Annual Report 2011

ABN 73 100 373 635

INTERNATIONAL BASE METALS LIMITED

TABLE OF CONTENTS

CORPORATE DIRECTORY

International Base Metals Limited ('IBML') is an Australian unlisted public mineral exploration company.

Directors

Dr Alasdair James Macdonald	Non-executive Chairman
Mr Frank Bethune	Managing Director (appointed 6 August 2010)
Dr Kenneth John Maiden	Executive Director – Technical
Dr Jiniu Deng	Non-executive Director
Mr Alan Humphris	Non-executive Director
Mr Jinhua Wang	Non-executive Director (appointed 9 August 2011)
Mr Qiang Chen	Alternate Non-executive Director to Dr Jiniu Deng

Company Secretary

John Stone

Registered Office and Principal Place of Business

Level 8, 275 George Street
Sydney NSW 2000
GPO Box 4147
Sydney NSW 2001

Telephone: + 61 2 8223 3777
Fax: + 61 2 8223 3799
Internet: www.ibml.com.au

Auditors

BDO Audit (NSW-VIC) Pty Ltd
Level 19, 2 Market Street
Sydney NSW 2001

Solicitors

Gadens Lawyers
77 Castlereagh Street
Sydney NSW 2000

Bankers

Bankwest
17 Castlereagh Street
Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: + 61 2 9290 9600
Fax: + 61 2 9279 0664
Internet: www.boardroomlimited.com.au

Financial Adviser

Sinonew Capital Advisory Co., Ltd
406, Horizon International Tower A
6 Zhichun Road, Haidian District
Beijing, China 100088

CHAIRMAN'S LETTER

Dear Shareholders

I would firstly like to acknowledge the accomplishment of Craton Mining and Exploration (Pty) Ltd, based in Windhoek, Namibia, which completed a year without injury nor reportable accident. On behalf of the Board of Directors, I wish to congratulate the whole exploration team in Windhoek.

The past year (July 2010 to June 2011) has been a challenge for IBML, resulting from anomalously adverse weather conditions in Namibia that hampered exploration and negative market conditions in Australia.

During the past year IBML raised just over A$3 million in private placements, with a further A$2 million committed. The funds were employed in regional grassroots exploration (soil sampling, pitting, hand auger drilling, ground magnetics and geological mapping) at the Omitiomire, Steinhausen and the Kalahari Copperbelt Projects. In addition, a pit is being excavated at Omitiomire from which a bulk sample will be excavated for metallurgical test work. Blasting of the pit commenced in early December 2010 and work has been delayed by well above average rainfall in Namibia.

A close-spaced pilot drilling programme was undertaken at Omitiomire to determine optimal drilling density for completion of the Feasibility Study. A drilling programme designed to test the potential of increasing the resource commenced in June 2011, delayed by high rainfall in the preceding five months. Initial drill intersections are encouraging.

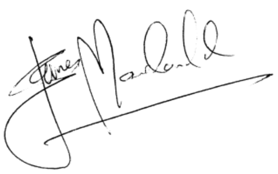
IBML lodged a Prospectus on November 15, 2010 with the objective of listing on the Australian Securities Exchange. The A$25 million minimum subscription level of the initial public offering was not reached and the prospectus and application to list was withdrawn on 20 January 2011.

The company reduced corporate overheads in the Sydney office through staff reductions and transfers to a related company, Zamia Metals Ltd. IBML appointed Optimum Capital (www.optimumcapital.com.au) as corporate advisor to assist with strategy, appraisal of investment proposals received from third parties and reverse listing options. Alternative ways to fund and/or list the Company are being investigated.

On the initiative of Frank Bethune (MD IBML), three internal workshops were held in which employees were charged with the establishment of a Vision, Mission and a common set of Values for IBML; these have been placed on the Home Page of the company's website (http://www.ibml.com.au/).

On behalf of IBML's Directors and Management, I wish to thank you for your continued support. I look forward to reporting to you in a year's time with an updated and increased resource at Omitiomire and with the company in a strong position to undertake a Definitive Feasibility Study.

Yours sincerely,



A. James Macdonald
Non-Executive Chairman
22 September 2011

MANAGING DIRECTOR'S LETTER

Dear Shareholders,

One of the highlights for the year was the development of a Vision, Mission and a set of Values. The Board held a strategic planning session in December where the guidelines were set for developing our vision and mission. I then held three workshops (Windhoek, Omitiomire and Sydney) involving almost all of our employees. It was a wonderful and interesting experience discovering how they felt about IBML and Craton. We used the collective outputs from these workshops to develop our values and to ensure that our vision and mission were aligned with expectations. We are all committed to developing a successful and sustainable exploration and mining company with an initial focus in Southern Africa. We also have our own set of values to guide our behaviour and actions.

We did not manage to obtain the minimum subscription in our proposal to list on the ASX. I am disappointed that we did not achieve this objective. We have, however, managed to make significant progress in the Company during the year.

In January it became clear to the Board that we would need to make IBML more attractive to potential investors. In order to do this we developed an exploration programme with the aim of identifying the potential to grow the Omitiomire resource to over one million tonnes of contained copper. After unusually high rains we resumed drilling in June 2011. Initial results are promising with the first seven holes all intercepting copper mineralisation. Our aim is to have a revised resource model for Omitiomire before the end of 2011. We are also doing further work on our other three exploration projects in Namibia. It would be very pleasing if we could also show some exploration success beyond Omitiomire.

In parallel with our resource expansion programme we are also seeking value-adding opportunities. A large number of potential investors have been approached. Over twenty confidentiality agreements have been signed, a number have progressed to site visits in Namibia. We are fortunate in that we have managed to raise sufficient funds from private equity at acceptable prices to maintain our exploration programme. I remain confident that an attractive transaction will be forthcoming that will financially sustain the Company in the longer term. The Board is also cognizant of the desire of many shareholders to see the Company listed and, in assessing opportunities, a listing or other form of potential exit for shareholders remains an important factor.

In Namibia, the Minister of Mines announced in April 2011 that mineral licences for strategic minerals (including copper) would be held by the state owned mining company, Epangelo. This created investor panic. Fortunately the Minister subsequently issued a press release clarifying that this would only apply to new licence applications and that it would be "business as usual" for existing licence holders. We have seen evidence of this when we were granted a licence renewal without having any additional conditions imposed.

Karl Hartmann and his exploration team in Namibia continue to provide good work with an excellent safety record. It is with sadness that we saw the early death of Mr Jacobus Steyn, the farmer at Omitiomire. Our condolences go out to his family. The Craton Foundation is up and running and I expect to be able to report progress next year.

I have started to build relationships with shareholders and we have had tremendous support from key stakeholders. In particular, I would like to thank the following parties for subscribing new equity: Pearl Global ($2 million, October 2010); Kings Resources ($3 million, July 2010 and July 2011); and West Minerals ($1 million, June 2011). These large investments have enabled us to continue with significant exploration activities.

I am privileged and grateful for the opportunity of being part of IBML and remain confident that in the current year we will be able to financially strengthen the Company and add significant value for our shareholders.

Yours sincerely,

Frank Bethune
Managing Director
22 September 2011

CORPORATE STRATEGY

Our Vision, Mission and Values have been developed to guide our strategy and behaviour.

Our Vision:

To be a successful and sustainable exploration and mining company.

Our Mission is to:

- Maximise stakeholder value by safely and responsibly exploring for economically viable mineral deposits;
- Develop and operate mines, initially in Southern Africa;
- Deliver above-average returns for our shareholders;
- Provide secure and rewarding employment for our employees; and
- Operate to the benefit of our host countries and our local communities.

Our Values are:

1. Health and safety
2. Care and respect
3. Teamwork and accountability
4. A forward looking approach

Our Strategy

In order to achieve our mission, the Board of Directors has agreed to the following strategy and goals for IBML and Craton:

- The five-year goal is to have one operating mine and at least one advanced exploration project.
- The 10-year goal is to be a significant mining and exploration company with its focus in Southern Africa.
- We will consider off-take agreements for the commodities we produce but would limit such off-takes to the percentage investment held.
- Joint venture ('JV') arrangements will be encouraged for both exploration and mining activities.
- We will seek to retain at least 30% interest in any Southern African JV.

Short Term Plan

After the withdrawal of our prospectus in January 2011, the following two prong, parallel approach was initiated and is being implemented:

1. Raise $10 million equity funds with the primary goal of funding a drilling programme with the aim of identifying real potential for resource growth beyond 1 million tonnes of contained copper.
2. Investigate and follow up on potential opportunities to add value to current shareholders. This includes potential mergers, reverse listings, seeking cornerstone investors, JV partners and a possible listing on the ASX.

REVIEW OF OPERATIONS

1. INTRODUCTION

International Base Metals Limited is an Australian-registered mineral exploration company. In early 2011, the Board made the decision to focus the Company's exploration and acquisition operations on southern Africa, where the Company, through its wholly-owned subsidiary Craton Mining and Exploration (Pty) Ltd ('Craton'), already has a substantial presence in Namibia.

Namibia is a very attractive country for mineral exploration and development. Its main attractions are:

- Low political risk
- A well-developed mining industry
- Under-explored base metal trends
- Good infrastructure
- Effective mining and taxation legislation
- An effective bureaucracy
- Full convertibility for foreign investment
- Good exploration and mining support.

Craton holds ten Exclusive Prospecting Licences (EPLs) and four EPL applications in Namibia (Figure 1). The total area granted under EPL title is 7,700 km^2. For internal administrative purposes, the tenements are grouped into a number of project areas.

Omitiomire Copper Project: This is IBML's flagship project, where drilling to date has identified a JORC-compliant resource in excess of 600,000 tonnes of contained copper. A positive pre-feasibility study was completed in mid-2010. Current drilling is aimed at demonstrating potential for over 1 million tonnes of contained copper.

Steinhausen Project: Four granted EPLs and two EPL applications surround the Omitiomire Project area. The tenements contain numerous known copper occurrences, some of which have attracted previous (1970s) shallow drilling. Craton's soil geochemical surveys have identified extensive copper anomalies to be tested.

Kalahari Copperbelt Project: Craton holds three granted EPLs in the Kalahari Copperbelt, an 800 km copper trend which is an extension of the Central African Copperbelt. Recent exploration by other companies in the Botswana segment of the belt has outlined very substantial copper resources. Craton's work has defined numerous targets which are being progressively followed up by detailed exploration.

Kamanjab Project: In northern Namibia, Craton has two granted EPLs and two EPL applications. The geological setting indicates that this region may also be a previously unrecognised extension of the Central African Copperbelt. This interpretation is supported by the presence of Copperbelt-style copper mineralisation in the Company's tenements.

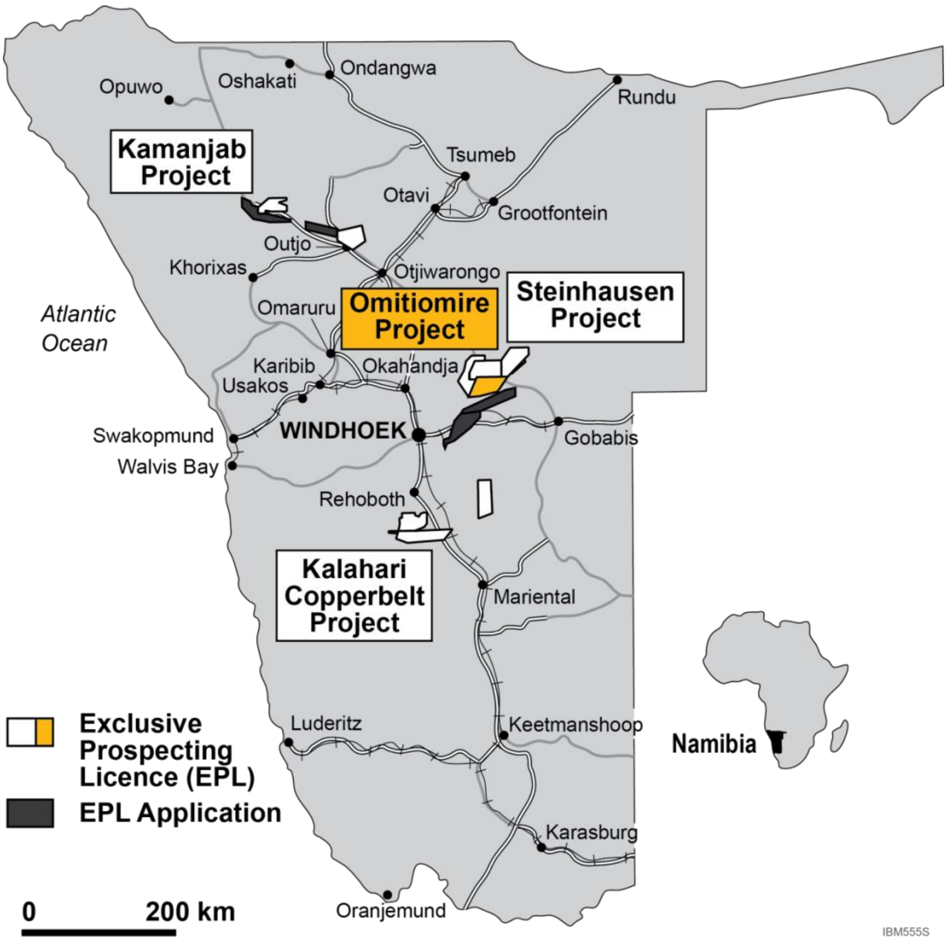


Figure 1. Map of Namibia showing Craton's EPLs and applications

Craton has an office in the Namibian capital, Windhoek. Craton has a large team of technical, administrative and compliance staff as well as consultants and contractors in Namibia, South Africa and Australia who provide support on an informal basis.

Australian Assets

While the main focus for IBML is in southern Africa, the company has a number of exploration projects in Australia. These are held in separate wholly-owned subsidiary companies:

- AuriCula Mines Pty Ltd: Exploration for copper-gold in the Cobar district of New South Wales; which is managed by joint venture partners, Cobar Management Pty Ltd (a wholly owned subsidiary of Glencore International plc);
- Maranoa Resources Pty Ltd: Exploration for nickel and copper in the Maranoa district of south-central Queensland;
- Endolithic Resources Pty Ltd: Exploration for copper in the Mount Isa district of northwest Queensland.

2. OMITIOMIRE COPPER PROJECT

Background

The project area lies in flat savannah-type country 120 km northeast of Windhoek and is accessed from Windhoek via established sealed and gravel roads.

Since commencing drilling in mid-2007, the Company has defined a substantial copper resource of over 600,000 tonnes of contained copper.

In mid-2010, the Company completed a comprehensive pre-feasibility study ("PFS") at a modest copper price of US$5,500 /tonne (US$2.50 /lb). This demonstrated the likely feasibility of a copper mining and processing operation based on the identified resource.

Extension drilling at Omitiomire was halted during the second half of 2010 as the Company prepared a Prospectus for its (unsuccessful) IPO. Subsequently, progress of field activities was hampered by more than three times the average annual rainfall, which delayed the mobilisation of machinery. Diamond and reverse circulation (RC) drilling re-commenced in June 2011.

The break in drilling activity allowed the Company's geologists to carry out a detailed study of the deposit. This has resulted in a better understanding of the geological structure and an emerging new structural model which is being applied in assessment of drilling information and siting of new drill holes.

Current drilling is aimed at demonstrating that, with further infill drilling, a resource in excess of 1 million tonnes of contained copper can be achieved. It is expected that a large proportion of this increase will come from the down-dip eastern extension to the deposit (see Figure 2) where previous drilling indicates that the deposit increases in both thickness and grade.

