabound base metals and to prioritise targets for detailed exploration.

## EXPLORATION IN THE COBAR DISTRICT, NEW SOUTH WALES, AUSTRALIA

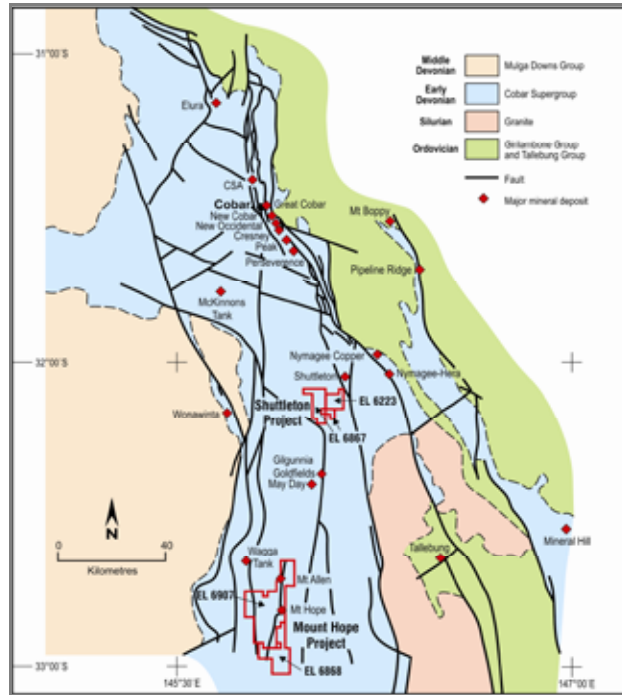
### Background

Cobar is one of Australia's established mining districts. Located in semi-arid bush land in western New South Wales, the town of Cobar was built around rich deposits of copper and gold. The first discovery, in 1870, led to what became, for a time, the largest copper producer in Australia. At its peak in 1912, the Cobar field boasted dozens of mines and fourteen copper smelters.

The Cobar district is renowned for its high grade deposits and the success in identifying new and expanded resources. The district remains a significant producer of copper, gold, lead, zinc and silver.

Through its wholly owned subsidiary, **AuriCula Mines Pty Ltd** ("AuriCula"), IBML has established a strategic tenement position in the southern part of the Cobar field, consisting of four granted Exploration Licences, totalling 840 km<sup>2</sup> in area, and covering two clusters of historic copper-gold mines.

The tenements are the subject of a joint venture agreement with another company, which can earn a 90% interest in the tenements.



Tenement location map and geology of the Cobar district

## Mount Hope Project

Targets include:

**Mount Hope:** This mine was worked intermittently between 1881 and 1919. Production ceased when the copper price collapsed after World War I. The deposit is a steeply north-plunging body up to 120 m in strike length and 25 m in width, and has been mined down plunge for 117 m. It is reported that the average grade of primary sulphide ore was 7% Cu and 6.6 g/t Ag, with minor gold.

**Comet – Great Central:** Historic workings and prospects extend over 2 km of strike along a major fault zone. Associated with high grade copper, gold grades of up to 6 g/t are reported. There are targets for extensions to the high grade copper-gold lodes below and adjacent to the old workings.

**Great Central open-cut:** During the 1970s, a copper leach operation worked a low grade copper stockwork body adjacent to the old Great Central mine.

**Anomaly 3 gold prospect:** Drilling in the 1980s identified, at shallow depth, a small deposit which was estimated to contain up to 150,000 tonnes at grades of about 1.5 g/t Au and 25 g/t Ag. IBML considers that there is potential to define a gold-silver resource.

**Nombinnie gold prospect:** Historic shallow shafts and pits define a “line of lode” trending northeast. Drilling during the 1980s gave promising gold with elevated silver and base metal concentrations, with intersections up to 4 m at 6.3 g/t Au, 14 m at 3.14 g/t Au and 20 m at 2.2 g/t Au.





*Stockwork copper veins, Mount Hope*

### Shuttleton Project

The project area contains a number of historic mines which were worked in the early years of the 20<sup>th</sup> century. The Crawl Creek mine produced 53,000 tonnes of ore at a grade of 6 - 8% Cu, with silver and gold credits. Small shafts extend intermittently south of the Crawl Creek mine for over 2 km. The company encountered financial difficulties and the operation closed in 1907. In 1908, an inspector from the NSW Department of Mines reported good grade ore remaining at all levels in the mine workings. At its deepest level, the mine had ceased operations in high-grade ore - 11% Cu.

Drilling at Crawl Creek has revealed two sub-parallel copper lodes, 30 - 50 m apart, which dip steeply eastward and transect the stratigraphy at a shallow angle. The copper system is open along strike to the south and at depth.

Results of RC drilling include:

Drill hole	Interval (m)	Intercept (m)	Intercept Grades		
			Cu %	Ag g/t	Au g/t
SHRC07004	20 - 28	8	3.07	14	0.4
	29 - 32	3	5.41	21	0.1
SHRC07009	67 - 85	18	1.57	16	
SHRC07010	43 - 53	10	1.36		
	99 - 106	7	3.11	22	
SHRC07016	113 - 119	6	3.63	13	
SHRC07017	146 - 160	14	2.59	13	
SHRC07019	29 - 65	36	2.00	1	



*Crowl Creek Prospect, section 6445600N, showing drill hole intersections*

AuriCula has a 10% interest in the project.

## Exploration Strategy

Exploration has highlighted the potential of the Crowl Creek prospect to host oxide and sulphide copper ore. Future exploration and evaluation of the project will involve RC and diamond drilling to test oxide, transitional and sulphide copper targets with the objective of defining resources.

Additional exploration initiatives involving auger geochemical sampling, ground magnetic and electrical surveys, and probable RC and diamond drilling are planned to test the remainder of the tenement area.

## PROJECT GENERATION

IBML has a history of successful project generation:

- In Northwest Queensland, IBML recognised the potential of the Mount Kelly area for significant oxide copper resources. The Company negotiated an exploration joint venture farm-in agreement over the project area and, after assessing previous exploration, carried out an RC drilling programme. This outlined a copper resource and indicated potential for a substantially larger deposit. In 2004, IBML vended its Northwest Queensland subsidiary into the creation of a new company, which continued active exploration drilling and resource assessment on the project. The Mount Kelly mine has been in operation since September 2007.
- In South Australia, IBML established a substantial tenement position in two geological provinces prospective for copper and copper-gold deposits:
  - the Olympic Domain, which hosts the Olympic Dam, Prominent Hill and Carrapateena copper-gold-uranium deposits;
  - the Adelaide Fold Belt, which is prospective for Zambian-type sediment-hosted copper deposits.
- In 2006, IBML vended the tenement package into the creation of **Copper Range Limited**, which is now actively exploring in South Australia.
- In Central Queensland, IBML established a coherent tenement position in the Clermont district, covering an area highly prospective for gold and base metal deposits. In early 2007, IBML vended the tenement package into the creation of **Zamia Gold Mines Limited**. Within the tenement area, Zamia has recently discovered the Anthony porphyry molybdenum deposit which has the potential for a resource in excess of 100 million tonnes.
- In Namibia in 2007, IBML negotiated a joint venture agreement on three packages of exploration tenements, which include the Omitiomire copper project. The ongoing exploration success at Omitiomire and other tenements has provided the springboard for IBML to seek a major capital raising via listing on the ASX late in 2008, now based on 100% ownership of those tenements.

New projects resulting from Project Generation activities are:

**Georgetown district, North Queensland.** The Georgetown district has potential for the discovery of large base metal deposits. IBML's particular focus is on Century-type zinc deposits. IBML has set up a new wholly owned subsidiary, **Endolithic Resources Pty Ltd**, to pursue this exploration initiative. After a review of data, tenement acquisition has commenced.

**Porphyry copper, southern Namibia.** Through **Craton**, the Company has commenced acquisition of porphyry copper targets in southern Namibia. The initial tenement application covers the Lorelei copper-molybdenum prospect, where drilling during the 1990s intersected considerable thicknesses of mineralisation, including 62 m at 0.46% Cu, 29 m at 0.36% Cu, 17 m at 0.37% Cu and 8 m at 0.42% Cu.

The Company continues to assess other exploration and acquisition opportunities with the objective of increasing the portfolio of properties, which range from early-stage "grass roots" projects to advanced and pre-feasibility projects.

# EXPLORATION PROGRAMME FOR 2009 FINANCIAL YEAR

## NAMIBIAN EXPLORATION

### Omitiomire Project

The Company plans the following work programme during the 2009 financial year.

1. Complete a resource assessment on the Omitiomire copper deposit.
2. Complete a pre-feasibility study including:
  - Geological studies, in particular structural interpretation;
  - Metallurgical testwork leading to selection of a preferred processing route;
  - Preliminary mine planning;
  - Infrastructure studies, especially water and power availability;
  - Environmental scoping study;
  - Establishment of financial parameters for mining and processing options.
3. Initiate a definitive feasibility study including:
  - Resource and reserve definition;
  - Metallurgical testwork to refine processing route;
  - Detailed mine planning;
  - Completion of detailed environmental studies;
  - Completion of infrastructure studies;
  - Detailed cash flow analysis.

The pre-feasibility study is due for completion by the end of 2008.

### Other Namibian Projects

**Steinhausen project:** Craton will focus detailed exploration on known copper occurrences at Barreshagen, Waaihoek and Oorlogsdeel with the objective of establishing a resource base. Regionally, the company will accelerate exploration of its large tenement holding through geophysical and geochemical exploration surveys.

**Kamanjab project:** In the Kopermyn area, Craton will carry out detailed mapping and geochemical surveys to identify additional drilling targets, with the objective of establishing a copper resource. Regionally, Craton will continue to assess the discovery potential elsewhere in the project area.

**Kalahari Copperbelt project:** Craton plans to focus detailed exploration on known copper occurrences at DPR, Eindpaal and Sib. Elsewhere in the project area, it will identify and prioritise targets for detailed exploration including drill testing.

**Southern Namibia:** The Lorelei porphyry copper prospect is a new target. Craton will assess the results of previous exploration to define targets for detailed follow-up work, including drilling.

## **SOUTHERN QUEENSLAND EXPLORATION**

During the 2009 financial year, IBML plans the following work programme:

- Geochemical and geophysical surveys in the Darkwater Intrusion to identify and prioritise nickel-copper targets for detailed exploration including drilling;
- Drilling to assess the potential for an expanded cobalt resource at Mount Manganese;
- Regional exploration to assess the potential for additional cobalt deposits in the area. IBML has been granted funding from the Queensland Department of Mines and Energy to assist in a drilling programme;
- Geological mapping and geochemical surveys to identify and prioritise stratabound base metal targets for detailed follow-up exploration.

## **NORTH QUEENSLAND EXPLORATION**

IBML will initiate exploration of its tenement, with the objective of defining base metal targets for detailed follow-up exploration. In addition, the Company will continue its regional-scale assessment of data to define acquisition and JV opportunities.

## **NEW SOUTH WALES EXPLORATION**

The Shuttleton and Mount Hope projects in the Cobar district are being managed by IBML's joint venture partner. IBML will liaise closely with its joint venture partner as it continues to assess the potential of these project areas.