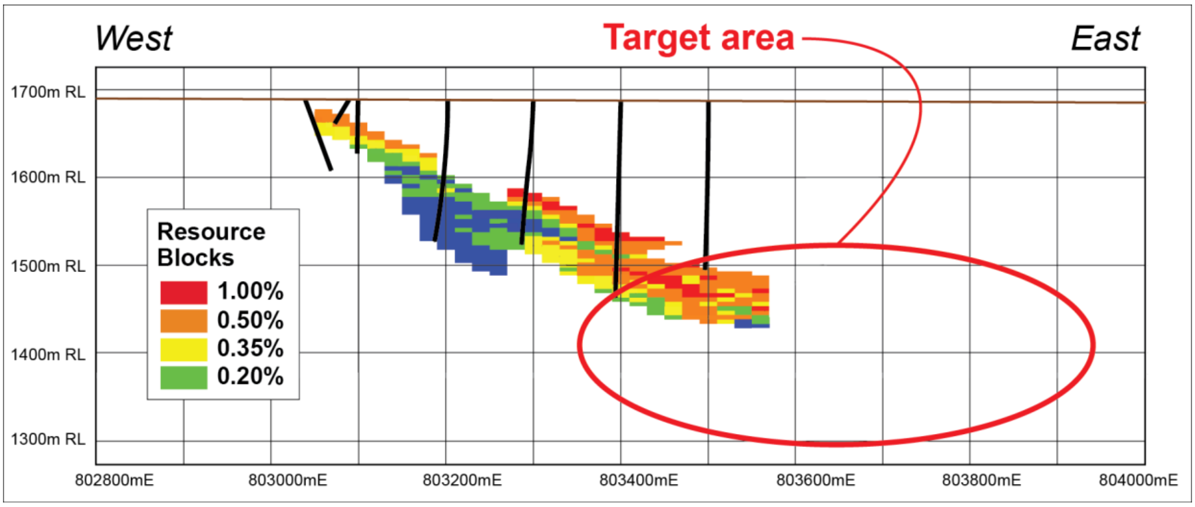


Figure 2. Section 3870 showing existing resource blocks and down-dip target area

Other work carried out during the reporting year:

- **Close-spaced drilling:** Two "grade control" grids, each 100m x 100m in area, were drilled on a 25m x 25m drill spacing. This allowed a comparison of the existing resource model with a model based on the detailed drilling; and provided optimal drill densities for Measured and Indicated resources and for grade control.
- **Infill drilling:** Infill drilling (27 RC holes) targeted the southern part of the deposit. The results correlated well with previous drill results.
- **Bulk sampling:** Craton commenced excavation of a 20m deep box-cut in the shallow oxidised part

of the deposit to collect a bulk sample for metallurgical testing. That work has also been delayed by the heavy rain.

- **Soil geochemical surveys:** Detailed sampling continued during the year.
- **Infrastructure**: The Company continued consultations with government departments, regulatory agencies and affected parties, such as local farmers.
- **Social and Environmental Impact Assessment (SEIA):** Groundwater, dust and the weather station monitoring continued.

Upon raising sufficient capital, the Company plans to initiate a definitive feasibility study ("DFS") on the Omitiomire Project.

The surrounding area contains numerous copper occurrences and other exploration targets, providing optimism that the resource base can be expanded significantly with ongoing exploration.

Tenement

The Omitiomire deposit and other copper prospects within EPL 3589, are held 100% by Craton. EPL 3589 was granted for a three-year period on 25 April 2007 and has been renewed for a further two-year period.

During the year, a new access agreement was signed with the owner of the Farm Omitiomire on which the Omitiomire copper deposit is located.

At an appropriate time, the Company will apply for a Mining Licence covering the Omitiomire deposit and adjacent areas, which may be required for the development of a copper mining and processing operation.

Geology

The host sequence is a banded rock, consisting of amphibolite and mafic (amphibole-biotite-feldspar) schist inter-banded with felsic (quartz-feldspar) gneiss and some tonalite (an intrusive igneous rock). Banding is on a scale of centimetres to metres. The copper is almost entirely within mafic bands. In the primary (unoxidised) zone, copper occurs mainly as chalcocite (Cu_2S). Bornite (Cu_5FeS_4) constitutes around 10% of the copper sulphides and is particularly prevalent in the northern part of the deposit.

Drilling has defined a broadly tabular copper deposit, striking north-south and dipping at a shallow angle (around 20º) to the east. The deposit forms sub–outcrop, beneath shallow sand cover, over several hundred metres; at depth, drilling has shown a strike length of almost 3,000m. The deposit is about 10m thick near surface but thickens to the east; a recent drill hole (ORC226) intersected 106m at 0.63% Cu.

The highest copper grades, typically +1% Cu, commonly occur below a sharp contact against a massive unit of barren hanging wall felsic gneiss. The host rock to this high grade material is strongly deformed epidote-bearing biotite schist with a characteristic wavy lamination (Figure 3). This rock is interpreted as a shear zone along the felsic gneiss – mafic schist boundary.

The copper grade decreases downwards from the hanging wall contact zone, with occasional narrow high grade bands also associated with development of epidote in shear zones. There is no sharp lower contact to the mineralised zone, just a gradual decrease in the copper content.

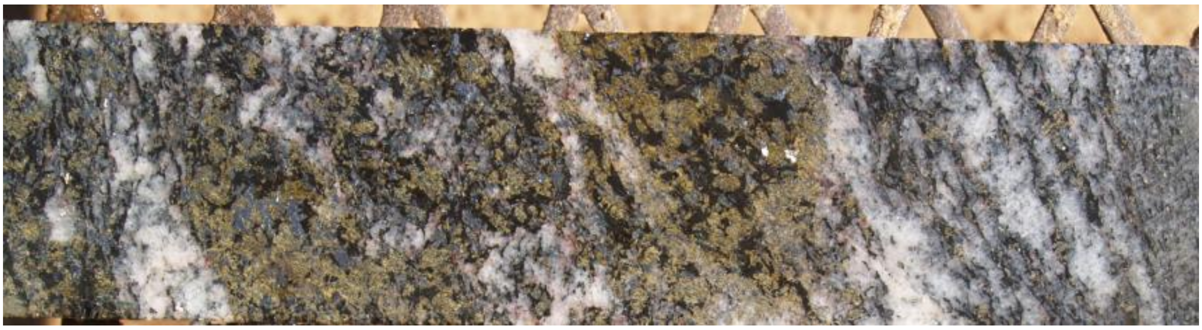


Figure 3. Drill core from a recent drill hole, showing strongly sheared high grade ore with greenish brown epidote and steel-grey chalcocite (core diameter =5cm)

Many of the drill holes intersected a second mineralised zone beneath the upper one. This is interpreted to be due to repetition of the mineralised zone by “z-style” recumbent folding. The emerging structural model is of a tabular deposit, which has been deformed into a series of recumbent folds. In cross section, the mineralised bodies have the shape of flattened lenses; the terms A Lens (the upper zone), B Lens and the recently-recognised C Lens are used to refer to these zones (Figure 4).

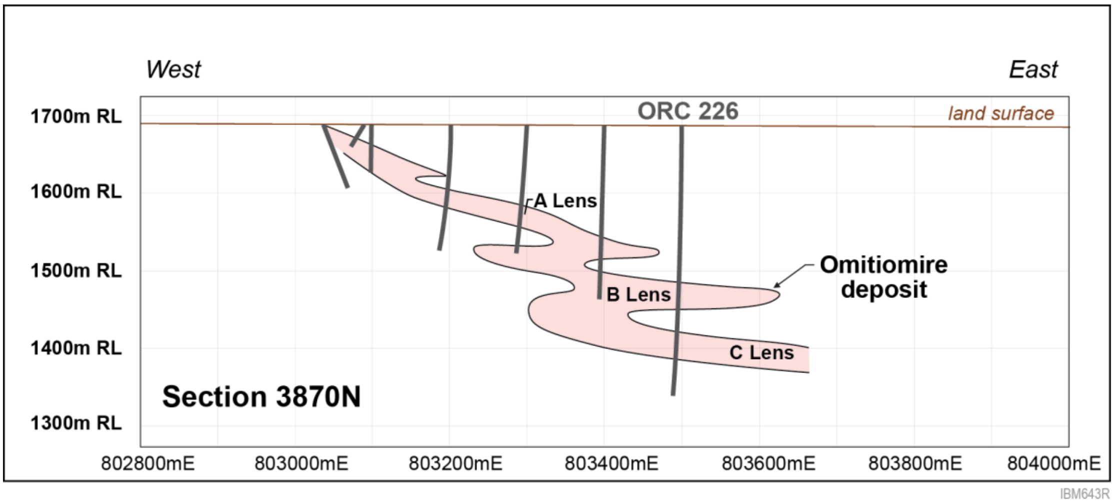


Figure 4. Section 3870N, showing interpreted recumbent fold geometry, and the recently-drilled hole ORC226

Resource

There has been no change to the reported resource since the PFS (Table 1).

Cut-offs (%Cu)	Ore (Mt)	Cu%	Cu (t)
0.10	240	0.31	753 0000
0.20	143	0.45	638 000
0.25	117	0.50	579 000
0.35	74	0.61	453 000
0.45	50	0.71	356 000

Table 1. Summary of resource estimates (approx. 20% Indicated status and 80% Inferred status)

In the PFS, IBML used a copper price of US$5,500 /tonne (US$2.50 /lb). This indicated an optimal cut-off grade of 0.25% Cu, giving a resource of 117 million tonnes ('Mt') at 0.50% Cu (579,000 t contained copper). The current copper price (over US$4.00 /lb) would support a significantly lower cut-off grade. At a 0.20% Cu cut-off, the resource expands to 143 Mt at 0.45% Cu (638,000 tonnes contained copper).

Project Review

A recent review of the Omitiomire project noted the following favourable factors:

- **Deposit geometry:** Omitiomire is a tabular body, around 10m thick near surface but increasing to over 100m thick down dip to the east. The deposit has a shallow dip (20° – 30°) which favours large-scale open-cut mining.
- **Resource:** The established JORC-compliant resource comprises over 600,000 tonnes of contained copper. Recent drilling confirms that the deposit increases in thickness and grade to the east. The deposit also remains "open" to the north and south. This indicates excellent potential to expand the resource to +1 million tonnes of contained copper.
- **Upside potential:** Previous exploration identified a number of copper occurrences within trucking distance of Omitiomire. Craton's soil geochemistry has shown extensive copper anomalies and limited shallow drilling has confirmed the presence of copper associated with at least some of these anomalies. There is a strong likelihood of multiple copper discoveries with ongoing exploration, resulting in a long project life.

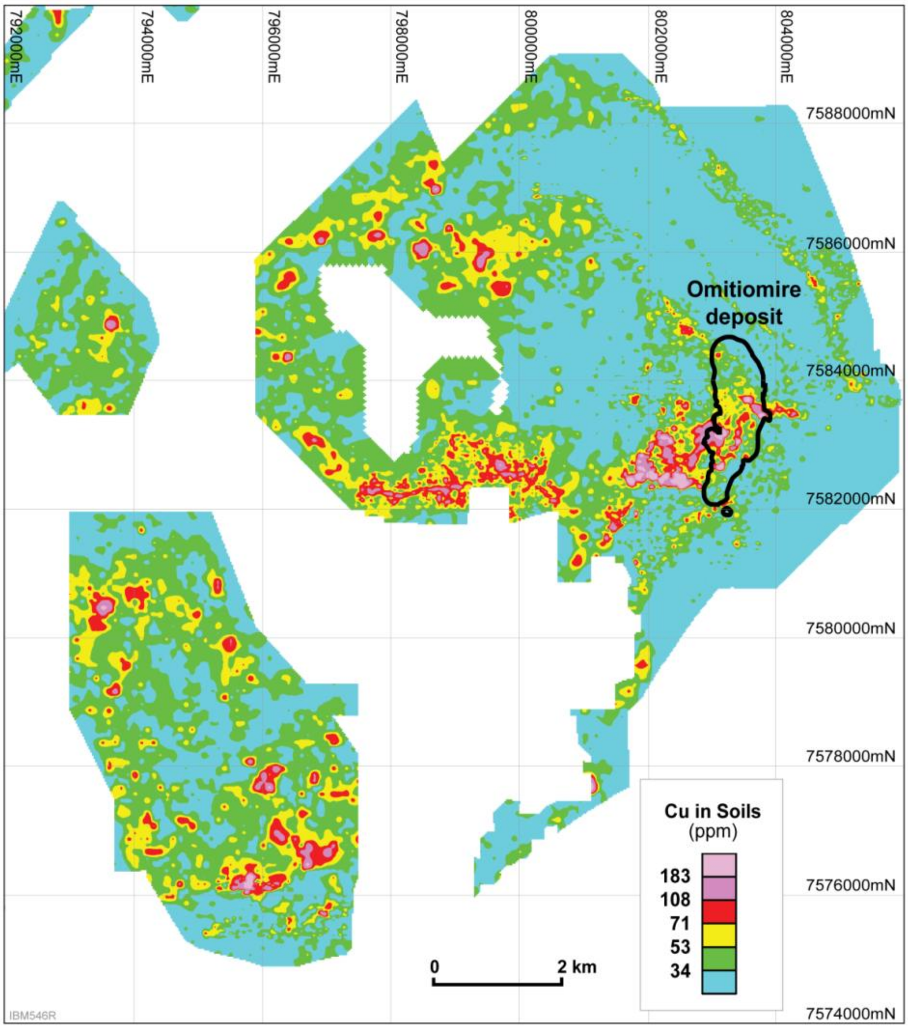


Figure 5. Soil geochemistry, showing extensive copper anomalies within trucking distance of Omitiomire

- **Processing:** The deposit consists of layers of copper-bearing mafic schist alternating with layers of barren felsic gneiss, in a ratio of around 1:1. Because of the density difference between these two rock types, the heavier mafic schist can be effectively separated from the lighter felsic gneiss by gravity separation after coarse crushing (to around 19 mm). Laboratory-scale tests show that a dense medium separation plant would cheaply pre-concentrate mined and coarsely-crushed ore to around 1% Cu mill feed.
- **Concentrating:** The mineralogy is highly favourable. The metal sulphides are dominantly (around 90%) the mineral chalcocite (Cu_2S, containing 79% Cu) with minor bornite (Cu_5FeS_2). This will produce a concentrate grading up to 55% Cu, making it the world's highest grade concentrate. Furthermore, it will be a clean concentrate, with no deleterious elements (arsenic, bismuth, etc.) There will be small silver, gold, platinum and palladium credits.
- **Infrastructure:** The project area is serviced by a network of existing sealed and gravel roads and is accessible to grid power and water.
- **Social and environmental impact:** The project is in semi-arid farmland with no nearby towns or villages. There are no significant social or environmental issues.

3. STEINHAUSEN PROJECT

Background

The Steinhausen Project, surrounding the Omitiomire Project area (EPL 3589), consists of four granted EPLs and two EPL applications.

The tenements cover a complex geological situation containing several known and potential target deposit styles.

Flanking the Ekuja Dome on its western and northern sides is a sequence of metamorphic rocks which host known copper at three localities (Figure 6). Previous (1970s) drilling at these prospects intersected minor copper but there has been no subsequent exploration follow-up.

EPL 3590 contains mafic-ultramafic igneous bodies, constituting the Okatjuru Layered Complex, which may have potential for nickel-copper and for titanium-vanadium. A similar igneous complex is partly contained within EPL 4054.

The two EPL applications each contain several known copper occurrences, some of which were subjected to preliminary drilling during the 1970s but not subsequently followed up.

Exploration Activities

Craton has previously commissioned an interpretation of airborne geophysical (magnetic and radiometric) data, which provided a template for assessment of follow-up detailed exploration. Extensive soil geochemical surveys, with samples taken on a 400m x 400m grid, have identified target areas which are being assessed, initially, with detailed geological mapping and detailed (100m x 100m grid) soil geochemistry.

The Ekuja Dome, the geological unit which hosts the Omitiomire copper deposit, stands out as a geochemically-anomalous area within EPL 3589 (Figure 7). Craton's soil geochemical surveys have defined several other targets for follow-up exploration.

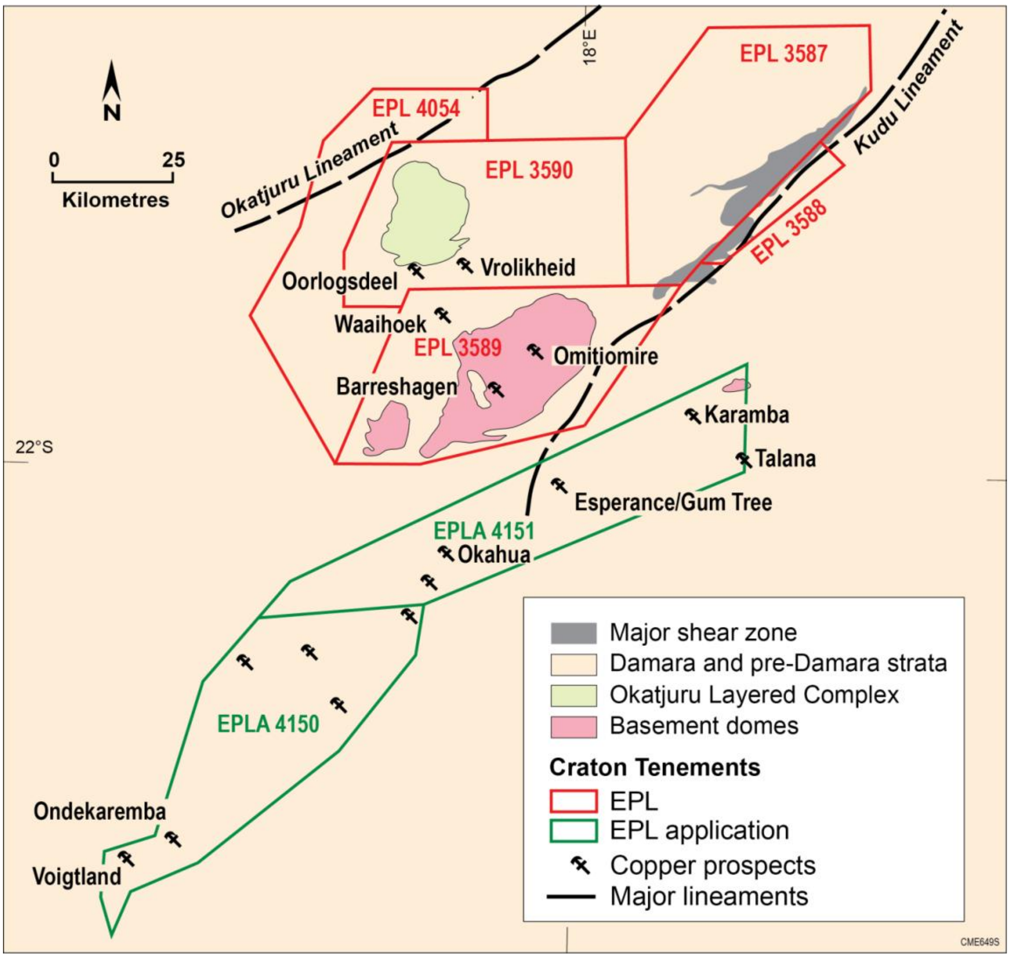


Figure 6. Simplified geological map of the Steinhausen Project area, showing known copper occurrences

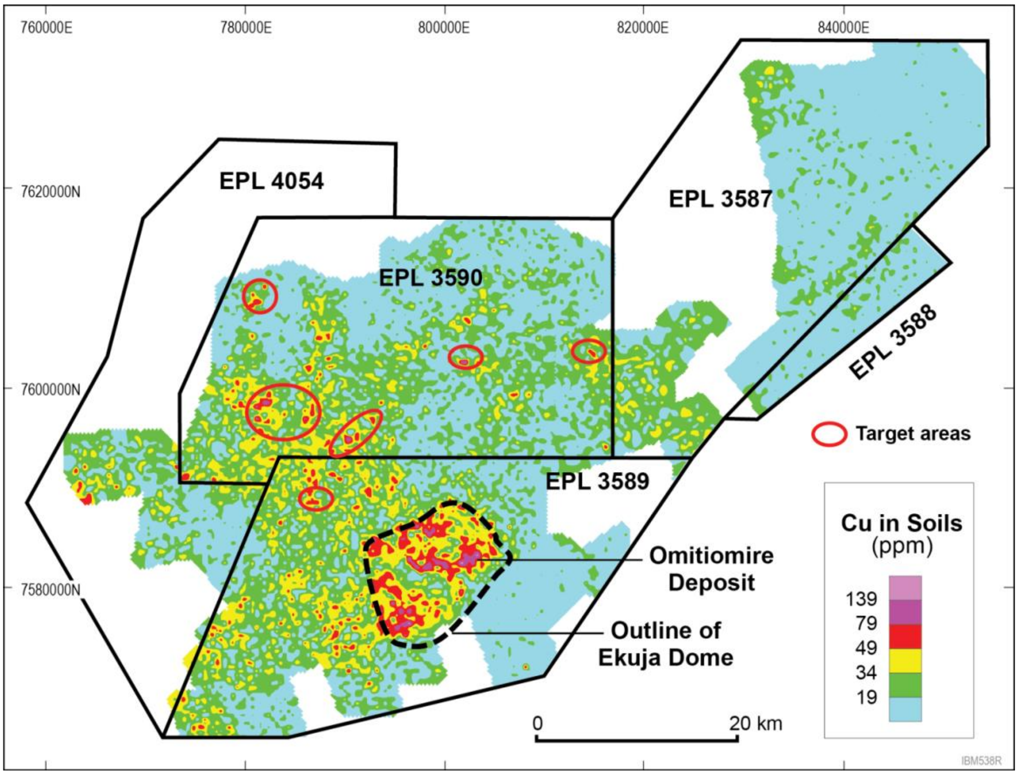


Figure 7. Copper-in-soil geochemistry, showing priority target areas

4. KALAHARI COPPERBELT PROJECT

Background

The Kalahari Copperbelt stretches discontinuously for 800 km from central Namibia to northern Botswana (Figure 8). The belt is an extension of the famous Central African Copperbelt of Zambia and the Congo.

Copper occurrences have been known in the Namibian sector of the belt for many years. The Klein Aub underground mine operated between 1966 and 1987, producing around 5.5 million tonnes at 2% Cu and 50 g/t Ag. In recent years, Botswana has defined substantial copper-silver resources in their segment of the belt.

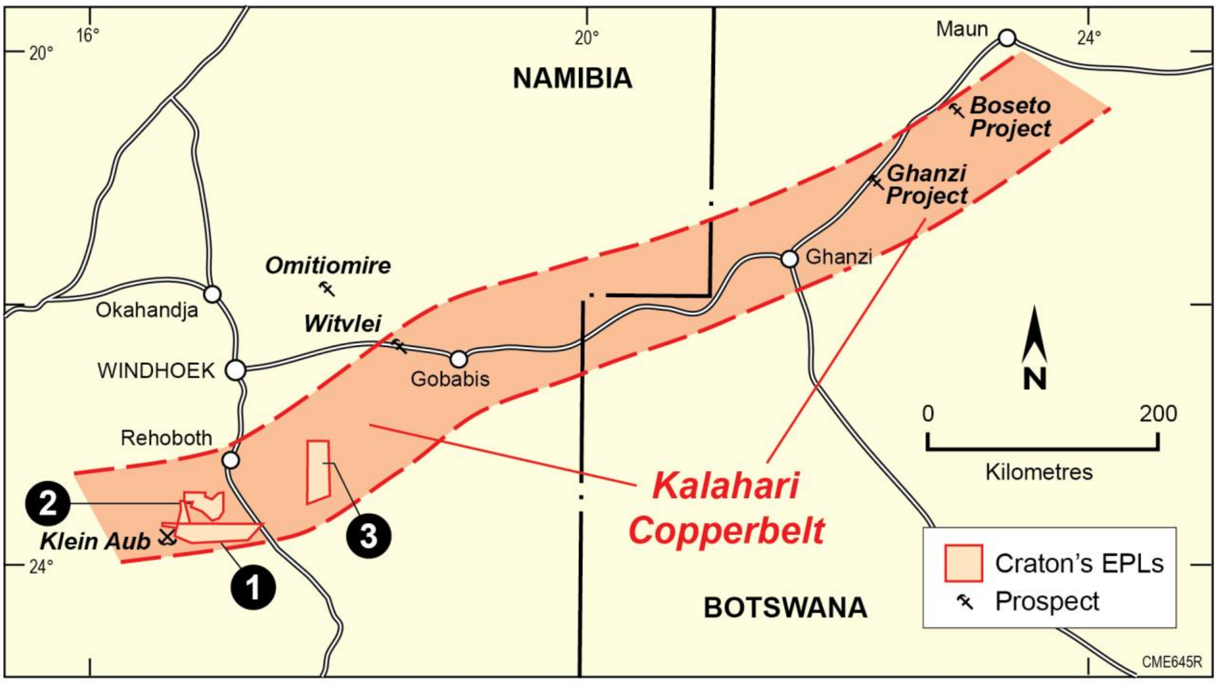


Figure 8. The Kalahari Copperbelt in Namibia and Botswana

Discovery Potential in Craton's Exploration Tenements

Craton's Kalahari Copperbelt Project consists of three EPLs covering a range of geological settings and target styles (Figure 9).

- Basement rocks of the Rehoboth Complex contain numerous copper and gold occurrences in EPL 3584 and EPL 4039.
- EPL 3584 contains over 60 km strike length of copper-bearing strata.
- EPL 4055 contains sandstone-hosted copper at the Sib prospect.

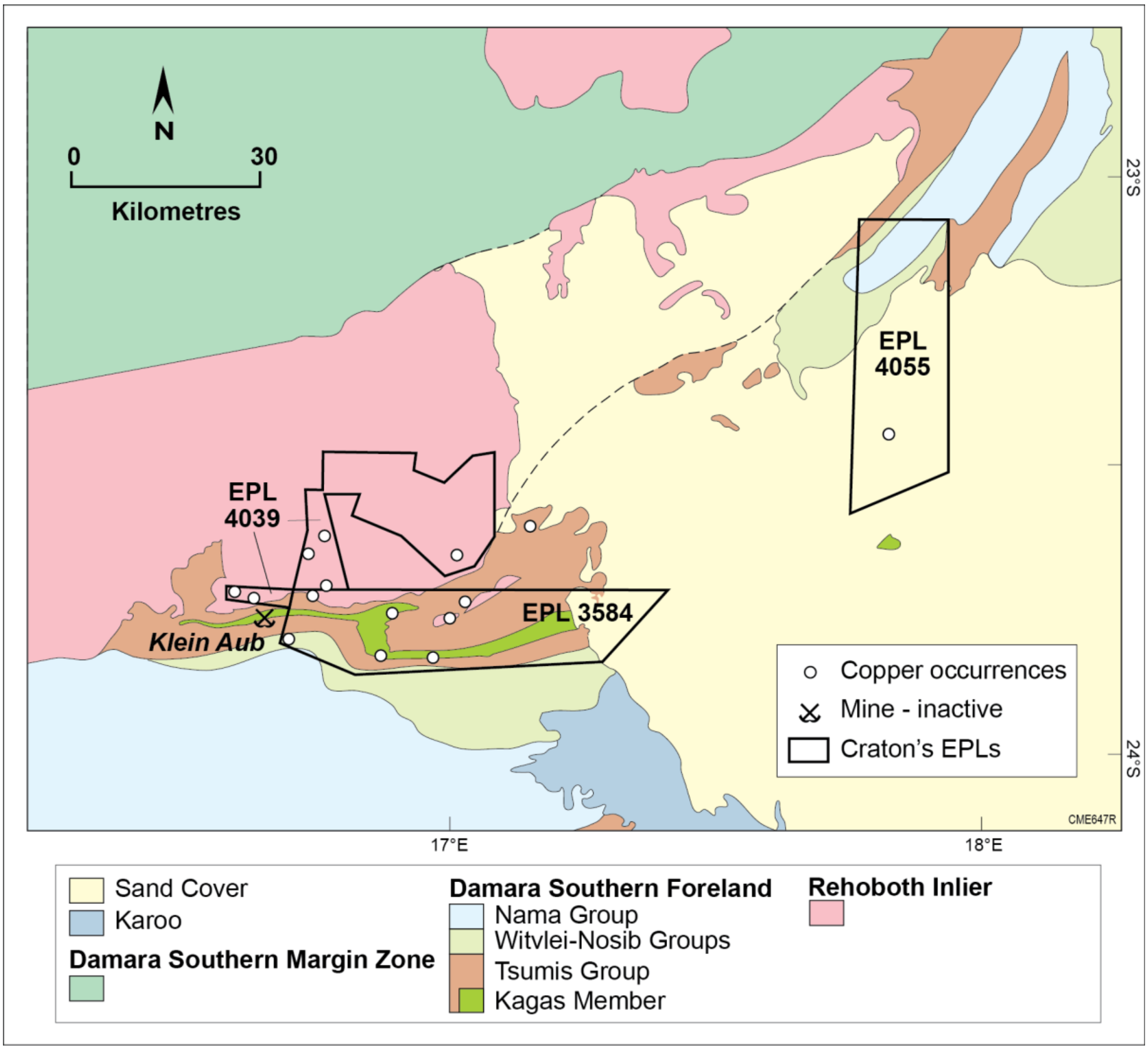


Figure 9. Craton's EPLs in the Kalahari Copperbelt

EPL 3584 Rehoboth South

Craton has been carrying out detailed geological mapping and geochemical surveys along the target copper-bearing zone, east of the old Klein Aub mine, to identify and prioritise targets. The target Kagas Member contains several copper-bearing beds. In most exposures, these are narrow (1m or less). Craton's work is aimed at identifying zones which are thicker and of higher grade.

This work has identified 20 targets (Figure 10). The Kroendorn area (Anomalies 3 – 7) is a Priority 1 target area - a 6 km x 2 km geochemically anomalous area with multiple outcropping copper occurrences. Kalfrivier (Anomalies 17 – 19) has also been identified as a Priority 1 target area.

The priority target areas are being followed up with detailed geological mapping, geochemical surveys and ground magnetic surveys to identify drill sites.

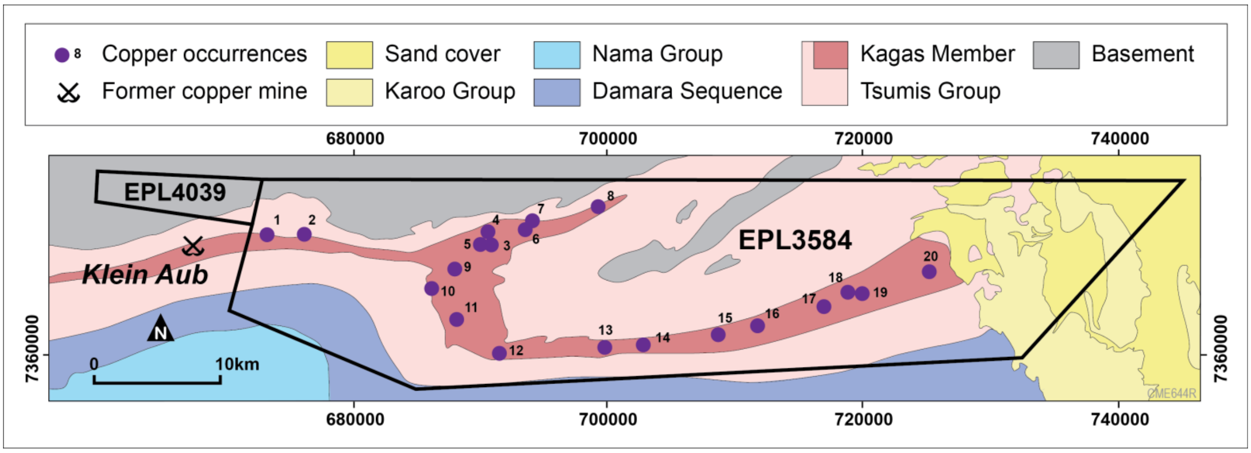


Figure 10. EPL3584 showing identified targets

EPL 4039 (Nomeib)

Most of the tenement has been covered by regional-scale (400m x 400m spacing) soil geochemistry. This work identified numerous geochemically-anomalous areas which are being followed up with detailed (100m x 100m spacing) soil geochemistry, geological mapping and ground magnetic surveys. Known copper-gold-silver occurrences have also been mapped and sampled. Regional soil geochemistry is continuing.

EPL 4055 Sib

This exploration tenement contains known sandstone-hosted copper at the Sib prospect. An interpretation of regional geophysical data has provided a geological base map. A regional geological mapping programme is in progress. Because of the general lack of rock outcrop in the area, this programme includes digging shallow pits to bedrock. A regional-scale (400m x 400m spacing) soil geochemical survey is in progress.

5. KAMANJAB PROJECT

Background

The project consists of two granted EPLs and two EPL applications (Figure 11). The tenements cover a geological situation which is analogous to the Zambian Copperbelt. The historic (1970s) open-cut operation at Kopermyn confirms the presence of Zambian-type copper deposits in the project area.

The exploration target is sediment-hosted copper in sedimentary rocks of the Nosib Group at the base of the Damara Sequence, where these strata onlap onto older “basement” rocks.

Exploration Activities

During 2010, Craton drilled 27 shallow RC holes along eight “fences” of holes across the strike of the target rock strata. Due to difficult drilling conditions, only 16 of the holes reached the basement. The holes intersected low grade copper in the target Nosib Group, with a best intersection of 4m at 0.27% Cu. In addition, several holes intersected two other styles of base metal mineralisation.

Craton has assessed the results of the drilling programme and carried out additional detailed geological mapping at the historic Kopermyn workings. This work has identified previously unrecognised structural controls on mineralisation, leading to a revised geological model for the origin of the copper concentrations. This model will be applied in ongoing exploration of the project area.

During the reporting period, EPL 3372 Kopermyn was renewed for a further two-year period until December 2012. In EPL 4431, access agreements were signed with farmers in areas of known copper mineralisation.