## **PROJECT GENERATION**

IBML will continue to assess acquisition and JV opportunities, with an emphasis on more advanced exploration projects.

## IBML INVESTMENTS

### Background

IBML's success in project generation has led to IBML transferring various exploration projects into regionally oriented companies which were or have subsequently been listed on the ASX:

- Savannah Resources Pty Ltd, the Company's Northwest Queensland subsidiary which it vended into the creation of CopperCo Limited in 2004;
- Copper Range Pty Ltd, the Company's South Australian exploration subsidiary, which it listed separately on the ASX in June 2006 as Copper Range Limited;
- Zamia Resources Pty Ltd, the Company's Central Queensland subsidiary, which it listed separately on the ASX in January 2007 as Zamia Gold Mines Limited.

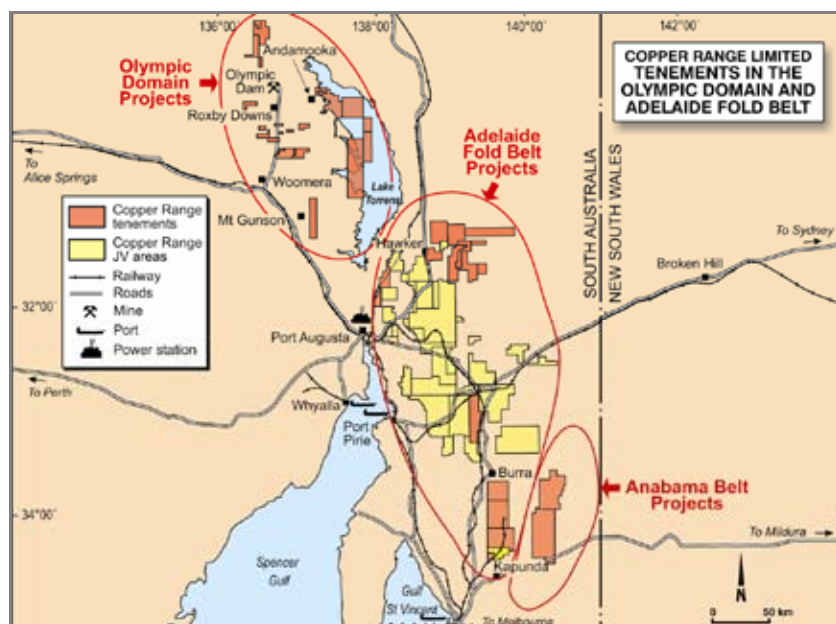
IBML retains small equity positions in Copper Range and Zamia Gold Mines while existing shareholders received an in specie distribution of listed shares.

### COPPER RANGE LIMITED (IBML 5.5%)

Copper Range Limited has established a significant tenement position in two mineral provinces in South Australia:

**Olympic Domain (Stuart Shelf):** Copper Range is targeting large Olympic Dam-type copper-gold deposits. Within the company's tenements, geophysical surveys have identified large gravity anomalies which represent targets for such deposits.

**Adelaide Fold Belt:** Copper Range is targeting Zambian-type, sediment-hosted, copper deposits and is progressively drilling priority targets. Recently, the company announced that it has an option to purchase three Mining Leases within the Mount Grainger gold field covering the main mineralised gold belt.



Copper Range project areas

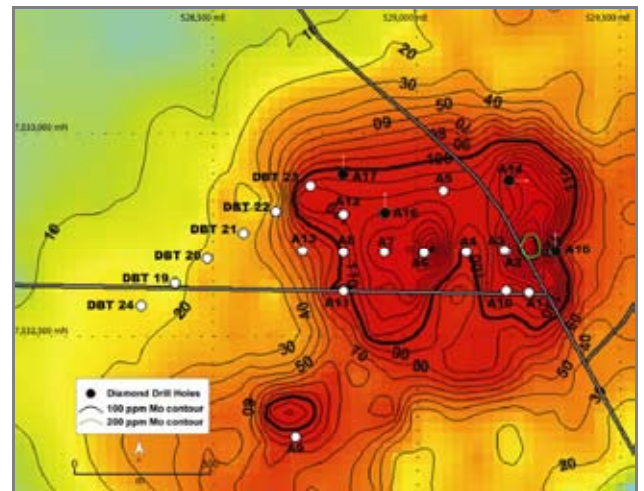
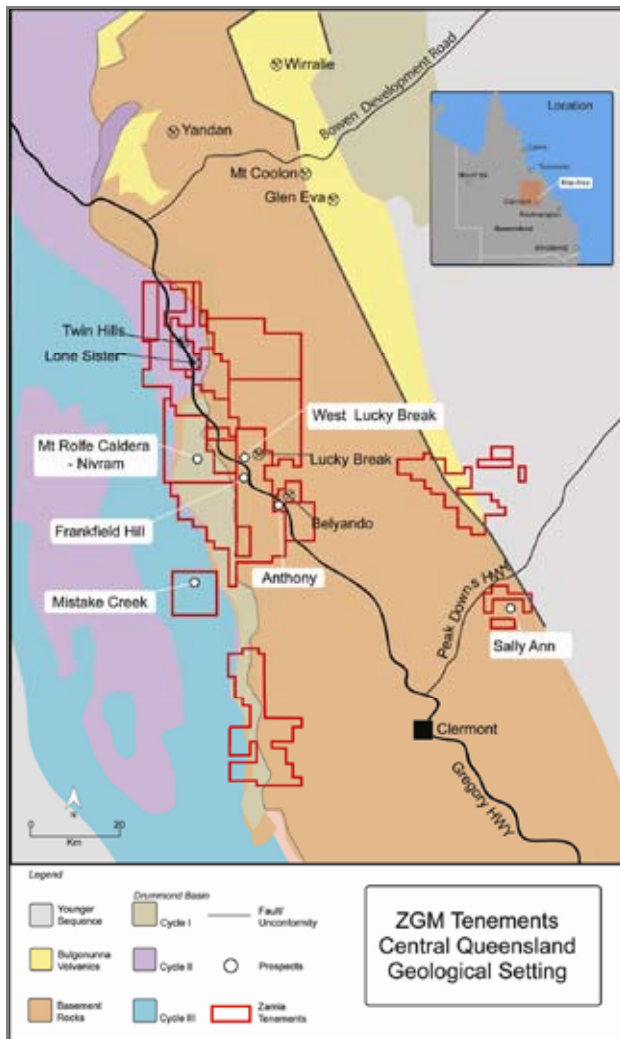


## ZAMIA GOLD MINES LIMITED (IBML 6.5%)

Zamia Gold Mines has a coherent package of exploration tenements in the Clermont district of Central Queensland, a region known for its epithermal gold deposits.

Through careful review of historic exploration data and interpretation of regional geophysical and remote sensing data, the company has identified a series of gold targets for detailed exploration.

Review of data also led Zamia to re-assess a gold-copper target where previous drilling had intersected minor molybdenum concentrations in two shallow drill holes. Detailed soil geochemistry and geological mapping were followed, in early 2008, by an RC drilling programme which detected potentially ore-grade molybdenum in 12 out of 13 drill holes. The current diamond drilling programme has materially increased the size of the deposit. The Anthony molybdenum prospect is currently the main focus of Zamia's exploration.



*Anthony molybdenum prospect, showing molybdenum-in-soil anomaly and location of drill holes*

## NAMIBIAN TENEMENTS

Tenement No	Project Name	Application Date	Grant Date	Expiry Date	Area km <sup>2</sup>
<b>Steinhausen</b>					
EPL 3586	Pomona -SE		26.04.2007	25.04.2010	725.76
EPL 3587	Mabela -NCent		26.04.2007	25.04.2010	979.32
EPL 3588	Glenorkie -NE		26.04.2007	25.04.2010	602.10
EPL 3589	Omitiomire -SW		26.04.2007	25.04.2010	987.77
EPL 3590	Oorlogsdeel -NW		26.04.2007	25.04.2010	984.90
EPLA 4054	Hochfeld	09.04.2008			762.76
EPLA 4150	Seeis	01.08.2008			981.00
EPLA 4151	Karamba	01.08.2008			960.00
<b>Kalahari Cooperbelt</b>					
EPL 3262	Kojeka	Renewal 14.04.2008	13.05.2005	12.05.2008	72.98
EPL 3583	Rehoboth Cent		26.04.2007	25.04.2010	994.14
EPL 3584	Rehoboth S		26.04.2007	25.04.2010	983.39
EPL 4039	Nomeib		01.07.2008	30.06.2011	885.82
EPLA 4055	Sib	09.04.2008			938.42
EPLA 4056	Renette	09.04.2008			999.05
EPLA 4057	Oamites	02.04.2008			968.96
EPLA 4100	Lorelei	17.06.2008			16.00
<b>Kamanjab</b>					
EPL 3372	Kopermyn		13.12.2005	12.12.2008	856.00
EPLA 4058	Kopermyn N	02.04.2008			591.03

## AUSTRALIAN TENEMENTS

Tenement No	Project Name	Application Date	Grant Date	Expiry Date	Area km <sup>2</sup>
<b>Cobar, NSW</b>					
EL 6223	Shuttleton	Renewal lodged	05.4.2004	04.04.2008	37.8
EL 6867	Shuttleton West		06.09.2007	06.09.2009	69.8
EL 6868	Mt Hope South		06.09.2007	06.09.2009	100.9
EL 6907	Mt Hope		11.10.2007	11.10.2009	268.5
<b>Maranoa, QLD</b>					
EPM 14260	Darkwater		13.04.2005	12.04.2010	310.4
EPMA 14261	Mt Tabor	24.09.2003			466.4
EPMA 14776	Mt Hopeless	03.09.2004			543.9
EPMA 14970	Billin Creek	24.01.2005			309.3
EPMA 14971	Mt Eddystone	24.01.2005			139.7
EPM 14973	Mt Faraday		15.11.2005	14.11.2010	355.0
EPM 14975	Mt Emily		15.11.2005	14.11.2010	467.2
EPM 14976	Murphy Tableland		12.04.2005	11.04.2010	171.1
EPMA 15068	Mt Hutton	24.01.2005			305.8
EPMA 15279	Toms Corner	06.04.2005			310.3
EPMA 17090	Reids Dome	19.10.2005			311.5
<b>Georgetown, QLD</b>					
EPMA	Green Hills	16.11.2007			220.1

## ADDITIONAL SHAREHOLDER INFORMATION

### Twenty largest shareholders

The names of the twenty largest shareholders of Ordinary shares at the date of this report are:

Holder Name	Number of shares	% of shares
West Minerals Pty Limited	35,000,000	17.996
Manica Minerals Ltd	15,000,000	7.713
Blackmans & Associates Pty Ltd <Super Fund A/C>	14,594,922	7.504
Mr Kenneth John Maiden & Mrs Margaret Frances Maiden <Maiden Family S/F A/C>	9,813,635	5.046
Perpetual Corporate Trust Limited <AEF Linq Resources Fund A/C>	8,333,333	4.285
Macquarie Bank Ltd	8,333,333	4.285
Goldvance Pty Ltd <BMR A/C>	5,047,200	2.595
Mrs Coral Estelle Harris & Mr Kerry William John Harris <The Ce Harris S/F A/C>	3,000,000	1.543
Fitel Nominees Limited	2,916,667	1.500
Mr Matthew Stephens	2,859,702	1.470
Australian Geoscientists Pty Ltd	2,682,500	1.379
Mulato Nominees Pty Ltd	2,500,000	1.285
SOS Initiatives Pty Ltd <Seaborn Super Fund A/C>	2,093,750	1.077
Aurex Pty Ltd <Royalla Unit A/C>	2,083,333	1.071
Daymond & Associates Pty Ltd <Ian Daymond Family A/C>	2,069,167	1.064
Lewer Corporation Pty Ltd	2,000,000	1.028
Tisia Nominees Pty Ltd	2,000,000	1.028
Royal Bank Of Scotland Group PLC <RBS Sempra Commodities A/C>	2,000,000	1.028
Mr Jock Banks	1,993,727	1.025
First National Securities Ltd	1,903,846	0.979
	126,225,115	64.901
<b>TOTAL ORDINARY SHARES ON ISSUE</b>	<b>194,488,355</b>	

## ADDITIONAL INFORMATION (CONTINUED)

### Distribution of equity securities

The number of shareholders, by size of holding, at the date of this report are:

	Ordinary shares	
	Number of holders	Number of shares
1 – 1,000	-	-
1,001 – 5,000	3	7,500
5,001 – 10,000	6	50,093
10,001 – 100,000	135	7,656,604
100,001 and over	169	186,774,158
	<b>313</b>	<b>194,488,355</b>

### Voting Rights

All ordinary shareholders (whether fully paid or not) carry one vote per share without restriction.