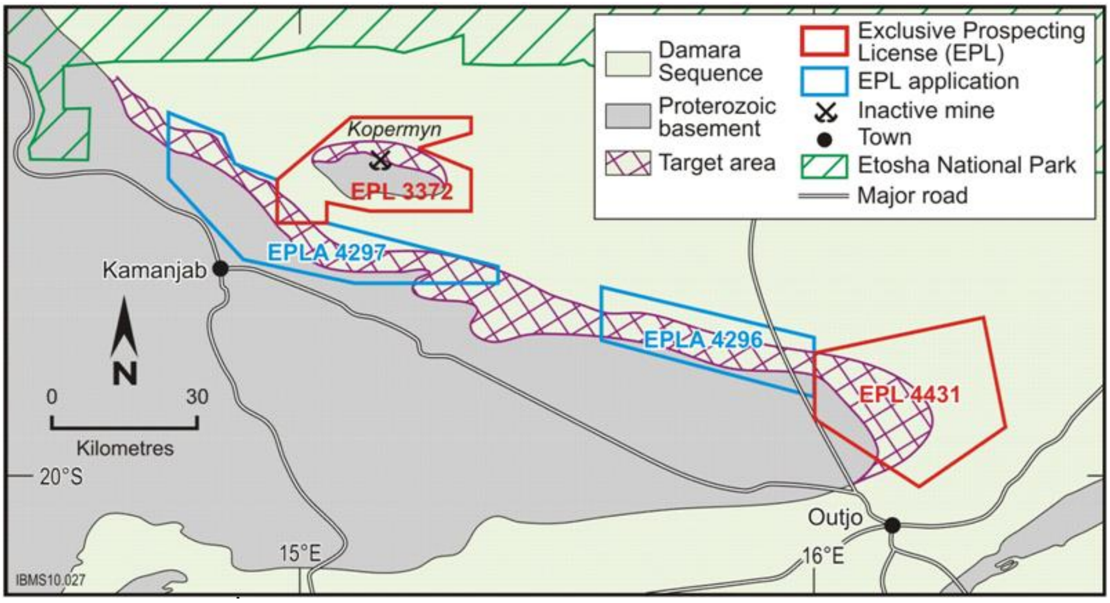


Figure 11. Kamanjab Project: Geological setting and tenement position

Figure 12. Craton's field staff at work

6. AUSTRALIAN PROJECTS

Maranoa Resources Pty Ltd

IBML, through its wholly-owned subsidiary Maranoa Resources Pty Ltd, holds two Exploration Permits for Minerals EPM 14260 and 14261, in the Maranoa district of southern Queensland. Maranoa has previously carried out high resolution aeromagnetic surveying, geochemical sampling and reconnaissance mapping over target areas.

At the reporting date, IBML was awaiting confirmation from the Queensland government that EPM 14260 has been renewed before seeking a joint venture partner. EPM 14261 has been recommended for relinquishment.

AuriCula Mines Pty Ltd

In the Cobar district of NSW, IBML through its wholly owned subsidiary AuriCula Mines Pty Ltd, is in joint venture with Cobar Management Pty Ltd (CMPL) over Exploration Licence (EL) 6223 at Shuttleton and also with a third party, Actway Pty Ltd, over the Mt Hope tenements, EL 6907 and 6868. The JV partners have the right to earn a 90% interest in the two projects. Exploration work is being managed by CMPL and has resulted in promising Cobar-style copper mineralisation being defined.

Figure 13. Mt Hope, Great Central workings

PERSONNEL, OH&S, ENVIRONMENT AND COMMUNITY

Our People

During the year, Craton's workforce has been made up of over 90% Namibian nationals, reflecting the strong commitment to local employment and training. Craton provides development opportunities for its staff at all levels - geologists, technicians, field assistants and office staff. Training in field techniques as well as a health and safety regime are ongoing throughout the exploration programmes. Craton ensures that all employees are trained and assessed in the tasks each team member is required to perform.

In Sydney office, staff numbers were cut back to skeletal levels so that the Company could survive the global financial crisis. Regrettably, IBML had to part with a large element of the experienced and highly valued team that had been built up over the previous years.

Occupational, Health and Safety (OH&S)

Craton Mining & Exploration is committed to achieving the highest standards of safety and health for all its employees operating in exploration. This is achieved through the Craton Mining & Exploration Health Safety and Management Program.

The main elements of this Program are:

- Senior management are involved and committed;
- Management and supervisors are assigned responsibilities and authority for ensuring the safety, health and welfare of employees under the their supervision;
- Effective methods of employee involvement are adopted;
- Arrangements are in place for the identification of hazards and the assessment and control of risks;
- The provision of a safe system of work;
- Training is provided to enable all employees to carry out their responsibilities;
- Adequate records are kept of action taken to manage health and safety in the workplace.

Environment

Environmental policies for protecting native flora and fauna are in place. All field activities are conducted so as to ensure minimal impact; drill sites and camp areas are rehabilitated.

All statutory requirements set down by the Namibian Ministry of Mines and Energy and the various Australian government departments are met within the required time frames.

Community

IBML takes seriously its relationships with the communities in which it operates. Craton has held a series of meetings with local communities to explain its plans regarding the Omitiomire project. These meetings have been well received.

A close working relationship has been established with the Namibian Ministry of Mines and Energy, and statutory requirements are met within the required time frames.

IBML supports the initiatives of the Namibian Chamber of Mines and the Ministry of Mines and Energy in their commitment to the International Council on Mining and Metals' Sustainable Development Principles and the Voluntary Principles on Security and Human Rights (Voluntary Principles) in relation to security, risk assessment and the maintenance of human rights.

Craton has established strong links with the University of Namibia. Craton's consultants regularly deliver lectures at the university and practical work experience is provided by Craton for students studying geology. Two geology honours scholarship programmes have been provided to date.

The Craton Foundation has been established through a Trust Deed as a vehicle through which to channel funds to support community-related projects in Namibia. Three independent trustees, all Namibian residents, have been appointed to decide on the projects to be supported and to administer the funds. The Foundation's constitution sets a focus on educational activities.

IBML INVESTMENTS

ZAMIA METALS LIMITED (IBML 6.31 %)

As at 1 September 2011

Zamia Metals Limited ('Zamia'), (ASX: ZGM) has a substantial portfolio of exploration tenements in the Clermont District of central Queensland. This district is a known gold province and tenements covering 1,300 km^2 include a number of promising gold occurrences and targets.

Zamia's discovery of the Anthony porphyry molybdenum (Mo) deposit has further highlighted the potential of the region. Independent resource consultants, Hellman & Schofield Pty Ltd ('H&S') provided an updated Inferred Resource estimate for the Anthony molybdenum deposit in June 2011.

When near-surface oxide and transition (partly oxidised) material is included, the total resource stands at 260 Mt at 0.04% (400 ppm), Mo (230 million lb contained Mo), including high grade zones of 23 Mt at 800 ppm Mo (40 million lb Mo). Further drilling is underway to test the depth extensions up to 550m below the surface which is expected to provide increased tonnage of higher grade Mo mineralisation.

Further information on Zamia and its projects can be found at www.zamia.com.au.

COPPER RANGE LIMITED (IBML 0.4%)

As at 1 September 2011

Copper Range is an ASX-listed company (ASX: CRJ) with a portfolio of exploration tenements in South Australia, Northern Territory and Brazil. CRJ shares are currently suspended pending finalisation of regulatory approvals on a proposed E African oil project investment.

Further information on Copper Range is available at www.copperrange.com.au.

Dr Ken Maiden (MAIG, FAusIMM), compiled the technical aspects of this report. Dr Maiden is a Director of International Base Metals Limited. He is a Member of the Australian Institute of Geoscientists and a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activities that are being reported on to qualify as a Competent Person as defined in the September 2004 edition of the "Australasian Code of Reporting of Mineral Resources and Ore Reserves". Dr Maiden consents to the inclusion of the matters in the form and context in which they appear.

EXPLORATION TENEMENTS

NAMIBIA

Tenement Number	Tenement Name	Application Date	Grant Date	Expiry Date	Area km² @ 30.06.11
Omitiomire Project					
EPL 3589	Omitiomire - SW	17.11.2005	26.04.2007	25.04.2012	988
Steinhausen Project					
EPL 3587	Mabela – N	17.11.2005	26.04.2007	25.04.2012	979
EPL 3588	Glenorkie - NE	17.11.2005	26.04.2007	25.04.2012	73
EPL 3590	Oorlogsdeel - NW	17.11.2005	26.04.2007	25.04.2012	985
EPL 4054	Hochfeld	09.04.2008	27.04.2010	26.04.2013	763
EPLA 4150	Seeis	01.08.2008			981
EPLA 4151	Karamba	01.08.2008			960
Kalahari Copperbelt Project					
EPL 3584*	Rehoboth South	17.11.2005	26.04.2007	25.04.2010*	983
EPL 4039	Nomeib	02.04.2008	01.07.2008	30.06.2013	662
EPL 4055	Sib	09.04.2008	27.04.2010	26.04.2013	938
Kamanjab Project					
EPL 3372	Kopermyn	13.05.2005	13.12.2005	12.12.2012	399
EPL 4431	Tzamin	01.02.2010	25.06.2010	24.06.2013	938
EPLA 4296	Tzaus	17.06.2009			499
EPLA 4297	Vaalberg	17.06.2009			787

* *Renewal application submitted*

AUSTRALIA

Cobar Project NSW					
EL 6223	Shuttleton	21.11.2003	05.04.2004	04.04.2012	38
EL 6868*	Mt Hope South	21.03.2003	06.09.2007	06.09.2011	51
EL 6907*	Mt Hope	21.03.2003	11.10.2007	11.10.2011	135
Maranoa Project Queensland					
EPM 14260	Darkwater	24.09.2003	13.04.2005	12.04.2013	155
EPM 14261**	Mt Tabor	24.09.2003	29.09.2009	28.09.2014	62

**Tenement held by Actway Pty Ltd*

***Tenement subsequently relinquished in August 2011*

GLOSSARY OF TECHNICAL TERMS

Alteration	A change in the chemical and mineralogical composition of a rock commonly brought about by reaction with hydrothermal solutions
Amphibole	A common calcium-iron-magnesium silicate minerals
Amphibolite	Metamorphic rocks formed usually by metamorphism of basalt
Anomaly	A value (e.g. of geochemical and geophysical parameters) significantly higher than the norm
Basalt	A common mafic volcanic rock
Basement	Older, usually metamorphic, rocks beneath younger strata
Basin	A broad sub-continental depression in which sediments are deposited. The Gulf of Carpentaria and the Coral Sea are present-day examples
Bed	Layering in sedimentary rocks
Belt	A large linear body of rocks
Biotite	A common black mica mineral
Breccia	A rock consisting of large angular fragments cemented together. Fragmentation ("brecciation") can be caused by processes such as faulting, igneous intrusion and hydrothermal activity
Chalcocite	Copper sulphide [Cu_2S]
Chalcopyrite	The most common ore mineral of copper [$CuFeS_2$]
Chrysocolla	A hydrated copper silicate mineral, formed in the oxide zone of copper deposits
Conglomerate	A coarse grained sedimentary rock consisting of cemented pebbles and cobbles
Craton	A large, geologically-stable block of continental crust
Cut-off grade	The lowest grade to which a mineral deposit can be economically mined
Dense medium separation ('DMS')	A mineral separation process whereby denser material is separated from less dense material
Diamond drilling	Recovery of drill core using a hollow drilling bit studded with industrial diamonds
Dip	The angle below the horizontal of a tilted unit of strata
Dome	A body of old rocks surrounded by younger rocks (See also 'Inlier')
Epidote	A calcium-aluminium-iron silicate mineral
Exploration Licence ('EL')	A mineral exploration tenement conferred by the New South Wales or South Australian government
Exploration Permit for Minerals ('EPM')	A mineral exploration tenement conferred by the Queensland government
Exclusive Prospecting Licence ('EPL')	A mineral exploration tenement conferred by the Namibian government
Fault	A break in a rock sequence, along which there has been movement
Feldspar	Common rock-forming minerals composed of silicates of potassium, sodium and calcium with aluminium
Felsic	Pale in colour, rich in "felsic" minerals such as quartz and feldspar
Fold	A bend in rock strata
Flotation	A commonly-used mineral separation process whereby crushed and ground metal sulphide minerals are liberated from barren minerals
Formation	A geologically mappable unit of rock strata
Geochemical survey	Prospecting techniques which measure the concentrations of certain metals in soil and rocks, and define anomalies for further testing
Geophysical survey	Prospecting techniques which measure physical properties of rocks (e.g. magnetic susceptibility, electrical conductivity) and define anomalies for further testing
Gneiss	Metamorphic rocks formed under intense heat and pressure
Grade	The concentration of a metal in a mineral deposit
Group	A stratigraphic term referring to a package of several rock formations
Hydrothermal	Literally "hot water". Hydrothermal fluids, typically carrying metals in solution, develop in the Earth's crust through a number of processes
Igneous rocks	Rocks formed by crystallisation of molten rock (magma)
Induced polarisation ('IP')	A geophysical exploration method which measures changes in electrical fields induced in the earth by applying an electrical current to the ground

Inlier	A large body of older "basement" rocks surrounded by younger strata
Intersection	A width of rock cut by a section of a drill hole
Intrusion	A mass of igneous rock which, while molten, was forced into or between other rocks
Layered complex	A composite body of mafic and ultramafic igneous rocks
Lineament	A large linear structure of uncertain origin
Mafic	Dark in colour. "Ultramafic" refers to very dark igneous rocks
Magnetic survey	A geophysical survey which measures variations in the Earth's magnetic field, caused by variations in the magnetic susceptibility of the rocks
Malachite	A basic copper carbonate mineral, formed in the oxide zone of copper deposits
Metamorphism	The processes by which rocks become mineralogically and texturally altered under the influence of heat and pressure
Mica	A group of soft and sheet-like minerals
Mineralisation	The processes by which ore minerals are emplaced into rocks
Mineralisation	Referring to bodies of metal-bearing rock, without connotation as to their economic potential
Mining Licence	A tenement, conferred by the Namibian government, which permits the holder to carry out mining operations
Oxide zone	The upper, weathered portion of a mineral deposit, wherein metal sulphide minerals have been converted ("oxidised") to metal oxide , sulphate, carbonate, etc minerals
Pre-feasibility study ('PFS')	A preliminary study of the commercial feasibility of a mining and processing operation
Quartz	A very common mineral composed of silicon and oxygen [SiO_2]
Radiometric surveys	A geophysical survey which measures variations in the Earth's natural radioactivity
Recumbent	A style of folding in which a body of rock strata is bent back over itself
Reserve	An estimate of tonnage and grade of an ore body, based on detailed sampling and measurement. The categories Proven and Probable reflect the degree of uncertainty
Resource	An estimate of the tonnage and grade of a mineral deposit, but not implying that it can all be profitably mined. The categories Measured, Indicated and Inferred reflect the degree of uncertainty
Reverse circulation ('RC') drilling	A percussion drilling technique in which rock cuttings are recovered through the centre of hollow drill rods, thus minimising sample contamination
Rotary air blast ('RAB') drilling	A shallow percussion drilling technique
Sandstone	A common sedimentary rock made of cemented sand grains
Schist	A common metamorphic rock with parallel orientation of mica minerals
Sedimentary	Rocks formed at the Earth's surface by deposition of sediment
Sequence	A package of rock strata
Shear zone	A zone of strongly-deformed rock
Strike	The trend of a unit of strata
Strata	Superimposed layers of sedimentary rocks. Hence "stratigraphic"
Stratabound	Hosted by strata and usually broadly parallel to bedding
Tenements	A mining or mineral exploration title, conferred on the holder by government
Vein	A tabular or sheet-like mineral-filled fracture

CORPORATE GOVERNANCE STATEMENT

International Base Metals Limited is committed to good corporate governance and disclosure. Although the Company is not listed, it has decided in its disclosure policy to adopt the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations' (Second edition August 2007) for the entire 2011 financial year. The Company has not chosen to make a transition to the revised Principles and Recommendations included in the 2010 amendments, which disclosure is required by ASX listed companies in 2012..

Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below. The Company's 'Corporate Governance Plan' including Policies and Committee Charters are disclosed on its website (www.interbasemetals.com).

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chairperson should be an independent director.	Yes	3
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	3
2.4	The Board should establish a nomination committee.	Yes	4
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	5
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	3-5
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Yes	6
	❖ The practice necessary to maintain confidence in the company's integrity;	Yes	
	❖ the practices necessary to take into account the company's legal obligations and the reasonable expectations of their stakeholders;	Yes	
	❖ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	7
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	Yes	6-7
4.1	The Board should establish an audit committee.	Yes	8
4.2	The audit committee should be structured so that it:		
	❖ consists only of non-executive directors;	Yes	8
	❖ consists of a majority of independent directors;	No	8
	❖ is chaired by an independent chair who is not chair of the Board;	No	8
	❖ has at least three members.	Yes	8
4.3	The audit committee should have a formal charter.	Yes	8
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	8
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	9
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	9
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	10

6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	10
		Complied	Note
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	11
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	11
7.3	Disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	12
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	11-12
8.1	Establish a remuneration committee.	Yes	13
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	14
8.3	Provide the information indicated in Guide to reporting on Principle 8.	Yes	13-14

Notes

1. The Company has a Board Charter approved by Directors which sets out the specific responsibilities of the Board which are:-

    - appointment of the Chief Executive Officer/Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
    - driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
    - reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
    - approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
    - approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
    - approving the annual, half yearly and quarterly accounts;
    - approving significant changes to the organisational structure;
    - approving the issue of any shares, options, equity instruments or other securities in the Company;
    - ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
    - recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
    - meeting with the external auditor, at their request, without management being present.