Options do not carry voting rights.

### Options

	Number of securities	Number of holders	Holders with more than 20%
Options over ordinary shares exercisable at \$0.20 on or before 20 December 2012	22,000,000	25	-

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

### **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 2008.

#### **Directors**

Stephen Edward Blackman - Managing Director  
Dr Kenneth John Maiden - Executive Director - Technical  
Ian Cunynghame Daymond - Non-executive Director  
Dr Deng Jiniu - Non-executive Director  
Brian J Rear - Non-executive Director (resigned 20 July 2007)  
Chen Qiang – alternate to Dr Deng Jiniu (appointed 18 June 2008)

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.



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

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

### **Operating Results**

The net loss of the Consolidated Entity for the year was \$9,625,042 (2007 loss \$2,090,986).

### **Dividends**

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

### **Review of Operations**

The Company had its most active year to 30 June 2008. The Company implemented significant exploration initiatives in both Namibia and Australia with considerable success.

### **Namibia**

#### *Steinhausen Project*

A Joint Venture Agreement was signed in March 2007, tenements were approved in April 2007 and in May 2007 the Company started a large ground magnetic survey over the area known to contain a copper resource, Omitiomire.

The period under review began with the appointment of Mr Karl Hartmann as the Company's Exploration Manager in Namibia operating through its wholly owned subsidiary Craton Mining and Exploration (Pty) Ltd ("Craton Mining"). Following the results of the ground magnetic survey which indicated that there was a north south potential extension of over 2,000 m and a second anomalous zone 1.3 km to the west, Mr Hartmann built an exploration team, organised drill rigs and commenced an induced polarisation ("I.P.") survey ahead of an extensive drilling campaign.

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

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

#### **Review of Operations (continued)**

##### **Namibia (continued)**

###### *Steinhausen Project (continued)*

Drilling continued until mid December 2007 with up to 12,500 m drilled from 105 holes. Heavy and persistent rains delayed, bogged and generally hampered drilling operations in the three months to March 2008 and it took some five drill rigs to make up the metres in the fourth quarter. The formal completion of drilling was 7 July 2008 with a further 145 holes and almost 20,000 m drilled. Metallurgical studies were started in November 2007 but accelerated as from February 2008 with some assays showing substantive copper values. Based on some 30,600 m of assayed samples, almost 4,000 m of down-hole photographs and some 2,900 m of core Hellman & Schofield are in the process of rendering an independent resource statement of the deposit. The metallurgical characteristics of the deposit not only allow for visual separation of barren waste and the ore zone but the hardness differential between the two allows for a significant upgrade with a pre-concentration stage in any flotation processing. Moreover, the relative cleanness of the percentage of chalcocite in the treatment plant also assists in making a high grade concentrate. The results indicate that Omitiomire is a substantial mineralised zone that is open in almost every direction.

The objective of establishing 40 million tonnes at a grade of 0.7% copper by June 2008 appears to have been surpassed.

Adverse drilling and assaying conditions have delayed a Pre-Feasibility Study ("PFS") which should now be completed by the end of 2008.

###### *Kopermyn*

The Joint Venture Agreement of March 2007 allowed up to three years to earn a 51% interest. However the reconnaissance surveys in the fourth quarter encouraged acceleration with extensive stream sediment sampling and an I.P. survey conducted before year end. This was followed up with a 26 hole drill programme of both diamond and reverse drilling ("RC") of several sizable anomalies. The results confirm the presence of significant mineralisation which will be the subject of later programmes.

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

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

#### **Review of Operations (continued)**

##### **Namibia (continued)**

###### *Rehoboth*

The Joint Venture Agreement of March 2007 mirrored Kopermyn, so when exploration reconnaissance isolated two anomalous potential basement plays aside from the extensive sediment hosted mineralised schists that comprise the Kalahari Copperbelt, exploration activity again accelerated. The separately 100% acquired (for cash and Company shares) Kojeka tenement saw considerable work undertaken with ground magnetics, I.P. and soil geochemistry surveys. The Company sponsored a weekend exploration workshop with the final year geology students from the University of Namibia who worked at Kojeka and assisted with these surveys. Resulting from that initiative, Craton Mining now sponsors or employs two of these former students, now graduates. The wet season delayed the 10 hole drill programme on the two basement prospects to year end.

###### *Modification to Joint Venture Agreements*

The speed of the Company initiated exploration programmes and the need to put in place formal joint venture arrangements including accounting systems, and to avoid complex commercial arrangements that could limit future finance ability, the Company was able to negotiate with its partners to acquire 100% interest in all the tenements in exchange for Company shares. The formal transfer of title occurred at year end and 15,000,000 ordinary shares were issued in full settlement.

###### *Exclusive Reconnaissance Licences ("ERLs")*

Craton Mining applied for a further two ERLs to secure additional basement ground in both the north and central Namibia. Studies into the earlier three ERLs, which were granted in the year, were turned into Exclusive Prospecting Licence ("EPLs") applications over the most prospective areas. In addition, three more EPLs were applied for and post year end several further applications have been lodged to replace earlier ERLs.

By the end of June 2008, the Company had fully equipped exploration offices, warehouse facilities, field camps and a complement of over 23 permanent and casual employees.

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

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

#### **Review of Operations (continued)**

##### **Australia**

During the financial year substantial progress was made at the Company's AuriCula Mines and Maranoa Resources projects.

##### *AuriCula Mines*

During the period joint venture partners, affiliates of Glencore International, earned a 90% interest in the Shuttleton joint venture with the expenditure of over \$850,000. A programme of RC and diamond drilling has resulted in several high grade copper deposits. In the period there has been no substantive work undertaken on the Mount Hope joint venture (also joint ventured to Glencore International's affiliate). Interest remains high with further work expected during 2008-2009.

##### *Maranoa Resources*

In the period the Company organised an extensive 2,500 km<sup>2</sup> airborne magnetic and radiometric survey of the substantive portion of the Maranoa tenements. This was completed in September 2007 and the full geophysical interpretation has demonstrated that the Darkwater complex which at the surface has a modest 400 m x 800 m outcrop, indicated that its near sub-surface dimensions are some 10 km x 10 km. This substantially enhances this exploration prospect. In addition, a new geological interpretation has also enhanced the cobalt project.

##### *Project Generation*

Research by the Company has identified potential targets in the Georgetown inlier, north Queensland, and the Company has submitted two separate licence applications via a new subsidiary called Endolithic Resources Pty Ltd. The focus of this initiative is to discover a globally significant zinc resource. Post June 2008 one of the tenements has been offered for grant and is now in process.

Other projects have been evaluated both in Namibia and Australia but none have met adequate exploration parameters to be pursued.

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

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

### **Corporate Capital and Financing**

Corporately the emphasis during the year was in securing access to additional funding in order to maintain the Australian and Namibian exploration effort.

The Company appointed Carmichael Capital Markets Pty Ltd as its financial adviser in August 2007 and immediately embarked upon an entitlements issue to shareholders coupled with an institutional placement. The latter was oversubscribed and the size was increased to \$5,500,000 in order to satisfy demand. Both were fully subscribed and by the end of January 2008 the Company raised a gross amount of \$8.66 million.

The Company has some 309 shareholders and is preparing itself for an Initial Public Offering based on the independent assessments of both its resource base and the aggregate value of the Company's projects together with the draft independent PFS.

The Company has been gratified by the support it has received from both its cornerstone investor as well as its existing major institutional holders. Discussions with prospective IPO investors have been increased despite the uncertain market conditions.

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

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.

### **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.

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

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

#### **After Balance Date Events**

On 4 August 2008, 200,000 ordinary shares were issued in settlement of commissions owing for fund raising. The shares were deemed to be issued at a value of \$0.12 per share. An amount of \$24,000 has been expensed through the Income Statement as Share based payments for the year ending 30 June 2009.

On 12 August 2008, 800,000 ordinary shares were issued to contractors to the Company in recognition of services provided to the Company. The shares were deemed to be issued at a value of \$0.12 per share. An amount of \$96,000 has been expensed through the Income Statement as Share based payments for the year ending 30 June 2009.

Directors approved the preparation of a prospectus for an Initial Public Offering with the intention of listing the Company on the Australian Securities Exchange.

The share prices of the Company's listed investments have fallen since balance date. 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 19 August 2008 by the Board of Directors.



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

## Directors' Report (continued)

### Information on Directors

Name of Director	Information
<b>Stephen Edward Blackman</b> Managing Director	Mr Blackman has had extensive experience in project development with over 36 years in the mining and metals industry. He has worked with all levels of commercial management in 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.
<b>Dr Kenneth John Maiden</b> Executive Director – Technical	Dr Maiden is a geologist with 38 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. 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, including 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.

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

## 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 37 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 to 2008 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 successes have included the discovery of 5 million tonnes of lead-zinc metal content in the Xitieshan lead-zinc mine, 100,000 tonnes of nickel metal content in Hami Tulaergen copper-nickel mine of Xinjiang province, 1 million tonnes of copper and 2 million tonnes lead-zinc metal content 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 appointed Mr Chen Qiang as his alternate Director. Mr Chen is an Australian resident of Perth and renown in the iron ore industry.</p>

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

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

### **Remuneration Report**

This report outlines the Director and executive remuneration arrangements of the Parent and the Consolidated Entities in accordance with the requirements of the Corporations Act 2001 and its Regulations.