    The Board has delegated responsibility for the day-to-day operations and administration of the Company to the Managing Director.

2. The Board reviews and approves proposed remuneration (including incentive awards, equity awards and service contracts). As part of this review the Board oversees an annual performance evaluation of the executive team. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel. This duty will be undertaken by the Remuneration Committee.

3. Dr James Macdonald is an independent Director and Non-Executive Chairman. Mr Frank Bethune is the Managing Director, Ken Maiden is an Executive Director while Non- Executive Directors, Dr Jiniu Deng (and his alternate, Mr Qiang Chen) and Mr Alan Humphris are associated with one of

the Company's major shareholders and therefore are not categorized as independent Directors. The Board believes however that the people on the Board can and do make independent judgments in the best interests of the Company at all times.

4. The Company recently has formed a Nomination Committee chaired by Mr Qiang Chen and with Dr James Macdonald and Mr Alan Humphris as members, and has adopted a Nomination Committee Charter. To date nomination matters have been considered by the whole Board.

5. The Nomination Committee will conduct an annual review of the role of the Board, assess the performance of the Board over the previous 12 months and examine ways of enabling the Board to perform its duties more effectively.

6. The consolidated entity recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics. All Directors and employees are required to act in accordance with the law and with the highest standard of propriety.

   The Company has adopted a 'Code of Conduct' as part of its 'Corporate Governance Plan'. This code provides guidance to Directors and management on practices necessary to maintain confidence in the integrity of the Company.

   Directors are required to adhere to best industry standards in conduct and dealings and the Company has built a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

   The Board also requires employees and consultants working for the Company to display high standards of ethical behaviour and integrity.

7. The Company has adopted 'Guidelines for buying and selling securities'. Directors and employees are permitted to trade in the Company's securities during a four week period commencing from the date of the Company's Annual General Meeting, release of Quarterly Reports, Half Yearly and Annual Financial reports or release of a disclosure document offering securities in the Company. However, if a Director or employee of the Company at any time is in possession of price-sensitive information which is not generally available to the market, then he or she must not deal in the Company's securities.

   Prior to undertaking any trading in the Company's securities each Director is required to obtain the prior approval of the Chairman or the Board. Senior Managers must obtain approval from the Managing Director.

8. The Company has adopted an 'Audit and Risk Committee Charter' with the Committee chaired by Mr Alan Humphris, a Non-executive but not an Independent Director with other members being Dr James Macdonald Non-Executive Chairman and Mr Qiang Chen, Non-executive Director who is also not an Independent Director.

9. The Company has adopted a disclosure policy so that, although the Company is not a listed disclosing entity, its announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

10. The Company has a communications strategy and an established policy on stakeholder communications and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information. The Company's policy on communication with shareholders is set out in the Company's Corporate Governance Plan 'Shareholder Communications Strategy'.

11. The Board has established policies on 'Disclosure-Risk Management' as part of the 'Corporate Governance Plan' setting out procedure, internal compliance and control. To carry out this function the Board:

    - oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
    - assists management to determine the key risks to the businesses and prioritise work to manage those risks; and
    - reviews reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

    The Company's process of risk management and internal compliance and control includes:

    - identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks.

- ❖ Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- ❖ Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

12. The Board has received from management an assurance that internal risk management and the internal control system is effective; and assurance from the Non-executive Chairman that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in respect to financial reporting risks.

13. The Company has established a remuneration committee and has adopted a 'Remuneration Committee Charter'. The committee is chaired by Dr James Macdonald, Non-executive Chairman and with Mr Alan Humphris and Mr Qiang Chen, as members. Previously remuneration matters were considered by the whole Board.

14. The remuneration policy, which sets the terms and conditions for the Chairman and other senior executives has been approved by the Board.

    All executives receive salaries or fees and also may receive incentives in the form of shares. The Board reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other exploration companies.

    Executives may be entitled to participate in shares issued under an employee share plan.

    The criteria used in determining the issue of shares to management include achievement of commercial and technical objectives.

    The amounts of remuneration paid to directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and shares or options issued to executives are valued at a cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

    The Board expects that the remuneration structure implemented will enable the Company to attract and retain the high quality executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of International Base Metals Limited ('IBML') and the entities it controlled at the end of or during the year ended 30 June 2011.

Directors

The following Directors were in office during the whole of the year and continue in office at the date of this report unless otherwise stated:-

Dr Alasdair James Macdonald

Non-executive Chairman

Qualifications:	BA Oxford (Hons Geology and Mineralogy), MSc and PhD Toronto (Economic Geology). APEGBC (British Columbia).
Experience:	A geologist by training, James Macdonald had extensive mine and exploration geological experience in Mexico, Canada and the USA before completing a PhD in economic geology at the University of Toronto. Subsequently, he worked for the Ontario Geological Survey and the Mineral Deposit Research Unit at the University of British Columbia. From 1994, he developed a corporate career, initially with Homestake Mining Company in Chile, then with Billiton International and BHP Billiton, with broad experience in exploration management, project assessment and strategic planning. James brings a wealth of international geological and exploration experience to the Board.
Special responsibilities:	Chairman of the Remuneration Committee and a Member of the Audit and Risk Committee and the Nomination Committee
Interest in shares and options:	795,409 ordinary shares and 1,500,000 options.
Other current directorships:	Non-executive Director of Clancy Exploration Limited (resigned as Chairman 22 July 2011)

Mr Frank Bethune

Managing Director (appointed 6 August 2010)

Qualifications:	*BSc(Engineering-Mining) and, subsequently, an MSc (Engineering - Mineral Economics) from the University of the Witwatersrand in Johannesburg.*
Experience:	Surface Mining Manager for AngloGold Ashanti Australia since 2006, based in Perth, WA. Prior to this, Frank was Mine Manager at Sunrise Dam, also in WA. From 1997 to 2004, Frank was General Manager at AngloGold's Navachab Mine in Namibia and a Director of AngloGold Namibia (Pty) Ltd. From 1991 to 1997, Frank was employed by Anglovaal Limited, as Senior Mining Engineer in the head office (Johannesburg), as Head of Department Mining and Mine Planning (Lavino underground chrome mine) and Manager Iron Ore (Beeshoek mine), in South Africa. Frank was employed from 1989 to 1991 as a mining engineer by Rössing Uranium Limited, part of the Rio Tinto Group, in Namibia. From 1982 to 1989, Frank worked for Anglo American Corporation at the Western Deep Levels gold mine in South Africa. Frank brings essential skills sets to IBML, particularly in the fields of Mining Engineering and Management. In addition his several years of experience in Namibia, including his knowledge of and familiarity with key stakeholders in that country is of considerable benefit to the company.
Interest in shares and options:	Nil

Dr Jiniu Deng

Non-executive Director

Qualifications:	Doctorate degree from the Chinese University of Geosciences
Experience:	Dr Jiniu Deng is a well-known professorial senior engineer with a doctorate degree from the Chinese University of Geosciences and post-doctoral from the Central South University of China. Dr Deng is Chairman of Qinghai West Resources Co. Ltd and Director of Qinghai West Rare & Precious Metals Co. Ltd. His exploration successes have included the discovery of lead-zinc in the Xitieshan deposit, nickel in the Hami Tulaergen deposit of Xinjiang province, and copper and lead-zinc in the Huogeqi deposit of Inner Mongolia. Dr Deng has been honoured with numerous scientific and business awards in China. Dr Deng brings to the Board extensive geological, mining and business experience.
Interest in shares and options:	375,000 ordinary shares and 2,000,000 options
Other current directorships:	Nil

Dr Kenneth John Maiden

Executive Director- Technical

Qualifications:	B Sc, PhD, F. Aus IMM, MAIG
Experience:	Since completing a doctoral thesis on the Broken Hill orebody, Ken has had 37 years professional experience - as an exploration geologist with major resource companies (CSR and MIM), as an academic (University of the Witwatersrand, Johannesburg) and as a mineral exploration consultant. Ken has participated in successful base metal exploration programmes in South Australia, Queensland, southern Africa and Indonesia. Ken brings particular strengths in project generation to the Board. He has established mineral exploration companies in Southern Africa, South Australia and Queensland, and is a founding director of International Base Metals Limited. Ken is a Fellow of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscientists and a Fellow of the Society of Economic Geologists.
Interest in shares and options:	11,168,557 ordinary shares and 3,750,000 options
Other current directorships:	Executive Chairman of Zamia Metals Ltd.

Alan Humphris

Non-executive Director

Qualifications:	B Sc, B Ec, LLM, FCPA.
Experience:	Alan Humphris is an independent investment banker with more than 30 years experience in Australia as a corporate advisor. He was formerly Managing Director of Hambros Corporate Finance Limited and, earlier, he was an Executive Director of JP Morgan Australia Limited responsible for mergers and acquisitions and other corporate advisory services. He has gained wide corporate finance experience in Australia and internationally, particularly involving China.
Special responsibilities:	Chairman of the Audit Committee and a Member of the Remuneration Committee and the Nomination Committee.
Interest in shares and options:	275,000 ordinary shares
Other current directorships:	Non-executive director of Zamia Metals Ltd, Rey Resources Limited and ASF Group Limited.

Jinhua Wang

Non-executive Director (appointed 9 August 2011)

Qualifications:	B Min Eng (University of Science and Technology, Beijing, China), Master of Industrial Engineering (China University of Mining and Technology)
Experience:	Senior Engineer and Deputy Director, Mining Association of Zhejiang Province. Experienced in mining project development and marketing. Established Hangzhou Kings Industry Co. Ltd in 2002 a company engaged in the investment and management of fluorspar mines and the fluoride chemical industry. The company possesses the largest fluorspar reserves in China and is an industrial leader.
Interest in shares and options:	40,000,000 ordinary shares
Other current directorships:	Nil

Qiang Chen

Alternate Director to Dr Jiniu Deng

Qualifications:	BSc, MSc (Mining Engineer)
Experience:	Mr Chen is Managing Director of West Minerals Pty Ltd, one of the Company's largest shareholders. Mr Chen, a resident of Perth, has extensive experience in international commodities trading and private equity investment. In the 1990's he was the Marketing Manager of China Metallurgical Import and Export Corporation.
Special responsibilities:	Chairman of the Nomination Committee and a Member of the Remuneration Committee and the Audit Committee.
Interest in shares and options:	Nil
Other current directorships:	Non-executive director of Zamia Metals Ltd

Company Secretary

John Stone	B Econ
Experience:	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.
Interest in shares:	828,125 ordinary shares and 300,000 options

Chief Financial Officer

Barry F. Neal	B Econ
Experience:	Barry completed his degree at Queensland University in 1962 and started his career as a lecturer in accounting at the Queensland Institute of Technology. Barry has had extensive experience in accounting and company secretarial work with listed public companies in a range of industries.

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director while they were a director. During the financial year 14 Board meetings were held and 2 Audit Committee meetings.

	Full meetings of Directors		Meetings of Committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Dr Alasdair James Macdonald	14	14	2	2	-	-	-	-
Mr Frank Bethune	13	13	-	-	-	-	-	-
Dr Kenneth Maiden	14	12	-	-	-	-	-	-
Dr Jiniu Deng	1	1	-	-	-	-	-	-
Mr Alan Humphris	14	14	2	2	-	-	-	-
Mr Qiang Chen as alternate for Dr Deng	13	13	-	-	-	-	-	-

A. No. of meetings held during the time the director held office or was a member of the committee during the year

B. No. of meetings attended

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.

There were no changes in the Group's principal activities during the course of the financial year.

Dividends

No dividends have been declared in the 2011 financial year (2010: no dividend declared).

Review of operations and activities

Financial

For the financial year ended 30 June 2011, the consolidated entity's net loss after taxation was $4,507,464 (2010:$5,082,604). Exploration expenditure on Australian and Namibian tenements in the 2011 financial year was $2,344,397 (2010:$3,589,713) was fully expensed rather than capitalised, which Directors believe is more relevant to understanding the Company's financial position and complies fully with AASB 6 and is cash flow neutral.

Exploration Activities

A review of the Group's exploration activities in Namibia and Australia is set out on pages 7-19.

Capital raising and other funding

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

The Company has continued to use Sinonew Capital Advisory as a financial adviser to assist with the raising of equity funds via placements.

The following capital raising activities were undertaken during the financial year:-

a) On 2 July 2010, a share placement of 6,666,667 shares at $0.15 cents per share was made to Hangzhou Kings Industry Co Ltd following receipt of allotment monies of $1 million and following Board approval on 20 June 2010.

b) On 29 October 2010, a share placement of 13,333,333 shares at $0.15 cents per share was made to Pearl Global Investment Limited following receipt of allotment monies of $2 million and following Board approval on 28 October 2010.

c) The Company issued an IPO prospectus on 22 November 2010 with a closing date of 6 December 2010, a minimum subscription of $25 million and a maximum subscription of $30 million, and with an issue price of $0.20 per share. The offer was subsequently extended to 31 January 2011 but was withdrawn on 20 January 2011 on the basis that the minimum subscription was unlikely to be achieved.

d) On 30 June 2011, a share placement of 8,333,333 shares at $0.12 cents per share was made to West Minerals Pty Ltd to convert a loan extended by West Minerals Pty Ltd. on 14 April 2011 an approved by the Board on 19 July 2011.

e) On 30 June 2011, a share placement of 833,334 shares at $0.12 cents per share was made to certain existing shareholders following receipt of allotment monies of $0.1 million and following Board approval on 19 July 2011.

f) The Directors have now decided that the Company should remain unlisted in the short term and raise capital by way of share placements to progress work in Namibia until such time as it is deemed appropriate to seek listing via a new IPO. The initial focus will be to raise $10 million to expand the Omitiomire resource and test the upside potential within trucking distance from it. The aim is to identify exploration targets with the potential to increase the resource beyond one million tonnes of contained copper. Should further funds become available (by means of funds or a JV), this will be spent on progressing towards a bankable feasibility study for the Omitiomire project.

g) Net cash raised during the financial year was $4.06 million.

During the financial year, the Group conserved working capital by the payment of key management personnel and consultants with share based payments of $131,812.

As at 30 June 2011 the number of listed ordinary shares was 339,336,226 (2010:309,290,812). There are 24,500,000 unquoted options of which 2,500,000 can be exercised up until 3 October 2013 and 22,000,000 up until 20 December 2012.

Significant changes in 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 period not otherwise disclosed.

Likely developments and expected results of operations

Additional comments on likely and expected results of operations of the Group are included in this annual report under the 'Review of operations' on page 7-19.

After balance date events

On 10 August 2011, a share placement of 16,666,667 shares at $0.12 cents per shares was made to Hangzhou Kings Industry Co Ltd following receipt of allotment monies of $2 million and following Board approval on 10 August 2011.

On 8 September 2011, a share placement of 53,380 shares at $0.15 cents per share was made to an investor following Board approval on 24 August 2011.

Environmental regulations

The Consolidated Entity's operations are presently subject to environmental regulation under the laws of Australian State Governments, the Commonwealth of Australia and Namibia. The Consolidated Entity is at all times in full environmental compliance with these laws and the conditions of its exploration licences.

Remuneration Report - Audited

Names and positions held by consolidated and parent entity key management personnel in office during the whole of the and up to the date of this report were:-

Dr Alasdair James Macdonald	Non-executive Chairman	
Mr Frank Bethune	Managing Director	Appointed 6 August 2010
Dr Kenneth John Maiden	Executive Director	
Dr Jiniu Deng	Non-executive Director	
Mr Alan Humphris	Non-executive Director	
Mr Jinhua Wang	Non-executive Director	Appointed 9 August 2011
Mr Qiang Chen	Alternate to Dr Jiniu Deng	
Mr John Stone	Company Secretary	Confirmed 6 July 2010
Mr Barry Neal	Chief Financial Officer	
Mr Karl Hartmann	Director and Exploration Manager, Craton Mining and Exploration (Pty) Ltd	
Mrs Sigrid Hartmann	Director, Craton Mining and Exploration (Pty) Ltd	

Remuneration Policy

The Board determines the remuneration policy applicable to each executive as and when required based on market rates and funding available. Currently, other key management personnel as disclosed in the table, below, are contractors to the Company and all were appointed under arm's length agreements acceptable to both parties.

Key management personnel are entitled to participate in the employee share and option arrangements and to benefits at the discretion of the Board.

Details of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of International Base Metals Limited ('IBML') are set out in the following tables:-

Remuneration – Key management personnel of the Group 2011

	Short-term benefits *	Post-employment benefits	Share-based payments **			
	Cash, salary and fees $	Super-annuation $	Equity $	Options $	Termination benefit $	Total $
***Executive* Directors**						
Mr Frank Bethune, Managing Director	296,686	26,702	-	-	-	323,388
Dr Kenneth Maiden	126,600	-	-	-	-	126,600
	423,286	26,702	-	-	-	449,988
Non-executive Directors						
Dr Alasdair James Macdonald, Chairman +	73,525	-	6,862	-	-	80,387
Dr Jiniu Deng	30,000	-	-	-	-	30,000
Mr Alan Humphris	35,000	3,150	-	-	-	38,150
	138,525	3,150	6,862	-	-	148,537
Other Key Management Personnel						
Mr John Stone, Company Secretary	48,050	-	-	-	-	48,050
Mr Barry F. Neal, Chief Financial Officer	49,500	-	-	-	-	49,500
Mr Karl Hartmann, Director and Exploration Manager ++	159,028	-	-	-	-	159,028
Mrs Sigrid Hartmann, Director/Company Secretary ++	94,342	-	-	-	-	94,342
	350,920	-	-	-	-	350,920
Total Key Management Remuneration	**912,731**	**29,852**	**6,862**	**-**	**-**	**949,445**

* *Includes fees paid to related parties of key management personnel*

** *Share-based payments are not performance related.*

\+ *Executive Chairman from 17/11/09 to 3/8/2010 and Non-executive Chairman from 4/8/2010 onwards,.*

++ *Directors of controlled entity Craton Mining and Exploration (Pty) Ltd. Dr A. James Macdonald, Frank Bethune, Dr Ken Maiden and Dr Jiniu Deng are also Directors of this subsidiary.*

Remuneration – Key management personnel of the Group 2010

	Short-term benefits	Post-employment benefits	Share-based payments			
	Cash, salary and fees $	Super-annuation $	Equity $	Options $	Termination benefit $	Total $
Executive Directors						
Dr Alasdair James Macdonald(a)	128,800	-	49,950	-	-	178,750
Dr Kenneth Maiden	128,400	-	-	-	-	128,400
Stephen Blackman (resigned 17/11/ 09)	103,500	-	-	-	-	103,500
	360,700	-	49,950	-	-	410,650
Non-executive Directors						
Alan Humphris (appointed 30/7/09)	40,983	2,888				43,871
Dr Jiniu Deng	30,000	-	-	-	-	30,000
Peter Bradford (resigned 30/11/09)	12,500	-	-	-	-	12,500
	83,483	2,888	-	-	-	86,371
Other Key Management Personnel						
John Stone, Company Secretary	49,350	-	-	-	-	49,350
Barry F. Neal, Chief Financial Officer(b)	43,430	-	-	-	-	43,430
Karl Hartmann, Director (c) (appointed 12/02/10)	173,981	-	-	-	-	173,981
Sigrid Hartmann, Director (c) (appointed 12/02/10)	92,891	-	-	-	-	92,891
Robert Ilchik (redundant 27 August 2009)	-	-	-	-	37,500	37,500
	359,652	-	-	-	37,500	397,152
Total Key Management Remuneration	**803,835**	**2,888**	**49,950**	**-**	**37,500**	**894,173**

(a) Non-executive Chairman from 1/7/09 – 17/11/09, Executive Chairman from 17/11/09 to 3/8/10.

(b) Employed as a Consultant from 1 May 2009. Confirmed as CFO, 6 August 2010.

(c) Appointed Directors of wholly owned subsidiary company, Craton Mining and Exploration (Pty) Limited

Service Contracts

Remuneration and other terms of employment for the Managing Director Mr Frank Bethune (appointed 3 August 2010), Executive Director Dr Ken Maiden and Mr Karl Hartmann, Exploration Manager of the

Company's fully owned subsidiary Craton Mining and Exploration (Pty) Ltd are formalised in service agreements. The major provisions of the agreements are set out below:-

Name	Term of agreement	Base fees	Termination Benefit
Mr Frank Bethune, Managing Director	From 3 August 2010	On appointment $325,000 p.a. plus superannuation; and 750,000 rights to ordinary shares in the company to be issued for no consideration and to be forfeited in the case of resignation within two years of appointment; and On listing of the Company on the ASX an increase in base fees to $350,000, a $30,000 cash bonus plus super entitlements, and the issue of 100,000 ordinary shares at no consideration. Share rights (options) to acquire 6.7 million ordinary shares on various conditions, and exercise prices.	12 months salary and superannuation plus leave entitlements
Dr Ken Maiden, Executive Director	From 30 June 2010 expired on 31 December 2010	A retainer of $7,500 per month plus a daily consulting rate of $300 per day of service provided with the consulting fee to be reviewed every six months from date of appointment. While the contract has expired Dr Maiden continues to supply his service to the Company on the same terms pending signing of a new contract.	Not applicable
Mr Karl Hartmann, Exploration Manager Craton Mining and Exploration (Pty) Ltd	From 1 April 2011 and expiring on 31 March 2012 but may be extended beyond this date on terms agreeable to both parties	US$15,834 per month with the provision that if the envisaged general 5% increase to all Craton staff occur, his consulting fee will at that time increase by 5% to US$16,625	3 month's notice to be given by either party for termination without cause, no termination payments apply

Other executives (standard 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.

Options Granted as Remuneration

Options may be issued to Directors and Company Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all Directors and executives of the Company to increase goal congruence among Directors, executives and shareholders. Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. No options were issued as remuneration during the reporting period.

Shares Issued on Exercise of Remuneration Options

No shares were issued to key management personnel during the year or since the end of the year up to the date of this report, as a result of the exercise of remuneration options.

END OF AUDITED REMUNERATON REPORT

Shares under option

Unissued ordinary shares of International Base Metals Limited under option, issued in previous years, at the date of this report are as follows:-

Grant date	Expiry date	Exercise Price	Number of options
20 Dec 07	20 Dec 12	$0.20	22,000,000
2 Oct 08	02 Oct 13	$0.30	2,500,000
			24,500,000

Shares Issued on Exercise of Options

No shares were issued during the year as a result of the exercise of options.

Indemnifying and insurance of directors and officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors of the Company as named above, the Company Secretary Mr John Stone, and all executive officers of the Company against any liability incurred as such by a Directors, Secretary or Executive Officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

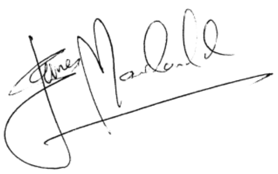
Details of the amounts paid or payable to the auditor BDO Audit (NSW-VIC) Pty Ltd for audit and non-audit services provided during the year $120,185 of which $81,685 was for an Investigating Accountants Report in relation the IPO.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Auditor's Independence declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and is set out on page 38-39 of the financial report.



Signed in accordance with a resolution of the Board of Directors.
Dr A. James Macdonald
Non-Executive Chairman

Sydney, 22 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

Tel: +61 2 9286 5555
Fax: +61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

DECLARATION OF INDEPENDENCE BY JEFF ABELA TO THE DIRECTORS OF INTERNATIONAL BASE METALS PTY LIMITED

As lead auditor of International Base Metals Pty Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of International Base Metals Pty Limited and the entities it controlled during the period.

Jeff Abela
Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 22 September 2011

INDEPENDENT AUDIT REPORT

Tel: +61 2 9286 5555
Fax: +61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of International Base Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of International Base Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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*, which has been given to the directors of International Base Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of International Base Metals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1 (a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred a net loss of $4,507,464 during the year ended 30 June 2011 and, as of that date, the consolidated entity had cash available for use of $2,127,202. These conditions, along with other matters set forth in note 1(b), indicate the existence of a material uncertainty about the consolidated entity's ability to continue as a going concern. The ability of the consolidated entity to continue as a going concern is dependent upon future fundraising.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 35 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of International Base Metals Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

J Abela

Jeff Abela
Director

Sydney, 22 September 2011

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in pages 33 to 35 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001.*

5. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Dr A. James Macdonald
Non-Executive Chairman

22 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2011

	Note	30 June 2011 $	30 June 2010 $
Revenue	4	918,517	311,116
Other income	5	25,245	35,591
Expenditure			
Administrative expenses		(993,332)	(810,764)
Exploration expenditure	6	(2,344,397)	(3,589,713)
Depreciation and amortisation expense	6	(76,658)	(70,720)
Consultants' expense		(123,165)	(121,237)
Financial and legal costs		(617,883)	(33,203)
Occupancy expenses		(459,460)	(354,304)
Contribution to the Craton Foundation		(41,427)	-
Employee benefits expense		(794,904)	(449,370)
Loss before income tax		(4,507,464)	(5,082,604)
Income tax	7	-	-
Loss for the year		**(4,507,464)**	**(5,082,604)**
Other Comprehensive Income			
Changes in the fair value of available-for-sale financial assets		312,340	460,205
Exchange differences on translation of foreign currency		(10,751)	(27,974)
Total Other Comprehensive Income		**301,589**	**432,231**
Total Comprehensive (loss) for the year		**(4,205,875)**	**(4,650,373)**
Loss per share			
Basic and diluted loss per Share	30	($0.01)	($0.02)

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	30 June 2011 $	30 June 2010 $
Current Assets			
Cash and cash equivalents	9	2,127,202	2,094,667
Trade and other receivables	10	243,981	311,323
Other current assets	11	-	33,526
Total Current Assets		2,371,183	2,439,516
Non-current Assets			
Available-for-sale financial assets	12	1,163,035	850,695
Plant and equipment	13	120,338	161,863
Other assets	14	160,325	160,325
Total Non-current Assets		**1,443,698**	**1,172,883**
Total Assets		**3,814,881**	**3,612,399**
Current Liabilities			
Trade and other payables	15	770,159	586,826
Short-term provisions	16	66,541	33,329
Total Current Liabilities		836,700	620,155
Total Liabilities		**836,700**	**620,155**
Net Assets		**2,978,181**	**2,992,244**
Equity			
Contributed equity	17	28,492,105	24,300,293
Reserves	18	190,022	(111,567)
Accumulated losses	18	(25,703,946)	(21,196,482)
Total Equity		**2,978,181**	**2,992,244**

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2011

Consolidated Group

	Share Capital $	Accumulated Losses $	Other Reserves $	Total Equity $
Balance at 1 July 2009	**17,362,960**	**(16,113,878)**	**(543,798)**	**705,284**
Total comprehensive (loss)/income for the year	-	(5,082,604)	432,231	(4,650,373)
Transactions with owners in their capacity as owners				
Shares issued during the year	7,000,000	-	-	7,000,000
Share issue costs	(158,500)	-	-	(158,500)
Share based payments	95,833	-	-	95,833
	6,937,333	-	-	6,937,333
Balance at 30 June 2010	**24,300,293**	**(21,196,482)**	**(111,567)**	**2,992,244**
Balance at 1 July 2010	**24,300,293**	**(21,196,482)**	**(111,567)**	**2,992,244**
Total comprehensive (loss)/income for the year	-	(4,507,464)	301,589	(4,205,875)
Transactions with owners in their capacity as owners				
Shares issued during the year	4,100,000	-	-	4,100,000
Share issue costs	(40,000)	-	-	(40,000)
Share based payments	131,812	-	-	131,812
	4,191,812	(4,507,464)	301,589	(14,063)
Balance at 30 June 2011	**28,492,105**	**(25,703,946)**	**190,022**	**2,978,181**

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2011

	Note	30 June 2011 $	30 June 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		868,510	51,085
Payments to suppliers and employees		(2,651,118)	(1,430,680)
Payments for exploration expenditure		(2,344,397)	(3,613,566)
Interest received		142,594	73,428
Prepaid capital raising cost		-	(33,526)
Net cash(outflow) from operating activities	**28**	**(3,984,411)**	**(4,953,259)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(43,053)	(110,402)
Proceeds from the sale of available-for-sale financial assets		-	15,900
Security deposit recouped/(paid)		-	4,591
Net cash(outflow) from investing activities		**(43,053)**	**(89,911)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,100,000	7,000,000
Cost of capital raising		(40,000)	(160,000)
Net inflow from financing activities		**4,060,000**	**6,840,000**
Net increase in cash held		32,535	1,796,830
Cash at the beginning of the financial year		2,094,667	297,837
Cash at the end of the financial year	**9**	**2,127,202**	**2,094,667**

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of International Base Metals Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

(i) Compliance with IFRS

The consolidated financial statements of the International Base Metals Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*

AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and

AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19, and*

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) Early adoption of standards

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2010:

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* None of the items in the financial statements had to be restated as the result of applying this standard.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (u).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The net loss after income tax for the consolidated entity for the financial year ended 30 June 2011 was $4,507,464 (2010: $5,082,604).

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because:-

a) In the financial year the Company raised funds from share placements resulting in a net cash injection of $4.06 million; a further $2 million was raised in early July 2011 from a conversion to equity of a loan from a major shareholder;

b) The Group had $2.1 million in cash at 30 June 2011;

c) The Group has budgeted for the period from 1 July 2011 to 31 December 2012 for gross expenditure of $14.4 million including capital raising costs of $830,000.

d) Additional capital raising is projected over the budget period to meet this expenditure.

The ability of the Group to meet operating expenditure is dependent upon future fundraising or the Company's business activities generating positive cash flows. The Company is projected to require further funds in the future to advance its projects through the standard stages of feasibility studies, development and ultimate operation. Following a period of plant commissioning the Company should be in a positive cash flow position thereafter.

In the event that the consolidated entity is unable to raise sufficient funds there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities. The ability of the Group to raise funds will depend on the industry and resource market interest.

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of International Base Metals Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. International Base Metals Limited and its subsidiary together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is International Base Metals Limited's functional and presentation currency.

(ii) Transactions and balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(f) Revenue Recognition

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

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

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

(g) 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 at the end of the reporting period based on the applicable income tax rates for each jurisdiction where the Company and its subsidiaries operate and generate income.

Deferred tax is accounted for using the 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 profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

International Base Metals Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

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

(h) Exploration and development expenditure

All exploration, evaluation and development expenditure on all the Company's exploration tenements is expensed as incurred. Directors believe this treatment where expenditure is expensed rather than capitalised is more relevant with understanding the Company's financial position, complies fully with AASB 6 and is cash flow neutral.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) 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 twelve months or less, and bank overdrafts. Bank overdrafts are shown with short-term borrowings in current liabilities.

(k) Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loan to subsidiaries are classified as non-current receivables.

Available-for-sale financial assets

The Group classifies its investments as available-for-sale assets, which comprise of marketable securities. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the end of the reporting period. Such investments are stated at fair value, with any resultant gain or loss recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is the quoted bid price at the balance date.

Financial instruments classified as available-for-sale investments are recognised/derecognised by the entity on the date it commits to purchase/sell the investments.

Impairment

At each reporting date, the group 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 an impairment has arisen. Impairment losses are recognised in profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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 items will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

(l) Plant and equipment

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

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

Depreciation is provided on plant and equipment and leasehold improvements. Depreciation is calculated on a straight line basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

Office equipment	4 years
Furniture & fitting	5 years
Plant and Equipment	5 years
Motor vehicles	4 years
Computer software and equipment	4 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 carrying amounts. These gains and losses are recognised in profit or loss. When re-valued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

(m) Trade and other payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the reporting date.

(o) Operating Leases

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

(p) Borrowing

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed as a liability when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(q) 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 profit or loss in the period in which they are incurred.

(r) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Share-based compensation benefits are provided to directors, employees and company consultants via the International Base Metals Ltd Employee Share Option Plan. Information relating to this Plan is disclosed in Note 31.

The fair value of options or shares granted under the Plan is recognised as an employee expense with a corresponding increase in equity.

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that take into account the exercise price, the term of the options, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, and the risk free interest rate for the term of the options The total amount is expensed by reference to the fair value of those options at the date the shares or options are granted over the vesting period.

Shares issued under the Plan for no cash consideration vest immediately on grant date. On this date, the deemed market value of the shares issued is recognised as an expense with a corresponding increase in equity.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax(VAT), except, where the amount of GST incurred is not recoverable from the Australian Tax Office or VAT is not recoverable from the Namibian Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are shown inclusive of GST/VAT. The net amount of GST/VAT recoverable from, or payable to, the taxation authorities is included with other receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis except for the GST/VAT component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

(v) Critical accounting estimates and judgements

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

Key estimates – Impairment

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

Key estimates – Options

The fair value of ordinary share options issued in the 2009 financial year was determined using a Black-Scholes option pricing model. Refer to Note 31 (e).

Impairment of other receivables

The directors have reviewed outstanding debtors as at 30 June 2011 and have formed the opinion that not all debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables should be made in the accounts of the parent of $2,081,344 being debts owing by subsidiaries to the parent entity. Refer to Note 19(b).