#### **(a) Details of Key Management Personnel (including the five other highest paid executives of the Company and the Consolidated Entities)**

##### **Directors and Key Management Personnel**

Stephen Edward Blackman	Managing Director
Dr Kenneth John Maiden	Executive Director - Technical
Ian Cunynghame Daymond	Non-executive Director
Dr Deng Jiniu	Non-executive Director
Brian James Rear	Non-executive Director (resigned 20 July 2007)
Chen Qiang	Alternate Director to Dr Deng Jiniu

##### **Company Executives**

Geoffrey Broomhead	Company Secretary and Chief Financial Officer
Garry Baglin	Exploration Manager
Dr Robert Ilchik	Project Generation Manager
Karl Hartmann	Exploration Manager – Craton Mining & Exploration (Pty) Ltd
Dr Charlotte Seabrook	Project Geologist

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

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

#### **Remuneration Report (continued)**

##### **(b) Remuneration Policy (including Company performance, shareholder wealth and Director and Key Management Personnel remuneration)**

The remuneration policy of the Company has been designed to align Director and Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives in the form of shares or options in the Company based on key performance against aggregated market surveys provided by The AusIMM, Hays Recruitments and other external consultants including Beilby Corporation. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and executives to run and manage the Consolidated Entity, as well as create goal congruence amongst Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and Key Management Personnel of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive Directors and other Key Management Personnel, is approved by the Board and if required, professional advice from independent external consultants may be sought.
- All Key Management Personnel, except contractors, receive a base salary (which is based on factors such as length of service and experience) and superannuation, and have the opportunity to participate in options and performance incentives.
- The Board reviews Key Management Personnel's package annually by reference to the economic entity's performance, executives' performance and comparable information from industry sectors. Key performance indicators most relevant to the Consolidated Entity include generated income, projects underway and value added to shareholder wealth.
- Shareholder wealth has regard to value per security and to capital distributions.

The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

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

**Directors' Report (continued)**

**Remuneration Report (continued)**

**(b) Remuneration Policy (including Company performance, shareholder wealth and Director and Key Management Personnel remuneration) (continued)**

Key Management Personnel are also entitled to participate in the employee share and option arrangements; to other non-monetary communication based benefits; leave entitlements; expense reimbursements; and to benefits at the discretion of the Board.

The executive Directors and Key Management Personnel receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. There is also an option to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

The Board policy is to remunerate non-executive Directors for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on duties and accountability. Independent external advice may be sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Non-executive directors received \$24,000 per annum from 1 July 2007 to 31 December 2007 which increased to \$30,000 per annum from 1 January 2008. To align Directors' interests with shareholder interests the Directors are encouraged to hold shares in the Company and are able to participate in the Employee Share Option Plan.

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

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

### **Remuneration Report (continued)**

#### **(c) Employment Contracts**

##### **Managing Director**

The Managing Director, Stephen Edward Blackman, is employed under a fixed 3-year contract. The current employment contract commenced on 1 March 2008. Under the terms of the present contract:-

- Mr Blackman receives fixed remuneration of \$250,000 per annum plus superannuation; other non-monetary benefits; and other benefits at the discretion of the Board including options, shares and participation in the Employee Share Option Plan.
- The annual salary shall be increased by \$50,000 per annum, to \$300,000 per annum, upon completion of both a capital raising of at least A\$20 million together with the Company obtaining a public listing of its shares on a recognised Stock Exchange.
- Share options will be issued for no consideration upon the Company reaching certain levels of market capitalisation once the Company is listed; subject to shareholder approval where required.
- Subsequent to the listing, the Board of Directors will review Mr Blackman's salary on each anniversary of its listing, and at each review the salary will be increased by a minimum of five per cent per annum.
- Mr Blackman may resign from his position and thus terminate this contract by giving three months' notice in writing.
- The Company may terminate this employment agreement by paying 18 months' remuneration, plus associated leave and superannuation entitlements.
- The Company may terminate this contract at any time without notice if serious misconduct has occurred or if the level of consolidated cash on hand falls below \$500,000.

##### **Executive Director – Technical**

Dr Kenneth Maiden is employed under a fixed 3-year contract, which commenced on 1 May 2008. Under the terms of the present contract:-

- Dr Maiden receives fixed remuneration of \$225,000 per annum plus superannuation; other non-monetary benefits; and other benefits at the discretion of the Board including options, shares and participation in the Employee Share Option Plan.
- The annual salary shall be increased by \$50,000 per annum, to \$275,000 per annum, upon completion of both a capital raising of at least A\$20 million together with the Company obtaining a public listing of its shares on a recognised Stock Exchange.
- Share options will be issued for no consideration upon the Company reaching certain levels of market capitalisation once the Company is listed; subject to shareholder approval where required.
- Subsequent to the listing, the Board of Directors will review Dr Maiden's salary on each anniversary of its listing, and at each review the salary will be increased by a minimum of five per cent per annum.
- Dr Maiden may resign from his position and thus terminate this contract by giving three months' notice in writing.
- The Company may terminate this employment agreement by paying 18 months' remuneration, plus associated leave and superannuation entitlements.
- The Company may terminate this contract at any time without notice if serious misconduct has occurred or if the level of consolidated cash on hand falls below \$500,000.



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

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

### **Remuneration Report (continued)**

#### **(c) Employment Contracts (continued)**

##### **Company Secretary and Chief Financial Officer**

Mr Geoffrey Broomhead is employed under a fixed 3-year contract, which commenced on 1 May 2008. Under the terms of the present contract:-

- Mr Broomhead receives fixed remuneration of \$210,000 per annum plus superannuation and other non monetary benefits.
- Participation in the Company's annual performance bonus scheme based on generated income, projects underway and value added to shareholder wealth.
- The annual salary shall be increased by \$40,000 per annum, to \$250,000 per annum, upon completion of both a capital raising of at least A\$20 million together with the Company obtaining a public listing of its shares on a recognised Stock Exchange.
- Share options will be issued at the IPO price upon listing; and further options will be issued upon the Company reaching certain levels of market capitalisation.
- Subsequent to the listing, the Board of Directors will review Mr Broomhead's salary at the beginning of every financial year which will take into account of his performance and the performance of the Company in the previous financial year.
- Mr Broomhead may resign from his position and thus terminate this contract by giving 3 months' notice in writing.
- The Company may terminate this employment agreement by paying 18 months' remuneration, plus associated leave and superannuation entitlements.
- The Company may terminate this contract at any time without notice if serious misconduct has occurred or if the level of consolidated cash on hand falls below \$500,000.

##### **Exploration Manager – Craton Mining & Exploration (Pty) Ltd**

The Company has extended Mr Karl Hartmann's contract for 3 years from 1 July 2008. Under the terms of the present contract:-

- Mr Hartmann receives a contract fee of US\$190,000 per annum and received 500,000 ordinary shares at nil consideration upon commencement of his contract during the year.
- The Company will review this fee arrangement on 30 June each year.
- One month prior to the listing of the Company, Mr Hartmann will be issued with 500,000 ordinary shares with nil consideration.
- Participation in the Company Employee Share Option Plan.
- Mr Hartmann may resign from his position and thus terminate this contract by giving 4 weeks' notice in writing.
- The Company may terminate this contract by giving 4 weeks' written notice or the Company may provide a payment in lieu of such notice with entitlements to various leave.
- The Company may terminate this contract at any time without notice if serious misconduct has occurred.

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

**Directors' Report (continued)**

**Remuneration Report (continued)**

**(c) Employment Contracts (continued)**

**Other executives (standard contracts)**

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing 4 weeks' written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company may terminate the contract at any time without notice if serious misconduct has occurred.

It is also stated in Mr Garry Baglin and Dr Robert Ilchik contracts that in the event of retrenchment or redundancy, the Company will issue a notice to that effect and offer three months' pay.

**(d) Compensation for Key Management Personnel**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,041,871	473,521	965,848	473,521
Post-employment benefits	65,280	31,097	65,280	31,097
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	386,702	156,500	386,702	156,500
<b>Total compensation</b>	<b>1,493,853</b>	<b>661,118</b>	<b>1,417,830</b>	<b>661,118</b>

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

**Directors' Report (continued)**

**Remuneration Report (continued)**

**(e) Key Management Personnel Remuneration**

	Year	Short-term benefits				Post employment
		Cash, salary and commissions	Cash profit share	Non- cash benefit	Other	Super- annuation
		\$	\$	\$	\$	\$
Stephen Blackman	2008	131,333	-	-	-	7,500
	2007	56,000	-	-	-	-
Kenneth Maiden	2008	71,500	-	-	-	3,375
	2007	36,000	-	-	-	-
Ian Daymond	2008	81,313	-	-	-	2,430
	2007	12,000	-	-	-	-
Deng Jiniu	2008	27,000	-	-	-	-
	2007	12,000	-	-	-	-
Chen Qiang	2008	-	-	-	-	-
	2007	-	-	-	-	-
Brian Rear	2008	-	-	-	-	-
	2007	12,000	-	-	-	-
Geoffrey Broomhead	2008	173,333	-	-	-	15,600
	2007	60,000	-	-	-	5,400
Garry Baglin	2008	150,000	-	-	-	13,500
	2007	75,000	-	-	-	6,750
Robert Ilchik	2008	150,000	-	-	-	13,500
	2007	106,500	-	-	-	9,585
Karl Hartmann	2008	153,225	-	-	-	-
	2007	-	-	-	-	-
Charlotte Seabrook	2008	104,167	-	-	-	9,375
	2007	104,021	-	-	-	9,362
	Year	Other long term benefits	Share based payments		Total	
		\$	Equity	Options	\$	
			\$	\$		
Stephen Blackman	2008	-	-	72,998	211,831	
	2007	-	-	-	56,000	
Kenneth Maiden	2008	-	-	72,998	147,873	
	2007	-	-	-	36,000	
Ian Daymond	2008	-	-	36,499	120,242	
	2007	-	10,000	-	22,000	
Deng Jiniu	2008	-	-	36,499	63,499	
	2007	-	10,000	-	22,000	
Chen Qiang	2008	-	-	-	-	
	2007	-	-	-	-	
Brian Rear	2008	-	-	-	-	
	2007	-	-	-	12,000	
Geoffrey Broomhead	2008	-	-	72,998	261,931	
	2007	-	42,500	-	107,900	
Garry Baglin	2008	-	-	18,249	181,749	
	2007	-	42,000	-	123,750	
Robert Ilchik	2008	-	-	18,249	181,749	
	2007	-	34,000	-	150,085	
Karl Hartmann	2008	-	50,000	-	203,225	
	2007	-	-	-	-	
Charlotte Seabrook	2008	-	-	8,212	121,754	
	2007	-	18,000	-	131,383	

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

### Directors' Report (continued)

#### Remuneration Report (continued)

##### (f) Options Granted as Remuneration

Options are issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria (though shares were issued during the year as a performance bonus), but are issued to the majority of Directors and Executives of International Base Metals Limited and its Controlled Entities to increase goal congruence amongst Directors, Executives and Shareholders.

Options had not been issued by the Company as a type of remuneration for Key Management Personnel at any time up to 30 June 2007.

On 20 December 2007, shareholders approved the issue of 22 million unlisted options to Directors and employees in the Annual General Meeting for nil consideration. Each option entitles the holder to subscribe for one ordinary share in the Company at a price of \$0.20 per share. They may be exercised at any time within five years of issue. During the life of the options, the holder is not entitled to participate in share issues of the Company.