Key judgements – Income tax

The Group principal activity at this stage of its development is mineral exploration without an income stream. The Group has therefore decided not to recognise deferred tax assets relating to carried forward tax loses to the extent that there are insufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. Refer Note 7(c).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key judgements – exploration expenses

The Directors have decided to expense rather than capitalise all expenditure on exploration, evaluation and development on all the Company's exploration as it is incurred. Directors believe this treatment where expenditure is expensed rather than capitalised is more relevant with understanding the Company's financial position, complies fully with AASB 6 and is cash flow neutral. Refer Note 1(h).

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

This will have no impact on the group's financial assets which are not held for trading with gains or losses taken up in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011

In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

(iv) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Zamia Metals Limited is not eligible to adopt the new Australian Accounting Standards.

(v) AASB 2010-6 Amendments to Australian Accounting Standards -Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures. The group intends to apply the amendment from 1 July 2011.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) ***AASB 2010-8 Amendments to Australian Accounting Standards -Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)***

In December 2010, the AASB amended AASB 112 *'Income Taxes'* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. This amendment is not expected to have any significant impact on the group's financial disclosures. The group will apply the amendment from 1 July 2012.

(x) Parent entity financial information

The financial information for the parent entity, International Base Metals Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below,

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of International Base Metals Limited.

NOTE 2: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

Risk management is carried out by management under policies approved by the Board of Directors. The Group's overall risk management strategy is to ensure that financial targets are met, while minimising potential adverse effects on financial performance relating to current and future cash flow requirements.

The Group's financial instruments consist mainly of deposit with banks, accounts receivable, investments, and trade and other payables.

The total for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	2011	**2010**
Financial Assets		
Cash and cash equivalents	2,127,202	2,094,667
Trade and other receivables	243,981	311,323
Other current assets	-	33,526
Deposits	160,325	160,325
Available-for-sale financial assets	1,163,035	850,695
	3,694,543	3,450,536
Financial liabilities		
Trade and other payables	770,159	586,826

(a) Market Risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure with respect to the Namibia dollar (N$).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Namibian dollars, was as follows:-

	30 June 11	**30 June 10**
	N$	**N$**
Cash at bank	965,579	1,730,700
Other receivables	344,674	364,563
Payables	(3,142,352)	(2,705,276)

Group sensitivity

NOTE 2: FINANCIAL RISK MANAGEMENT(continued)

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the Namibian dollar (N$) with all other variables held constant, the Group's net profit before tax would have been $1,284,651 lower/$1,051,078 higher (2010: $515,674 lower/$515,674 higher) than the previous year.

(ii) Price risk

The Group is exposed to equity security price risk. This arises from investments held by the Group and classified as available-for-sale financial assets representing shares held in three listed companies. The Group is not exposed to commodity price risk.

The Group's investments in equity securities are in listed mining companies which were floated by International Base Metals Ltd.

Price risk sensitivity

The analysis of the available for sale assets (investments in equity securities) is based upon the change in the S&P/ASX Metals and Mining Index which has increased by 18.95% (2010: increase 12.81%) over the financial year

	Impact on other components of equity 2011	2010
S&P/ASX Metals and Mining Index – increase 18.95% (2010: increase 12.81%)	(151,152)	(410,201)

(iii) Interest rate risk

As the Group does not at the end of the reporting period have any external debt and all its liabilities are non-interest bearing, the effect on profit and equity as a result of change in the interest rate, with all other variables remaining constant is not material.

Receivables are carried at amortised cost and are therefore not subject to interest rate risk as defined in AASB 7.

The Group's interest rate risk arises from cash equivalents with variable interest rates. The average interest rate applicable during the reporting period was 3% (2010:4.31%).

Group sensitivity

At 30 June 2011 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the Group's net profit before tax would have been $713 higher/lower (2010: $10,473 higher/ lower as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

Investments, banks and financial institutions

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions that have an external credit rating, set down by Standard and Poors (S&P), of at least AA and BBB+ category for long term investing and at least a short term rating of A-1 and A-1+, excluding available-for-sale financial assets. With respect to investments, it limits its exposure by investing in liquid investments that are principally exchange traded.

Trade and other receivables

As the Group operates in the mining exploration sector, the group and parent generally does not have trade receivables but does receive service fees charged for supply of services and facilities to a related entity. The Group also receives refunds for fuel tax, VAT and GST (all of which are not subject to AASB 7 disclosures). The Group is therefore not generally exposed to credit risk in relation to trade receivables. The Group however provides security deposits as part of its exploration activities which does expose the Group to credit risk in this area but which is not material.

Financial assets past due but not impaired

As the Group and Parent Entity are only involved in mineral exploration and are not trading, there are no financial assets past due and there is no management of credit risk through performing an aging analysis as required by AASB 7. For this reason an aging analysis has not been disclosed in relation to this class of financial instrument.

Financial assets neither past due nor impaired

The Group and Company credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or past history:

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount Consolidated 2011 $	2010 $
Cash and cash equivalents		
AA Standard & Poor's	1,993,761	1,830,763
BBB+ Standard & Poor's	2,131	15,515
BBB+ Fitch Rating	131,310	248,389
	2,127,202	2,094,667
Other receivables		
Counterparts without external credit rating		
Group 1*	170,161	255,714

* Service client (more than 6 months) with no defaults in the past

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational and financing activities;
- Ensuring that adequate capital raising activities are undertaken;
- maintaining a reputable credit profile; and
- investing surplus cash only with major financial institutions.

The Group has no long term financial liabilities and prefers to use capital raising rather than borrowings to balance cash flow requirements.
The following tables reflect undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

As at 30 June 2011	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	770,159	-	-	770,159	770,159
Short-term provisions	66,541	-	-	66,541	66,541
Total financial liabilities	836,700	-	-	836,700	836,700

As at 30 June 2010	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	586,826	-	-	586,826	586,826
Short-term provisions	33,329	-	-	33,329	33,329
Total financial liabilities	620,155	-	-	620,155	620,155

(d) Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets and loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group

		2011		2010	
	Footnote	**Carrying Value $**	**Net Fair Value $**	**Carrying Value $**	**Net Fair Value $**
Financial assets					
Cash and cash equivalents	(i)	2,127,202	2,127,202	2,094,667	2,094,667
Trade and other receivables	(i)	243,981	243,981	311,323	311,323
Other current assets	(i)	-	-	33,526	33,526
Available-for-sale financial assets at fair value:	(i)				
- listed investments	(ii)	1,163,035	1,163,035	850,695	850,695
Security deposits	(i)	160,325	160,325	160,325	160,325
Total Financial assets		3,694,543	3,694,543	3,450,536	3,450,536
Financial liabilities					
Trade and other payables	(i)	770,159	770,159	586,827	586,827
Total Financial liabilities		770,159	770,159	586,827	586,827

The fair values disclosed in the above table have been determined based on the following methodologies:-

(i) Cash and cash equivalents, trade and other receivables, other current assets, security deposits and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

(ii) For listed available-for-sale assets, closing quoted bid prices at the end of the reporting period are used.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Consolidated 2011	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Available-for-sale financial assets:				
- Listed investments	1,163,035	-	-	1,163,035

Consolidated 2010	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Available-for-sale financial assets:				
- Listed investments	850,695	-	-	850,695

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

NOTE 3: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both exploration and a geographic perspective and has identified two reportable segments.

International Base Metals Ltd and its controlled entity are involved in mineral exploration without an income stream at this stage. Cash flow including the raising of capital to fund exploration is presently therefore the main focus rather than profit.

The two reportable segments are Australia and Namibia which also equate to the geographic location.

(b) Segment performance

	2011 Australia $	2011 Namibia $	2011 Total $	2010 Australia $	2010 Namibia $	2010 Total $
REVENUE						
External services	244,273	529,982	774,255	210,000	-	210,000
Other revenue (including finance revenue)	1,015,609	7,485	1,023,094	954,366	11,563	965,929
Total segment revenue	1,259,882	537,467	1,797,349	1,164,366	11,563	1,175,929
Reconciliation of segment revenue to group revenue						
Inter-segment elimination**	(878,832)	-	(878,832)	(864,813)	-	(864,813)
Total group revenue	381,050	537,467	918,517	299,553	11,563	311,116

* No revenue by product disclosed as the Group is involved solely in mineral exploration and does not sell a product.

** Represents interest charged by Australia to Namibia

MAJOR CUSTOMERS

Australian revenue from external sales of $244,273 (2010:$210,000) was for service fees from a single customer and other Australian revenue was interest earned. Namibian revenue of $529,982 (2010:nil) was for a contribution towards exploration costs by a joint venture partner previously taken up as a liability and now recognised as income on termination of the joint venture. These revenues amount to 100% of the Group's revenues from external customers.

NET PROFIT/(LOSS) BEFORE TAX

	2011 Australia $	2011 Namibia $	2011 Total $	2010 Australia $	2010 Namibia $	2010 Total $
Net Profit/(loss) Before Tax *	(853,818)	(2,897,704)	(3,751,522)	(3,029,364)	(4,641,066)	(7,670,430)
Reconciliation of segment net profit before tax to group net profit before tax						
Inter-segment eliminations* *	(1,634,774)	878,832	(755,942)	1,723,013	864,813	2,587,826
Operating Net Loss before tax	(2,488,592)	(2,018,872)	(4,507,464)	(1,306,351)	(3,776,253)	(5,082,604)

* Australian net loss includes $269,481 on exploration expenditure in Australia (2010:$186,245).

** Represents doubtful debts, interest revenue and an exchange loss by Australia on a loan to Namibia; and interest expense by Namibia on loan from Australia.

(c) Segment assets

	2011 Australia $	2011 Namibia $	2011 Total $	2010 Australia $	2010 Namibia $	2010 Total $
Segment assets current*	2,190,109	181,074	2,371,183	2,120,002	319,512	2,439,514
Segment assets non-current**	6,851,422	100,904	6,952,326	3,059,553	96,317	3,155,870
Inter-segment eliminations***	(5,508,614)	(14)	(5,508,628)	(1,982,970)	(15)	(1,982,985)
Total group assets	3,532,917	281,964	3,814,881	3,196,585	415,814	3,612,399

* Australian current assets are cash and receivables.

** Australian non-current assets include investment in subsidiaries, investments in other listed entities, and office plant and equipment

*** Represents investment in Namibia by Australia, and investment by Namibia in a subsidiary.

Eliminations in segment assets include loans from the Parent to the controlled entities of $13,220,057 (2010:$15,301,401) which has been contrared against the impairment of these loans.

NOTE 3: SEGMENT INFORMATION (continued)

(d) Segment Non-current assets by Geographic Location

	2011 Australia $	2011 Namibia $	2011 Total $	2010 Australia $	2010 Namibia $	2010 Total $
Non-current assets	1,342,808	100,890	1,443,698	1,076,581	96,302	1,172,883
(e) Segment liabilities						
Segment liabilities*	2,313,838	11,742,919	14,056,757	2,102,194	13,819,378	15,921,572
Reconciliation of segment liabilities to group liabilities						
Inter-segment eliminations**	(1,911,404)	(11,308,653)	(13,220,057)	(1,894,673)	(13,406,744)	(15,301,417)
Total group liabilities	402,434	434,266	836,700	207,521	412,634	620,155

* Australian liabilities include payable and loans extended to subsidiaries

** Eliminations in segment liabilities include loans from the Parent to the controlled entities of $13,220,057 (2010:$15,301,417).

NOTE 4: REVENUE

	Consolidated Group 2011 $	Consolidated Group 2010 $
From continuing operations		
• **Service revenue**		
Administration service fees	244,273	210,000
Contribution by JV partner for exploration	529,982	-
	774,255	210,000
• **Other revenue**		
Interest received – other entities	142,594	73,428
Other revenue	1,668	27,688
	144,262	101,116
TOTAL REVENUE	918,517	311,116

NOTE 5: OTHER INCOME

	2011 $	2010 $
Net gain on disposal of plant and equipment	3,625	11,353
Profit on sale of available-for-sale financial assets	-	15,900
Foreign currency gain	21,620	8,338
	25,245	35,591

NOTE 6: EXPENSES

Loss before income tax includes the following specific expenses:

	2011 $	2010 $
Exploration expenditure (Note 23 (b))	2,365,570	3,589,713
Depreciation		
Office equipment	3,342	6,783
Furniture & fitting	18,967	18,512
Plant and Equipment	10,672	7,004
Computer software and equipment	31,272	31,644
Motor vehicles	12,405	6,777
Total Deprecation	76,658	70,720
Rental expense relating to operating leases		
Minimum lease payments	323,948	334,816
Contingent rentals	32,252	15,149
Total rental expense relating to operating leases	356,200	349,965

NOTE 7: INCOME TAX

		Consolidated Group 2011 $	2010 $
(a)	**Income tax expense**		
	Current tax	-	-
	Deferred tax	(1,749,710)	(2,084,517)
	Deferred tax assets not recognised	1,749,710	2,084,517
		-	-
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows		
	Prima facie tax payable on profit/(loss) before income tax at applicable rates:		
	- consolidated	(1,352,239)	(1,524,781)
	- parent	-	-
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	- Share based payments expensed	(39,544)	-
	- Other allowable items	(57,225)	(54,825)
	- Provisions and accruals	10,328	(15,994)
	Difference in overseas tax rates	(217,328)	(348,080)
	Previously unrecognised tax losses now recouped to reduce current tax expense	-	(2,776)
	Investment revaluation relating to other comprehensive income	(93,702)	(138,062)
	Tax losses not recognised	1,749,710	2,084,518
	Income tax benefit attributable to operating loss	-	-
(c)	**Unrecognised temporary differences**		
	Deferred tax assets (at 30%)		
	Carry forward tax losses	8,912,652	7,162,942
	Foreign currency reserve on consolidation	-	352,143
	Temporary differences	47,115	172,853
		8,959,767	7,687,938

There is no tax impact of the revaluation of available-for-sale financial assets because no deferred tax has been recognised for this taxable temporary difference (refer Note (c) above)

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group 2011 $	2010 $
Cash at bank and in hand	2,127,202	2,094,667

Reconciliation of cash

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

Cash at bank and in hand	2,127,202	2,094,667

Interest rate exposure

The Group and the parent entitiy's exposure to interest rate risk is disclosed in Note 2.

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivable	170,161	255,714
Other receivables	73,820	55,609
Total Trade and other receivables	**243,981**	**311,323**

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

NOTE 11: CURRENT ASSETS – OTHER CURRENT ASSETS

Prepayments – unallocated share raising costs	-	33,526

NOTE 12: NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated Group	
	2011 $	2010 $
Shares in listed entities at fair value	1,163,035	850,695

Fair value

Shares in listed entities have been valued at market value based on closing bid price on 30 June 2011 resulting in an increase in the Available-for-sale investments revaluation reserve of $312,340 (2010: $460,205).

Classification

Shares in listed entities have been classified as 'Non-Current Available-for-sale Financial Assets' as they do not have fixed maturities and fixed or determinable payments and managment intends to hold them fo the medium to long term.