\*Terms & Conditions for Each Grant

Key Management Personnel	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
Stephen Blackman	4,000,000	4,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Kenneth Maiden	4,000,000	4,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Ian Daymond	2,000,000	2,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Deng Jiniu	2,000,000	2,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Geoffrey Broomhead	4,000,000	4,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Garry Baglin	1,000,000	1,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Robert Ilchik	1,000,000	1,000,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012
Charlotte Seabrook	450,000	450,000	20 Dec 07	0.0182	0.20	20 Dec 2007	20 Dec 2012

\* During the life of the options, the holder is not entitled to participate in share issues of the Company

##### (g) Shares Issued on Exercise of Remuneration Options

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

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

## Directors' Report (continued)

### Meetings of Directors

During the financial year, seven meetings of Directors were held. Attendances by each Director during the year were as followings:

	Directors' Meetings	
	Number eligible to attend	Number Attended
Stephen Blackman	7	7
Dr Kenneth Maiden	7	6
Ian Daymond	7	7
Dr Deng Jiniu	6	5
Chen Qiang	1	1

### Insurance of Officers

The Company has acquired an insurance policy and paid premiums of \$9,867 for Directors and Officers Liability with coverage limited to A\$5,000,000. During or since the end of the financial year the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums for the auditor of the Company.

### 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.

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

**Directors' Report (continued)**

Signed on 19 August 2008 in accordance with a resolution of the Board of Directors.



Stephen E Blackman  
Managing Director



Ian C Daymond  
Non-executive Director

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

## Consolidated Income Statement for the Year Ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Revenue</b>					
Other income	2	1,615,438	910,826	2,144,169	742,562
<b>Expenditure</b>					
Administrative expenses		(1,276,958)	(645,610)	(1,003,017)	(628,058)
Exploration expenditure	3	(6,608,634)	(530,245)	(24,955)	(145,757)
Depreciation and amortisation expense	3	(53,567)	(36,301)	(52,112)	(34,654)
Consultants' expense		(542,941)	(307,839)	(542,941)	(297,985)
Financial and legal advice		(45,236)	(172,314)	(45,236)	(169,496)
Occupancy expenses		(228,639)	(133,606)	(179,415)	(133,606)
Finance expenses		(1,377)	(403)	(1,377)	(277)
Employee benefits expense		(1,947,641)	(800,581)	(1,663,697)	(800,581)
Doubtful debts expense	3	-	(88,023)	(8,236,559)	(117,663)
Share based payments	3	(535,487)	(247,140)	(535,487)	(247,140)
Write off of investments		-	(39,750)	-	(39,750)
Profit/(loss) before income tax		(9,625,042)	(2,090,986)	(10,140,627)	(1,872,405)
Income tax (expense)/benefit	4	-	-	-	-
Profit/(loss) from continuing operations		(9,625,042)	(2,090,986)	(10,140,627)	(1,872,405)
Profit/(loss) from discontinued operations		-	-	-	-
Profit/(loss) attributable to members of parent entity		(9,625,042)	(2,090,986)	(10,140,627)	(1,872,405)
<b>Overall Operations</b>					
Basic earnings per share		(\$0.06)	(\$0.02)		
Diluted earnings per share		(\$0.06)	(\$0.02)		

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 2008

	Note	Consolidated		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Current Assets</b>					
Cash assets	8	2,492,699	1,463,594	1,728,060	1,444,830
Receivables	9	204,583	52,690	10,875	47,532
<b>Total Current Assets</b>		<b>2,697,282</b>	<b>1,516,284</b>	<b>1,738,935</b>	<b>1,492,362</b>
<b>Non-current Assets</b>					
Receivables	10	-	305,013	-	305,013
Property, plant and equipment	11	204,205	66,227	204,205	64,772
Other assets	12	164,162	10,295	160,945	10,295
Other financial assets	13,23	1,183,875	2,186,250	1,183,898	2,186,272
<b>Total Non-current Assets</b>		<b>1,552,242</b>	<b>2,567,785</b>	<b>1,549,048</b>	<b>2,566,352</b>
<b>Total Assets</b>		<b>4,249,524</b>	<b>4,084,069</b>	<b>3,287,983</b>	<b>4,058,714</b>
<b>Current Liabilities</b>					
Payables	14	454,517	238,816	198,009	228,946
Accrued expenses	15	244,923	110,888	86,000	107,500
Provisions	16	85,878	30,670	72,163	30,670
<b>Total Current Liabilities</b>		<b>785,318</b>	<b>380,374</b>	<b>356,172</b>	<b>367,116</b>
<b>Total Liabilities</b>		<b>785,318</b>	<b>380,374</b>	<b>356,172</b>	<b>367,116</b>
<b>Net Assets</b>		<b>3,464,206</b>	<b>3,703,695</b>	<b>2,931,811</b>	<b>3,691,598</b>
<b>Equity</b>					
Contributed equity	17	13,838,710	3,851,982	13,838,710	3,851,982
Asset revaluation reserve	18a	1,158,996	2,166,371	1,158,996	2,166,371
Option reserve	18b	401,487	-	401,487	-
Foreign exchange reserve	18c	4,713	-	-	-
Accumulated profits/(losses)	19	(11,939,700)	(2,314,658)	(12,467,382)	(2,326,755)
<b>Total Equity</b>		<b>3,464,206</b>	<b>3,703,695</b>	<b>2,931,811</b>	<b>3,691,598</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 2008

Note	Share Capital \$	Asset Revaluation Reserve \$	Option Reserve \$	Foreign Exchange Reserve \$	Retained Profits/ Accumulated (Losses) \$	Total \$
<b>Balance at 1 July 2006</b>	963,409	1,271,998	-	-	(223,672)	2,011,735
Shares issued during the year	17a 2,696,001	-	-	-	-	2,696,001
Share issue costs	17a (54,568)	-	-	-	-	(54,568)
Share based payments	17a 247,140	-	-	-	-	247,140
Gain/(loss) on investment revaluation	18a -	894,373	-	-	-	894,373
Profit/(loss) attributable to members of parent entity	19 -	-	-	-	(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
Shares issued during the year	17a 8,666,920	-	-	-	-	8,666,920
Share issue costs	17a (634,192)	-	-	-	-	(634,192)
Share based payments	17a 1,954,000	-	-	-	-	1,954,000
Employee options issued	18b -	-	401,487	-	-	401,487
Adjustments from translation of foreign controlled entity	18c -	-	-	4,713	-	4,713
Gain/(loss) on investment revaluation	18a -	(1,007,375)	-	-	-	(1,007,375)
Profit/(loss) attributable to members of parent entity	19 -	-	-	-	(9,625,042)	(9,625,042)
<b>Balance at 30 June 2008</b>	13,838,710	1,158,996	401,487	4,713	(11,939,700)	3,464,206

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 2008  
(continued)**

	Note	Share Capital \$	Asset Revaluation Reserve \$	Option Reserve \$	Retained Profits/ Accumulated (Losses) \$	Total \$
<b>Parent</b>						
<b>Balance at 1 July 2006</b>		963,409	1,271,998	-	(454,350)	1,781,057
Shares issued during the year	17a	2,696,001	-	-	-	2,696,001
Share issue costs	17a	(54,568)	-	-	-	(54,568)
Share based payments	17a	247,140	-	-	-	247,140
Gain/(loss) on investment revaluation	18a	-	894,373	-	-	894,373
Profit/(loss) attributable to members of parent entity	19	-	-	-	(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
Shares issued during the year	17a	8,666,920	-	-	-	8,666,920
Share issue costs	17a	(634,192)	-	-	-	(634,192)
Share based payments	17a	1,954,000	-	-	-	1,954,000
Employee options issued	18b	-	-	401,487	-	401,487
Gain/(loss) on investment revaluation	18a	-	(1,007,375)	-	-	(1,007,375)
Profit/(loss) attributable to members of parent entity	19	-	-	-	(10,140,627)	(10,140,627)
<b>Balance at 30 June 2008</b>		13,838,710	1,158,996	401,487	(12,467,382)	2,931,811

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 2008

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		1,352,460	635,533	1,352,460	654,619
Payments to suppliers and employees		(1,994,037)	(1,809,026)	(1,025,844)	(1,933,611)
(Payments)/receipt for exploration expenditure		(6,556,639)	(240,484)	24,955	(145,757)
Interest received		256,327	89,411	194,007	87,943
Finance costs		(1,377)	(403)	(1,377)	(277)
<b>Net cash inflow/(outflow) from operating activities</b>	25c	(6,943,266)	(1,324,969)	544,201	(1,337,083)
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(206,502)	(49,135)	(206,502)	(49,135)
Security deposit paid		(153,868)	-	(150,650)	-
Investment/(sale) in Controlled Entities		-	-	(1)	122
Investment in listed entities		(5,000)	(19,877)	(5,000)	(19,877)
Loss of cash from sale of Controlled Entity		-	(1,591)	-	-
<b>Net cash (outflow) from investing</b>		(365,370)	(70,603)	(362,153)	(68,890)
<b>Cash flows from financing</b>					
Proceeds from issue of shares		8,666,919	2,729,141	8,666,919	2,729,141
Less: costs of capital raising		(634,191)	(54,568)	(634,191)	(54,568)
Proceeds from borrowings		-	139,886	-	165,391
Loans to controlled entities		-	-	(8,236,559)	(29,676)
Repayment of loan from related entity		305,013	-	305,013	-
<b>Net cash inflow from financing activities</b>		8,337,741	2,814,459	101,182	2,810,288
<b>Net increase in cash held</b>		1,029,105	1,418,887	283,230	1,404,315
Cash at beginning of the period		1,463,594	44,707	1,444,830	40,515
<b>Cash at end of the period</b>	25a	2,492,699	1,463,594	1,728,060	1,444,830

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 2008**

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

The Directors have prepared the Financial Report on a going concern basis notwithstanding the loss reported for the year and being a base minerals explorer and developer without a current significant revenue stream, will require to raise additional equity and/or debt to finance its future activities. The Directors propose to enter into an Initial Public Offering within the coming months to raise funds necessary to finance the Consolidated Entity's current normal operating costs and future exploration expenditure in order to continue to operate as a going concern for a period of twelve months from the date of this Financial Report.

No assurance can be given that the Consolidated Entity will be able to raise future funding on acceptable terms or in a timely manner. In the event that the Consolidated Entity is unable to do so, it may not realise its assets and crystallise its liabilities in the normal course of business at the amounts stated in this Financial Report.

The Parent Entity has issued a Letter of Support to each of its Controlled Entities and having regard to the financial position of each Controlled Entity as at 30 June 2008 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 Controlled Entity to pay its debts as and when they fall due.

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

## Accounting Policies (continued)

### b. 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 20 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 Entity 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 Controlled Entities have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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.

### c. 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 controlled entities have not formed an income tax consolidated group under the tax consolidation regime.

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

## Accounting Policies (continued)

### d. 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 is 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.

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 Consolidated Entity 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 – Australia

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	20 - 50%
Office Equipment	5 – 37.5%
Computer Software and Equipment	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. Property, Plant and Equipment (continued)

#### Depreciation – Namibia

In Namibia all plant and equipment is written off upon acquisition on the understanding that they have a life expectancy no greater than one year.

### e. Exploration and Development Expenditure

#### Australia

In last financial year, the Directors decided to write off all amounts of Capitalised Exploration Expenditure as they were not able to determine whether the expenditure would be recouped through successful development or exploitation. Those circumstances have continued and the Directors have chosen to amend the recognition of Exploration, Evaluation and Development Expenditure on all the Company's exploration tenements to expense all costs to the Income Statement for the year and not accumulate any expenditure going forward. Directors believe this treatment is more relevant to understanding the Consolidated Entity's financial position and performance, complies with AASB 6 and is cash flow neutral (Refer Note 1t).

#### Namibia

Exploration, evaluation and development expenditure when incurred is expensed in full against profit.

### f. 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 Consolidated Entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the Consolidated Entity 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. Impairment losses are taken to the Income Statement.

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

## Accounting Policies (continued)

### f. Financial Instruments (continued)

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

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

The fair value of Shares in Listed Companies is based on the Closing Price as at year end quoted on the ASX. The assets of that class are revalued as a whole in determining the amount taken to equity.

#### Financial liabilities

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

#### Impairment

At each reporting date, the Consolidated Entity assesses 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.

### g. Impairment of Assets

At each reporting date, the Consolidated Entity 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 Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The amount due by the Controlled Entities is wholly provided for in the Financial Report of the Parent Entity.

### h. Foreign Currency Transactions and Balances

#### Functional and presentation currency

The functional currency of each of the Controlled 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.

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

## Accounting Policies (continued)

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

#### 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.

#### Consolidated Entity

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity'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 Consolidated Entity'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.

### i. Interests in Joint Ventures

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

The Group's interests in joint venture entities, where it does not have joint control, are brought to account using the cost method of accounting, which approximates fair value. To the extent those interests are included in Exploration Expenditure Capitalised; those interests have been written off to the Income Statement for the year ended 30 June 2008 as set out in Note 1e.

### j. Employee Benefits

Provision is made for the Consolidated Entity'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.

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

## Accounting Policies (continued)

### k. **Equity-settled compensation and Share Based Payments**

The Consolidated Entity has a number of share based compensation arrangements involving shares and options, including an employee share scheme.

The bonus element, being the excess of the fair value of the shares or options exchanged for the value of services rendered over the price of those instruments, is recognised as an expense in the Income Statement.

The fair value of shares and options is based on the entity's underlying asset prices.

In the case of shares, reference is made to the most recent price quoted on the ASX at the time at which capital is raised from independent investors.

A Black-Scholes model may be used in the case of options. The bonus element is reviewed in subsequent periods using the Intrinsic method which has regard to the difference between the fair value of the shares to which the options relate and the exercise price of the options (Refer Note 26).

### l. **Trade and Other Payables**

Payables relating to Exploration activities are recognised on the basis of work completed and invoiced by Balance Date.

### m. **Provisions**

Provisions are recognised when the Consolidated Entity 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.

### n. **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.

### o. **Revenue**

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

Technical service fees are charged to Controlled Entities on a cost 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) and Value Added Tax (VAT).

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

## Accounting Policies (continued)

### p. **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.

### q. **Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the taxation authorities. In these circumstances the GST or VAT 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 or VAT.

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

### r. **Comparative Figures**

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

### s. **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 Consolidated 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 Consolidated 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

## Accounting Policies (continued)

### t. Change in Accounting Policy

As stated in Note 1e Consolidated Group wrote off capitalised Exploration Expenditure at 30 June 2007 as the Directors were not able to determine whether the expenditure would be recouped through successful development or exploitation; and that those circumstances have continued such that the Directors have decided to formalise this policy and write off Exploration expenditure as incurred as the Directors are of the opinion this treatment will provide reliable and more relevant information about the effects of transactions, other events or conditions on the Consolidated Entity's financial position, financial performance and cash flows.

There is no aggregate effect of the change in accounting policy on the annual Financial Report for the year ended 30 June 2008. The aggregated effect of the change in the Prior Year would be to reduce that year's loss by \$613,009 and to increase Accumulated Losses at the beginning of that year by the same amount.

The Directors consider that retrospective application to periods before that presented is impractical on the basis that the costs would outweigh the benefits in extracting the required information.

As a result of this change the Consolidated Entity was not required to maintain a Provision for Deferred Income Tax at 30 June 2007 in respect of the Temporary difference between the amount expensed in the Income Statement for accounting purposes and the amount claimed in the Consolidated Entity's Income Tax Returns. The effect of this change is included in the Deferred Tax Asset not recognised at that date as shown in Note 4c.

### u. 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 Consolidated Entity.

Estimates include general accruals of \$244,923 in the Parent and Controlled Entities for liabilities due at balance date which may emerge through subsequent reconciliation processes.

The value of \$401,847 attributed to options issued during the year will be reviewed in future accounting periods using the Intrinsic method.

### v. Key Estimates — Impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity 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.

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

### 2. Revenue

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue from operating activities				
- Administration service fees	779,360	330,979	779,360	330,979
- Technical service fees	573,100	300,360	980,240	319,446
- Proceeds from sale of plant and Equipment	1,410	-	1,410	-
- Interest income (external)	246,982	89,411	194,007	87,943
- Interest income (Controlled Entity)	-	-	174,566	-
- Other	14,586	4,194	14,586	4,194
Total revenue from continued operations	1,615,438	724,944	2,144,169	742,562
Revenue from discontinued operation:-				
- Reversal of accumulated losses on disposal of Controlled Entity (Note 3(b))	-	185,882	-	-
Total revenue from discontinued operations	-	185,882	-	-

### 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>a) Expenses:</b>				
Depreciation of non-current assets				
- Plant and equipment	53,567	36,301	52,112	34,654
Exploration expenditure	6,608,634	240,484	24,955	145,757
Capitalised exploration expenditure written off	-	289,761	-	-
Auditor's remuneration (paid and accrued)	48,869	52,572	43,500	50,030
Doubtful debts	-	88,023	8,236,559	117,663
Share based payments expensed – Non cash (Refer Note 26)				
- Directors and employees	535,487	234,000	535,487	234,000
- Third parties	-	13,140	-	13,140

#### 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	-	-
Less: Carrying amount of net assets sold	-	2	-	-
Surplus on disposal of Controlled Entity	-	185,882	-	-

The increase in consolidated Exploration expenditure in the financial year is attributable to the commencement of activities in Namibia.



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

**4. Income tax expense**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<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 applicable rates:				
- consolidated	(2,887,512)	(627,296)	-	-
- parent	-	-	(3,042,188)	(561,722)
Add tax effect of:				
- Doubtful debts expense	-	-	2,470,968	35,299
- Share based payments expensed	706,646	74,142	160,646	74,142
- Other non allowable items	-	11,925	-	11,925
- Other assessable items	-	85,500	-	-
- Rate differences	(398,068)	-	-	-
Less tax effect of:				
- Other allowable items	(41,326)	(3,274)	(41,326)	(3,274)
- Timing differences	17,591	(206)	12,448	(206)
- Tax losses not recognized	2,602,669	459,209	439,452	443,836
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	
	2008	2007	2008	2007
	\$	\$	\$	\$
<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	3,066,550	116,261	845,697	76,266

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

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

**d. Tax Consolidation**

The Parent and its Australian Controlled Entities have not elected to be consolidated for taxation purposes and have not generated any taxable income since incorporation.

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

### 5. Key Management Personnel Compensation

#### a. Option holdings of Key Management Personnel (Consolidated)

Number of options held by Key Management Personnel directly or indirectly through controlled entities as at year end were:

	Balance as at 1 July 2007	Received as Compensation	Net change other #	Balance (held, vested and exercisable) as at 30 June 2008
Stephen Blackman	-	4,000,000	-	4,000,000
Kenneth Maiden	-	4,000,000	(1,250,000)	2,750,000
Ian Daymond	-	2,000,000	-	2,000,000
Deng Jiniu	-	2,000,000	-	2,000,000
Brian Rear	-	-	-	-
Geoffrey Broomhead	-	4,000,000	-	4,000,000
Garry Baglin	-	1,000,000	-	1,000,000
Robert Ilchik	-	1,000,000	-	1,000,000
Karl Hartmann	-	-	-	-
Charlotte Seabrook	-	450,000	-	450,000
	-	18,450,000	(1,250,000)	17,200,000

# Net change other refers to options acquired or disposed during the financial period.

No options were exercised during the period.

#### b. Share holdings of Key Management Personnel (Consolidated)

Number of shares held by Key Management Personnel directly or indirectly through controlled entities as at year end were:

	Balance as at 1 July 2007	Received as Compensation	Net change other #	Balance as at 30 June 2008
Stephen Blackman	11,676,937	-	2,919,235	14,596,172
Kenneth Maiden	10,314,635	-	125,250	10,439,885
Ian Daymond	2,598,930	-	416,666	3,015,596
Deng Jiniu	-	-	-	-
Brian Rear	6,351,962	-	(6,351,962)	-
Geoffrey Broomhead	125,000	-	1,906,250	2,031,250
Garry Baglin	595,000	-	630,000	1,225,000
Robert Ilchik	115,000	-	410,000	525,000
Karl Hartmann	-	500,000	125,000	625,000
Charlotte Seabrook	105,000	-	245,000	350,000
	31,882,464	500,000	425,439	32,807,903

# Net change other refers to shares acquired or disposed during the financial period.

No shares were acquired during the period on exercise of options.

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

## 5. Key Management Personnel Compensation (continued)

### c. Share holdings of Key Management Personnel (Consolidated) (continued)

Number of shares held by Key Management Personnel directly or indirectly through controlled entities as at previous year end were:

	Balance as at 1 July 2006	Received as compensation	Net change other #	Balance as at 30 June 2007
Stephen Blackman	11,676,937	-	-	11,676,937
Kenneth Maiden	10,314,635	-	-	10,314,635
Ian Daymond	2,498,930	100,000	-	2,598,930
Deng Jiniu	-	-	-	-
Brian Rear	6,251,962	100,000	-	6,351,962
Geoffrey Broomhead	-	-	125,000	125,000
Garry Baglin	400,000	-	195,000	595,000
Robert Ilchik	-	-	115,000	115,000
Karl Hartmann	-	-	-	-
Charlotte Seabrook	-	-	105,000	105,000
	<u>31,142,464</u>	<u>200,000</u>	<u>540,000</u>	<u>31,882,464</u>

# Net change other refers to shares acquired or disposed during the financial period.

## 6. Auditor's remuneration

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration of the auditor of the Parent Entity (paid and accrued) for:				
- auditing or reviewing the financial report	30,500	50,030	30,500	50,030
- due diligence services	13,000	-	13,000	-
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	5,369	2,542	-	-
	<u>48,869</u>	<u>52,572</u>	<u>43,500</u>	<u>50,030</u>

## 7. Earnings per share

	Consolidated	
	2008	2007
a. Earnings used to calculate basic EPS	(9,625,042)	(2,090,986)
Earnings used to calculate dilutive EPS	(9,625,042)	(2,090,986)
	Number of Shares	
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	150,382,537	90,452,308
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	150,382,537	90,452,308

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

### 8. Cash and cash equivalents

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and on hand	2,492,699	1,463,594	1,728,060	1,444,830

#### 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	2,492,699	1,463,594	1,728,060	1,444,830
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### 9. Receivables - current

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade debtors – related parties	6,655	29,652	6,655	29,652
Sundry debtors	197,928	23,038	4,220	17,880
	204,583	52,690	10,875	47,532

### 10. Receivables – non current

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Other related entities	-	305,013	-	305,013
	-	305,013	-	305,013

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

### 11. Property, plant and equipment

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Office equipment and furniture</b>				
Cost	302,817	121,320	297,876	116,379
Less: accumulated depreciation	(98,612)	(55,093)	(93,671)	(51,607)
	<u>204,205</u>	<u>66,227</u>	<u>204,205</u>	<u>64,772</u>

#### Gross carrying amount – plant and equipment

Opening balance	121,320	72,185	116,379	67,244
Additions	206,504	49,135	206,504	49,135
Disposals	(25,007)	-	(25,007)	-
Balance at year end	<u>302,817</u>	<u>121,320</u>	<u>297,876</u>	<u>116,379</u>

#### Accumulated depreciation – plant and equipment

Opening balance	55,093	18,792	51,607	16,953
Disposals	(10,050)	-	(10,050)	-
Depreciation expense	53,569	36,301	52,114	34,654
Balance at year end	<u>98,612</u>	<u>55,093</u>	<u>93,671</u>	<u>51,607</u>

### 12. Other assets – non current

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Security deposits - premises	163,542	10,295	160,325	10,295
Security deposits - other	620	-	620	-
	<u>164,162</u>	<u>10,295</u>	<u>160,945</u>	<u>10,295</u>

### 13. Other financial assets – non current

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Shares in Controlled Entities – at cost	-	-	23	22
Owing by Controlled Entities	-	-	9,239,321	1,002,762
Less provision for doubtful debts	-	-	(9,239,321)	(1,002,762)
Shares in related listed companies – at fair value	<u>1,183,875</u>	<u>2,186,250</u>	<u>1,183,875</u>	<u>2,186,250</u>
	<u>1,183,875</u>	<u>2,186,250</u>	<u>1,183,898</u>	<u>2,186,272</u>

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

### 14. Current payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade payables	454,517	236,868	198,009	226,998
Amounts due to Director related entities	-	1,948	-	1,948
	<u>454,517</u>	<u>238,816</u>	<u>198,009</u>	<u>228,946</u>

### 15. Current accruals

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accrued expenses (Includes related parties 2008: nil; 2007: \$52,500)	244,923	110,888	86,000	107,500

### 16. Current provisions

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Employee benefits	85,878	30,670	72,163	30,670

### 17. Contributed equity

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
193,488,355 (2007 – 104,864,023) fully paid ordinary shares	13,838,709	3,851,981	13,838,709	3,851,981
1 (2007 – 1) fully paid “A” class preference share	1	1	1	1
	<u>13,838,710</u>	<u>3,851,982</u>	<u>13,838,710</u>	<u>3,851,982</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Parent 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 Parent for so long as it holds at least 15% of the ordinary share capital of the Parent. Pursuant to the Subscription Agreement the special rights and powers attaching to the “A” Class share shall terminate automatically and it will become an ordinary share upon the listing of the Company’s shares on any stock exchange.

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

## 17. Contributed equity (continued)

### (a) Movement in ordinary share capital

	Parent - 2008		Parent - 2007	
	Number	\$	Number	\$
Balance at beginning of financial year	104,864,023	3,851,981	75,365,957	963,409
Shares issued during the year:				
Issued for tenements and information acquired – share based payment expensed in a Controlled Entity	15,200,000	1,820,000	-	-
Issued for services rendered	-	-	131,400	13,140
Issued to Directors in lieu of fees	-	-	200,000	20,000
Issued in placements to institutional and other investors	45,833,334	5,500,000	27,026,666	2,696,000
1 for 4 non-renounceable issue in November 2007	26,390,998	3,166,920	-	-
Issued as share based payment - Employees	1,200,000	134,000	2,140,000	214,000
Cost of capital raising	-	(634,192)	-	(54,568)
Balance at end of financial year	<u>193,488,355</u>	<u>13,838,709</u>	<u>104,864,023</u>	<u>3,851,981</u>

	Parent - 2008		Parent - 2007	
	Number	\$	Number	\$
<b>Movement in "A" class preference share capital</b>				
Balance at beginning of financial year	1	1	-	-
Issued in placement to investor	-	-	1	1
Balance at end of financial year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### (b) Movement in equity option

	Parent - 2008	
	Number	\$
Balance at beginning of period	-	-
Issued to Directors, employees and consultants on 20 December 2007 as approved at Annual General Meeting	<u>22,000,000</u>	<u>401,487</u>
Balance at end of period	<u>22,000,000</u>	<u>401,487</u>

All options relate to ordinary shares of the Company and confer a right to subscribe for one ordinary share for each option held, at \$0.20 per share being the strike price of the option.

The options were issued for nil consideration, vest immediately, and may be exercised at any time within five years of issue.

During the life of the options, the holder is not entitled to participate in share issues of the Company.



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

## 17. Contributed equity (continued)

### (c) Capital Management

Management controls the capital of the Consolidated Entity in order to ensure that the Consolidated Entity can fund its operations and continue as a going concern.

Its capital includes ordinary share capital, share options and reserves and financial liabilities, supported by financial assets.

The Consolidated Entity has no external debt and there are no externally imposed capital requirements.

Management effectively manages the Consolidated Entity's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include share issues.

There have been no changes in the strategy adopted by Management to control the capital of the Consolidated Entity since the prior year.

## 18. Reserves

### (a) Asset Revaluation Reserve

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of financial year	2,166,371	1,271,998	2,166,371	1,271,998
Revaluation of listed investments	(1,007,375)	894,373	(1,007,375)	894,373
Balance at end of financial year	1,158,996	2,166,371	1,158,996	2,166,371

### (b) Option Reserve

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of financial year	-	-	-	-
Options issued to employees	401,487	-	401,487	-
Balance at end of financial year	401,487	-	401,487	-

### (c) Foreign Exchange Reserve

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of financial year	-	-	-	-
Adjustments from translation of foreign Controlled Entity	4,713	-	-	-
Balance at end of financial year	4,713	-	-	-

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

### 19. Retained profits/accumulated losses

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of financial year	(2,314,658)	(223,672)	(2,326,755)	(454,350)
Net profit/(loss) attributable to members of the parent entity	(9,625,042)	(2,090,986)	(10,140,627)	(1,872,405)
Accumulated losses at end of financial year	(11,939,700)	(2,314,658)	(12,467,382)	(2,326,755)

### 20. Controlled entities

	Country of incorporation	Class of Shares	Ownership interest	
			2008	2007
AuriCula Mines Pty Ltd (incorporated 15 March 2004)	Australia	Ordinary	100%	100%
Maranoa Resources Pty Ltd (incorporated 31 August 2004)	Australia	Ordinary	100%	100%
Endolithic Resources Pty Ltd (incorporated 8 November 2007)	Australia	Ordinary	100%	-
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	Ordinary	100%	100%

### 21. Commitments and contingent liabilities

- (a) Exploration tenements granted in Australia are issued with a minimum annual expenditure commitment. The total minimum expenditure on existing exploration tenements in the next financial year is \$547,917 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.
- (b) The Company has issued Letters of Support to its Controlled Entities agreeing not to call up loans totalling \$9,239,321 (2007: \$1,002,762) referred to Note 13 until each of the Controlled Entities 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 Controlled Entities to pay its debts as and when they become due and payable.
- (c) The Parent Entity leases an office in Sydney under a non-cancellable operating lease expiring in April 2012. The lease generally provides the Parent Entity with a right of renewal for a further four years.
- (d) In May 2008, the Parent Entity entered into a telephone system rental agreement for 5 years of \$1,570 minimum rental per month.

Future operating lease commitments not provided for in the financial statements and payable:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Within one year	316,413	-	316,413	-
One year or later and no later than 5 years	986,109	-	986,109	-
	1,302,522	-	1,302,522	-

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

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

On 4 August 2008, 200,000 ordinary shares were issued in settlement of commissions owing for fund raising. The shares were deemed to be issued at a value of \$0.12 per share. An amount of \$24,000 has been expensed through the Income Statement as Share based payments for the year ending 30 June 2009.

On 12 August 2008, 800,000 ordinary shares were issued to contractors to the Company in recognition of services provided to the Company. The shares were deemed to be issued at a value of \$0.12 per share. An amount of \$96,000 has been expensed through the Income Statement as Share based payments for the year ending 30 June 2009.

Directors approved the preparation of a prospectus for an Initial Public Offering with the intention of listing the Company on the Australian Securities Exchange.

The share prices of the Company's listed investments have fallen since balance date. 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 19 August 2008 by the Board of Directors.

### **23. Financial instruments**

#### **a. Significant accounting 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.

#### **b. Financial Risk Management Policies**

The Consolidated Entity's financial instruments consist mainly of current accounts with banks, accounts receivable and payable.

##### **i. Treasury Risk Management**

Management considers on a regular basis the financial risk exposures and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to meet the Consolidated Entity's financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the Board of Directors who approve and review Risk Management policies on a regulated basis. These include future cash flow requirements.

##### **ii. Financial Risk Exposures and Management**

The main risks the Consolidated Entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

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

### 23. Financial instruments (continued)

#### c. 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>2008</b>							
Financial assets							
- cash	7.0%	2,492,699	-	-	-	-	2,492,699
- receivables	-	-	-	-	-	204,583	204,583
- deposits paid	-	-	-	-	-	3,837	3,837
- investments	-	-	-	-	-	1,183,875	1,183,875
<b>Total assets</b>		<b>2,492,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,392,295</b>	<b>3,884,994</b>
Financial liabilities							
- payables	-	-	-	-	-	454,517	454,517
- non interest bearing loans	-	-	-	-	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>454,517</b>	<b>454,517</b>
<b>Net financial assets/(liabilities)</b>		<b>2,492,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>937,778</b>	<b>3,430,477</b>
<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>

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

### 23. Financial instruments (continued)

#### c. Interest rate risk (continued)

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

	Consolidated – 2008		Consolidated – 2007	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Recognised in the balance sheet</b>				
Financial assets				
- cash assets	2,492,699	2,492,699	1,463,594	1,463,594
- current receivables	204,583	204,583	52,690	52,690
- non current receivables	-	-	305,013	305,013
- non current other	3,837	3,837	10,295	10,295
- investments	1,183,875	1,183,875	2,186,250	2,186,250
Financial liabilities				
- current payables	454,517	454,517	238,816	238,816

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 Consolidated Entity 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.

#### d. 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.

#### e. Liquidity risk

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows to ensure that adequate funding is maintained.

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

### **23. Financial instruments (continued)**

#### **f. Price risk**

The Consolidated Entity is not presently exposed to commodity price risk other than the commercial feasibility of various exploration and evaluation activities is sensitive to the expected pricing of the relevant resource.

#### **g. 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 Consolidated 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.

#### **h. Market risk**

The Consolidated Entity is subject to the normal economic indicators including volatility in Stock market and interest rates, both of which impact the availability of funds. In the Directors' opinion a sensitivity analysis of reasonably possible variances in the above risks would not show material impacts on the Consolidated Entity's financial instruments.

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

### 24. 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.

- a. **Details relating to remuneration, shares and options concerning key management personnel are set out in Note 5 and in the Remuneration Report.**
- b. **Details concerning Share based payments are set out in Note 26.**
- c. **Details concerning holdings of shares and options are set out in Note 17.**
- d. **Loans to Controlled Entities**

The Parent has advanced interest free funds to its Australian Controlled Entities and interest bearing funds to its Namibian Controlled Entity to enable each Controlled Entity to conduct its exploration activities. The loans are repayable only when the Controlled Entities are able to pay their debts as and when they fall due.

	Parent	
	2008	2007
	\$	\$
Receivables – non current	9,239,321	1,002,762
Less provision for doubtful debts	(9,239,321)	(1,002,762)
	-	-

The amount due from Controlled Entities at balance date relates to funding provided to AuriCula Mines Pty Ltd, Maranoa Resources Pty Ltd, Endolithic 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 Controlled Entities are sold.

- e. **Loans to and current account balances with related parties**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Receivables – non current	-	305,013	-	305,013

The amount due in 2007 related to funds advanced to Zamia Gold Mines Limited prior to its listing. This loan was unsecured and incurred an interest rate of 8.74% per annum. This loan, including accrued interest, was repaid in full during the current financial year. Refer Note 10.

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

### 24. Related party disclosures (continued)

#### f. Services to related parties

The Parent Entity has an Administrative Services Agreement with Copper Range Limited ("CRJ") whereby the Parent Entity provides services of receptionist, secretarial, tenement management, accounting, investor relations, information technology and office facilities. Under a separate agreement, the Technical Services Agreement, the Parent Entity provides geological services, as and when required, to the CRJ Consolidated Entity. During the year the Parent Entity received \$866,125 in fees from the CRJ Consolidated Entity for these services. Ian Daymond, Stephen Blackman and Kenneth Maiden are also directors of Copper Range Limited.

The Parent Entity has an Administrative Services Agreement with Zamia Gold Mines Limited ("ZGM") whereby the Parent Entity provides services of receptionist, secretarial, tenement management, accounting, investor relations, information technology and office facilities. Under a separate agreement, the Technical Services Agreement, the Parent Entity provides geological services, as and when required, to the ZGM Consolidated Entity. During the year the Parent Entity received \$486,355, in fees from the ZGM Consolidated Entity for these services. Stephen Blackman and Kenneth Maiden are also Directors of Zamia Gold Mines Limited.

#### g. Investments in related parties

The listed companies in which the Parent entity holds investments of \$1,185,875 referred to in Note 13 are related parties due to the existence of significance influence.

### 25. 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash	2,492,699	1,463,594	1,728,060	1,444,830

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Share based payments expensed	535,487	247,140	535,487	247,140



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

### 25. Notes to cash flow statement (continued)

#### c. Reconciliation of operating loss after income tax to net cash flow from operating activities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating profit/(loss) after income tax	(9,625,042)	(2,090,986)	(10,140,627)	(1,872,405)
Non cash items included in profit and loss:				
- proceeds from disposal of Controlled Entity	-	(134,255)	-	-
- depreciation and amortization	53,567	36,301	52,112	34,654
- share based payments	535,487	247,140	535,487	247,140
- share based payments (exploration costs)	1,820,000	-	1,820,000	-
- provision for doubtful debts	-	-	8,236,559	29,640
- fixed assets written off	14,958	-	14,958	-
- adjustments from translation of foreign Controlled Entity	4,713	-	-	-
	(7,196,317)	(1,941,800)	518,489	(1,560,971)
Change in assets and liabilities adjusted for effects of purchase and disposal of Controlled Entities during the period				
Decrease/(increase) in:				
- receivables	(151,893)	154,930	36,657	54,410
- bonds paid	-	165	-	-
- prepayments	-	311	-	-
- capitalised exploration expenditure written off	-	289,761	-	-
Increase/(decrease) in:				
- payables	215,701	60,906	(30,937)	62,108
- accruals	134,035	80,088	(21,500)	76,700
- provisions	55,208	30,670	41,492	30,670
Net cash inflow/(outflow) from operating activities	(6,943,266)	(1,324,969)	544,201	(1,337,083)

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

The Consolidated Entity has no standby arrangements for credit with any financial institutions at 30 June 2008.

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

### 26. Share based payments

The following Share based payments occurred during the financial year ended 30 June 2008.

- a. On 5 July 2007, 500,000 ordinary shares were issued to an employee under a sign-on agreement. The shares were deemed to be issued at a value of \$0.10 per share. An amount of \$50,000 has been expensed through the Income Statement.
- b. On 12 July 2007, 200,000 ordinary shares were issued in settlement of the purchase of an Exploration Licence. The shares were deemed to be issued at \$0.10 per share. An amount of \$20,000 has been expensed through the Income Statement as Exploration Expenses.
- c. On 20 December 2007, 22 million unlisted, immediately vesting options were issued to Directors, Employees and Consultants for nil consideration as approved by shareholders at the Annual General Meeting. Using Black-Scholes methodology a value of \$401,487 has been charged to the Income Statement.

The value is measured as follows:

Underlying value per share at grant date	\$0.04
Exercise price of option issued	\$0.20
Expected share price volatility	100%
Risk free interest rate	6.8%
Life of option	5 years

Due to the uncertainty of the value of the options at grant date the options will be reviewed in future accounting periods using the Intrinsic Method. Refer Note 1k.

- d. On 18 June 2008, 15,000,000 ordinary shares in the Parent Entity were issued in settlement of the purchase of 8 exploration licences in Namibia. The shares were deemed to be issued at \$0.12 per share. An amount of \$1,800,000 has been expensed through the Income Statement of the Consolidated Entity as Exploration Expenses.
- e. On 18 June 2008, 200,000 ordinary shares were issued to employees under a sign-on agreement. The shares were deemed to be issued at a value of \$0.12 per share. An amount of \$24,000 has been expensed through the Income Statement.
- f. On 18 June 2008, 500,000 ordinary shares were issued to employees. The shares were deemed to be issued at a value of \$0.12 per share. An amount of \$60,000 has been expensed through the Income Statement.

### 27. Dividends

The Consolidated Entity did not declare or pay a dividend during the year.

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

### 28. Segment reporting

The Consolidated Entity materially operates in one business segment and two geographical segments, being Australia and Namibia.

#### (a) Primary Reporting - Other

	Mineral Exploration & Evaluation	Other Investment	Unallocated
	2008	2008	2008
	\$	\$	\$
Acquisitions of non-current segment assets	-	5,000	206,504
Depreciation and amortisation of segment assets	-	-	53,567
Other non-cash segment expenses	1,820,000	-	535,487

The Consolidated Entity has the one primary business segment of mineral exploration and evaluation. The geographical segments to which all of the above information applies are located in Australia and Namibia.

#### (b) Secondary Reporting – Geographical Segments

Geographical Location	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Australia	1,562,623	910,826	3,324,011	4,067,851	211,504	49,135
Namibia	52,815	-	925,513	16,218	-	-
	<u>1,615,438</u>	<u>910,826</u>	<u>4,249,524</u>	<u>4,084,069</u>	<u>211,504</u>	<u>49,135</u>

#### (c) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, listed investments and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most of such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, and provisions. Segment assets and liabilities do not include deferred income taxes.

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

### 29. Pending application of accounting standards affected

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:

AASB Amendment	Title	Application Date of Standard. Accounting periods commencing after:
AASB 2007-3 Amendments to Australian Accounting Standards; & AASB 8	AASB 6, 8, 107, 119, 127, 114	01/01/2009

The disclosure requirements of AASB 114: Segment Reporting has been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments may involve changes to segment reporting disclosures within the Financial Report.

AASB 2007- Amendments to Australian Accounting Standards; & AASB 123	AASB 101, 107, 111, 116, 138, 123	01/01/2009
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The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalization of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Presently the Consolidated Entity has no material borrowing costs.

AASB 2007-8 Amendments to Australian Accounting Standards; & AASB 101	AASB 101	01/01/2009
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The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a Statement of Comprehensive Income.

No known or reliably estimable information relevant to assessing the possible impact of these standards on the Consolidated Entity is presently available though it is anticipated that there will be no direct impact on the recognition and measurement criteria of amounts included in the Financial Report.

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

### 30. Company information

The registered office of the Parent Entity is:

Level 8, 275 George Street  
SYDNEY NSW 2000

The principal place of business of the Parent Entity is:

Level 8, 275 George Street  
SYDNEY NSW 2000

### Directors' Declaration

The Directors of International Base Metals Limited declare that:

1. The financial statements and notes, as set out on pages 36 to 90, 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 2008 and the performance for the financial year ended on that date of the Parent and the Consolidated Entity.
2. In the Directors' opinion there are reasonable grounds to believe that the Parent Entity 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



Ian C Daymond  
Non-executive Director

Dated at Sydney, 19 August 2008

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chartered accountants

19 August 2008.

The Board of Directors  
International Base Metals Limited  
Level 8, 275 George Street  
Sydney, NSW 2000

Dear Board of Directors

**International Base Metals Limited.**

We declare that to the best of our knowledge and belief, during the year ended 30 June 2008 there have 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

*G. K. Day,*

GK Day

Member of the Firm of:

*Brentnalls Assurance*

Brentnalls Assurance

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.

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## **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 Controlled Entities ("the Consolidated Entity"), comprising the Balance Sheet as at 30 June 2008, 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 judgement, 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 and the Consolidated Entity is in accordance with the Corporations Act 2001, including:

- a. Giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their financial performance for the year then ended; and
- b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- c. The Financial Report complies with International Financial Reporting Standards as disclosed in Note 1.

### **Going Concern Basis of Accounting**

Without qualifying our opinion, attention is drawn to Note 1a, which indicates that the Directors propose to enter into an Initial Public Offering to raise funds necessary to finance the Consolidated Entity's current normal operating costs and future exploration expenditure in order to continue to operate as a Going Concern for a period of twelve months from the date of this Financial Report.

As stated in that Note, no assurance can be given that the Consolidated Entity will be able to raise future funding on acceptable terms or in a timely manner. In the event that it is unable to do so, the Consolidated Entity may not realise its assets and crystallise its liabilities in the normal course of business at the amounts stated in this Financial Report.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the Directors Report for the year. The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with Australian Accounting Standards. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards as described above.

### **Auditor's Opinion**

In our opinion the Remuneration Report complies with the relevant Australian Accounting Standards.

*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: 19 August 2008.

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

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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.

## **International Base Metals Limited**

ACN 100 373 635

### **Board of Directors**

Stephen Blackman  
Kenneth Maiden  
Ian Daymond  
Deng Jiniu

Managing Director  
Executive Director - Technical  
Non-executive Director  
Non-executive Director

### **Joint Company Secretaries**

Geoffrey Broomhead and John Stone

### **Registered Office**

Level 8, 275 George Street  
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GPO Box 4147  
Sydney NSW 2001 Australia

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### **Share Registry - Registries Limited**

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