NOTE 13: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Office Equipment $	Furniture & Fittings $	Plant & Equipment $	Motor Vehicles $	Computer & Software $	Total $
At 1 July 2009						
Cost or fair value	18,382	80,019	-	-	218,050	316,451
Accumulated depreciation	(8,474)	(28,256)	-	-	(157,220)	(193,950)
Net book value	**9,908**	**51,763**	**-**	**-**	**60,830**	**122,501**
Year ended 30 June 2010						
Opening Net book value	9,908	51,763	-	-	60,830	122,501
Additions	-	-	53,082	57,320	-	110,402
Foreign exchange loss on conversion	-	-	(162)	(158)	-	(320)
Depreciation charge	(6,783)	(18,513)	(7,004)	(6,777)	(31,643)	(70,720)
Closing Net book value	**3,125**	**33,250**	**45,916**	**50,385**	**29,187**	**161,863**
At 30 June 2010						
Cost or fair value	18,382	80,019	53,082	57,320	213,189	421,992
Accumulated depreciation	(15,257)	(46,768)	(7,166)	(6,934)	(184,004)	(260,129)
Net book value	**3,125**	**33,251**	**45,916**	**50,386**	**29,185**	**161,863**
Year ended 30 June 2011						
Opening Net book value	3,125	33,251	45,916	50,386	29,185	161,863
Additions	1,002	-	8,414	23,433	10,204	43,053
Foreign exchange loss on conversion	10	-	(3,814)	(4,153)	37	(7,920)
Depreciation charge	(3,342)	(18,967)	10,672)	(12,405)	(31,272)	(76,658)
Closing Net book value	**795**	**14,284**	**39,844**	**57,261**	**8,154**	**120,338**
At 30 June 2011						
Cost or fair value	19,384	80,019	56,506	75,366	218,452	449,727
Accumulated depreciation	(18,589)	(65,735)	(16,662)	(18,105)	(210,298)	(329,389)
Net book value	**795**	**14,284**	**39,844**	**57,261**	**8,154**	**120,338**

NOTE 14: NON-CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated	
	2011	2010
Security deposits	160,325	160,325

NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	169,071	64,404
Sundry payable and accrued expenses	601,088	522,423
	770,159	586,827

NOTE 16: CURRENT LIABILITIES – SHORT TERM PROVISIONS

	Consolidated 2011	2010
Employee benefits	66,541	33,329

NOTE 17: CONTRIBUTED EQUITY

	2011 Shares	2010 Shares
Fully paid ordinary shares 339,336,226 (FY2010:309,290,812)	339,336,226	309,290,812
1 (FY2009: 1) fully paid "A" class preference share	1	1
	339,336,227	309,290,813

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(a) Movements in ordinary share capital

Date	Details	No of shares	Issue price	$
30 Jun 2008	Balance	193,488,355	-	13,838,710
04 Aug 2008	Share based payment (b)	200,000	0.12	24,000
12 Aug 2008	Share based payment (b)	800,000	0.12	96,000
21 Aug 2008	Share based payment (b)	700,000	0.12	84,000
18 Sep 2008	Share placement	5,000,000	0.20	1,000,000
08 Apr 2009	Rights issue	11,110,862	0.08	888,867
06 May 2009	Share based payment (b)	2,833,859	0.08	226,709
06 May 2009	Rights issue	50,000	0.08	4,000
16 May 2009	Rights issue	1,000,000	0.08	80,000
29 June 2009	Share issued for convertible loan & interest (b)	17,493,158	0.05	874,658
29 June 2009	Option exercise	6,250,000	0.05	312,500
	Less transaction costs arising on shares issued	-	-	(66,484)
30 June 2009	Balance	238,926,234		17,362,960
27 July 2009	Share placement	6,250,000	0.08	500,000
27 August 2009	Option exercise	31,250,000	0.08	2,500,000
31 August 2009	Share based payment	687,500	0.08	55,000
22 September 2009	Share based payment	416,662	0.08	33,333
01 October 2009	Share based payment	48,000	0.08	3,840
16 December 2009	Share based payment	45,750	0.08	3,660
24 December 2009	Share placement	8,333,333	0.12	1,000,000
30 December 2009	Share placement	16,666,666	0.12	2,000,000
30 June 2010	Share placement	6,666,667	0.15	1,000,000
	Less transaction costs arising on shares issued	-	-	(158,500)
		309,290,812	-	24,300,293
02 July 2010	Share placement	6,666,667	0.15	1,000,000
02 August 2010	Share based payment	500,000	0.15	75,000
29 October 2010	Share placement	13,333,333	0.15	2,000,000
09 November 2010	Share based payment	378,747	0.15	56,812
30 June 2011	Share placement	9,166,667	0.12	1,100,000
	Less transaction costs arising on shares issued			(40,000)
		339,336,226		28,492,105

NOTE 17: CONTRIBUTED EQUITY (continued)

(b) Share-based payments

The following share-based payments were made during the financial year:-

		No of shares	Issue price*	$
02 August 2010	Share based payment	500,000	0.15	75,000
09 November 2010	Share based payment	378,747	0.15	56,812
		878,747		131,812

* The deemed value for the issue of share based payments was the last share placement price.

All share-based payments were in payment of directors' fees accrued in the previous financial year and in payment of key management personnel and consultancy fees incurred during the financial year.

(c) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

At 30 June 2011 there were 339,336,226 ordinary shares issued and fully paid up shares and 1 fully paid "A" class preference share.

(d) A Class Preference Share

The Company has issued 1 (one) A Class Preference Share of $1 fully paid up to a substantial holder of Ordinary Shares in the Company. West Minerals Pty Ltd as a condition of an agreement signed with this major shareholder on 8 November 2006.

The rights and powers attached to the A Class Preference share are as follows:-

Every "A" Class Share shall have the following rights and powers for as long as the investor holds at least 15% of the voting shares in the Company:

1. It shall have all of the rights and powers of and rank pari passu with the Ordinary Shares in the Company.
2. The Investor may, by notice in writing to the Company, at any time and from time to time, appoint one (1) director to the board of directors of the Company and the Investor may by notice in writing to the Company remove and replace any director so appointed by the Investor.
3. The right to appoint and remove one (1) director includes the right to appoint and remove an alternate director by notice in writing to the Company.
4. The rights, powers and privileges that this "A" Class share has are fundamental to the Investor and the rights may not be varied, altered or extinguished in any way without the prior written consent of the Investor.
5. The Investor's percentage interest may not be diluted by the Company in any way, including by way of any share issue, buyback, reconstruction, issue of options or other rights, or any other action by the Company ("share issue") without first giving the Investor at least 21 clear days' notice within which to acquire that number of Shares as is required to maintain the Investor's percentage interest in the Company, at the same price and on the same terms and conditions as the proposed share issue that would otherwise dilute the Investor's shareholding in the Company.
6. For as long as the "A" Class shareholder has a nominated director on the board, the director (and in his absence, his alternate) must be given reasonable notice of every board meeting and provision for attendance at the meeting by the director (or his alternate) must be made, including by way of a teleconference.
7. The Company will not issue "A" Class shares to anyone else besides the Investor.
8. 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, or upon the Investor ceasing to hold at least 15% of the voting shares in the Company, save where that reduction below 15% occurred as a consequence of a breach by the Company of its obligations under these terms and conditions attaching to the "A" Class share.

(e) Capital risk management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group and the parent entity continually monitor capital on the basis of budgeted expenditure.

The Group had no long-term debt at balance date and depends on capital raising to fund capital and operating expenditure.

NOTE 18: RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated 2011 $	2010 $
Available-for-sale investments revaluation reserve	728,560	416,220
Share-based payments reserve	646,024	646,024
Foreign currency translation reserve	(1,184,562)	(1,173,811)
	190,022	(111,567)
Movements		
Available-for-sale investments revaluation reserve		
Balance at beginning of financial year	416,220	(43,985)
Reclassification – disposal of investments	-	(23,850)
Revaluation	312,340	484,055
Balance at end of financial year	728,560	416,220
Share-based payments Reserve		
Balance at beginning of financial year	646,024	646,024
Options issued to employees	-	-
Options issued to a related party	-	-
Balance at end of financial year	646,024	646,024
Foreign Exchange Translation Reserve		
Balance at beginning of financial year	(1,173,811)	(1,145,837)
Currency translation differences arising during the year	(10,751)	(27,974)
Balance at end of financial year	(1,184,562)	(1,173,811)

(b) Accumulated losses

Movements in retained losses were as follows:

	2011 $	2010 $
Balance 1 July	(21,196,482)	(16,113,878)
Net (loss) attributable to members of the Company	(4,507,464)	(5,082,604)
Balance 30 June	(25,703,946)	(21,196,482)

(c) Nature and purpose of reserves

(i) Foreign Exchange Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

(ii) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

(iii) Share-based payment reserve

The share base payment reserve represents the value of options issued to employees. This reserve will be reversed against share capital when the options are converted into shares by the employee.

NOTE 19: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:-

	Parent Entity 2011 $	2010 $
Current assets	2,337,444	2,108,542
Total assets	9,028,542	5,168,093
Current liabilities	402,455	208,098
Total liabilities		208,098
Shareholders' equity		
Contributed equity	28,492,105	24,300,293
Share-based payments reserve	646,024	646,024
Available-for-sale investments revaluation	728,560	416,220
Retained losses	(21,240,592)	(20,402,542)
Total equity	8,626,097	4,959,995
Loss for the year	(838,050)	(2,986,497)
Total Comprehensive Income	**(525,710)**	**(2,502,442)**
Loans by parent to controlled entities		
Amounts owing by controlled entities	13,220,057	15,301,401
Provision for impairment of receivables	(13,220,057)	(15,301,401)
	-	-

(a) Impaired receivables and receivables past due

At 30 June 2011 $13,220,057 (2010: $15,301,401) owing by controlled entities was impaired with $2,081,344 provided for in 2011 (2010: $2,183,410). The impairment has resulted from the Parent Entity advancing working capital to Controlled Entities which entities have no income and therefore are not in a position at this exploration stage to meet their liability to the Parent Entity.

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up the above mentioned loans totalling $13,220,057 (2010: $15,301,401) 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.

(b) Fair values

After provisioning for impairment for the amount owing by a controlled entities in the current and past years of $13,220,057, the carrying amount is assumed to approximate the fair value of the loans to controlled entities. $2,081,344 was provisioned in the current financing reporting period and the balance in previous financial years. Information about the Group's exposure to credit and interest risk is provided in Note 2.

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Key management personnel compensation

	Consolidated 2011 $	2010 $
Short-term employee benefits	912,731	803,835
Post-employment benefits	29,852	2,888
Share-based payments – shares	6,862	49,950
Share-based payments – options	-	-
Termination benefits	-	37,500
	949,445	894,173

Details of key management personnel remuneration are included in the remuneration report on page 33-35.

(b) Shareholdings of key management personnel

The number of shares in the company held during the financial year by each director of International Base Metals Limited and other key management personnel of the Group, including their personally related parties are set out below.

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

`

2011	Balance at start of the year	Received during the year as share based payments	Other changes during the year	Balance at the end of the year
Dr James Macdonald, Chairman	416,662	378,747	-	795,409
Dr Kenneth Maiden, Executive Director	11,168,557	-	-	11,168,557
Dr Jiniu Deng	375,000	-	-	375,000
Alan Humphris	275,000	-	-	275,000
John Stone	828,125		-	828,125
Karl Hartmann	1,862,179		-	1,862,179
Sigrid Hartmann	280,416	-	-	280,416
	15,205,939	378,747	-	15,584,686

2010	Balance at start of the year	Received during the year as share based payments	Other changes during the year	Balance at the end of the year
Stephen Blackman, Managing Director (resigned 17/11/09)	15,305,810	-	(15,305,810)	-
Dr James Macdonald, Chairman	-	416,662	-	416,662
Dr Kenneth Maiden, Executive Director	11,078,557	-	90,000	11,168,557
Dr Jiniu Deng	-	375,000	-	375,000
Alan Humphris	-	-	275,000	275,000
John Stone	203,125	-	625,000	828,125
Peter Bradford (resigned 30/11/09)	-	375,000	(375,000)	-
Karl Hartmann	1,862,179	-	-	1,862,179
Sigrid Hartmann	-	-	280,416	280,416
Robert Ilchik (retrenched 27/8/09)	525,000	-	(525,000)	-
	28,974,671	1,166,662	(14,935,394)	15,205,939

(c) Option holdings of key management personnel

The number of share options in the company held at the end of the financial year by each director of International Base Metals Limited and other key management personnel of the Group, including their personally related parties are set out below.

2011	Balance at start of the year	Received during the year as share based payments	Other changes**	Balance at the end of the year	Vested and exercisable
Dr James Macdonald	1,500,000	-	-	1,500,000	1,500,000
Kenneth Maiden	3,750,000	-	-	3,750,000	3,750,000
Deng Jiniu	2,000,000	-	-	2,000,000	2,000,000
John Stone	300,000	-	-	300,000	300,000
	7,550,000	-	-	7,550,000	7,550,000

2010	Balance at start of the year	Received during the year as share based payments	Other changes**	Balance at the end of the year	Vested and exercisable
Dr James Macdonald	1,500,000	-	-	1,500,000	1,500,000
Peter Bradford (resigned 30/11/09)	1,000,000	-	(1,000,000)	-	-
Stephen Blackman (resigned 17/11/09)	4,000,000	-	(4,000,000)	-	-
Kenneth Maiden	3,750,000	-	-	3,750,000	3,750,000
Jiniu	2,000,000	-	-	2,000,000	2,000,000
John Stone	300,000	-	-	300,000	300,000
Robert Ilchik (retrenched 27/8/09)	1,000,000	-	(1,000,000)	-	-
	13,550,000	-	(6,000,000)	7,550,000	7,550,000

*** Other changes refer to options acquired or disposed during the financial period and options of key management personnel who resigned during the period..*

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Other transactions with Directors or key management personnel

A non-executive Director, Alan Humphris is the husband of a Director and shareholder of Balmoral Development Pty Ltd which supplied financial services to the Group.

All transactions were made on normal commercial terms and conditions and at market rates.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group recognised as expense are as follows:

	2011 $	2010 $
Consulting fees payable to Balmoral Development Corporation Pty Ltd	32,200	8,900

There were no transactions with the above party unpaid at reporting date.

NOTE 21: REMUNERATION OF AUDITORS

Auditor to the parent company		
Auditing or reviewing the financial report	52,000	33,000
Other services:		
- corporate advisory services	74,259	-
- Accounting advice	-	4,000
Other auditors of subsidiaries		
Auditing or reviewing the financial report of subsidiaries	19,269	8,342
	145,528	45,342

NOTE 22: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

NOTE 23: COMMITMENTS

(a) Non-cancellable operating leases

The Group leases various offices and storage facilities under non-cancellable operating leases expiring within two to four years. The leases have varying terms, excalulation clauses and renewal rights. On renewal the terms of the leases are re-negotiated.

Non-cancellable operating leases contracted but not capitalised in the financial statements:-

	2011 $	2010 $
- Payable not later than one year	323,948	337,899
- Longer than 1 year and not longer than five years	32,252	274,775
Minimum lease payments	356,200	612,674

(b) Service agreement

The Company has entered into an administrative service agreement with Zamia Metals Limited to provide equipment, premises and office services to Zamia Metals Ltd and for Zamia Metals to provide the services of its personnel to International Base Metals Limited for a fixed terms of fourteen months commencing on 1 February 2011. The monthly management fee payable by Zamia Metals Ltd under the agreement is $16,399 per month less personnel services provided by Zamia Metals Ltd to International Base Metals Limited

(c) Exploration and Development

Exploration tenements granted in Australia, Namibia are issued with a minimum annual expenditure commitment. The total minimum expenditure on existing exploration tenements in the next financial year is $9.65 million although there is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms. (Minimum annual expenditure for tenements in Namibia is translated at the rate of 1A$=6N$)

As at 30 June 2011, $200,00 had been underspent on one Queensland tenement.

NOTE 23: COMMITMENTS

	2011 $	2010 $
- Namibia Tenement Payable not later than one year	9,450,000	790,000
- Australia Tenement Payable not later than one year	200,000	220,000
	9,650,000	1,010,000

(d) Loans to Controlled entities

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up loans totalling $13,220,057 (2010: $15,301,401) 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. The decrease in the loans extended to Controlled Entities is as a result of part conversion of the loan to Craton Mining and Exploration (Pty) Ltd to equity in this fully owned subsidiary. (Refer Note 25).

NOTE 24: RELATED PARTY TRANSACTIONS

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

(a) Parent entity

The parent entity within the Group is International Base Metals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 20 and on page 33-35 of the Directors' Report.

(d) Other transactions with related parties

The Parent Entity has an administrative services agreement with Zamia Metals Limited ("ZGM") whereby the Parent Entity provides facilities to ZGM and ZGM supplies support staff to the Parent. (Refer Note 23(b)). During the year the Parent Entity billed $210,000 in fees to ZGM for these services and recouped past due owing by Zamia Metals Limited to the Consolidated entity of $140,000. Ken Maiden, Alan Humphris and Qiang Chen are also Directors of Zamia Metals Limited.

Aggregate amounts of each of the above types of transaction with related parties of the Group not including key management personnel:

	2011 $	2010 $
Amounts recognised as revenue – service fees	244,273	210,000
(e) Outstanding balances arising from sale of services		
Current receivables – service fees and expenses recouped	160,811	246,364

NOTE 25: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest 2010	Ownership Interest 2009
Parent entity				
International Base Metals Limited	Australia	Ordinary	100%	100%
Controlled entities				
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%	100%
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	Ordinary	100%	100%
Omitiomire Mining Company (Pty) Ltd (incorporated 4 March 2009)	Namibia	Ordinary	100%	100%
Kopermyn Explorations (Proprietary) Limited (incorporated 6 April 2010)	Namibia	Ordinary	100%	-

NOTE 25: SUBSIDIARIES (continued)

Investment in Craton Mining and Exploration (Pty) Ltd

Under Namibian thin capitalisation legislation, foreign entities with subsidiaries in Namibia are required to ensure that the 3:1 ratio of loans to capital with regard to fund injections are observed. As a result, International Base Metals Limited has increased the share capital of its fully owned subsidiary, Craton Mining and Exploration (Pty) Ltd (Craton) with the part conversion of the loan extended to Craton to shares in this entity in the current and previous financial years.

	$
Issued and paid-up capital of Craton Mining and Exploration (Pty) Ltd	
As at 1 July 2009	16
Increase in paid-up capital financial year 2010	1,982,946
Total paid-up capital 30 June 2010	**1,982,962**
Increase in paid-up capital current financial year 2011 net of capital raising costs	3,258,069
Total paid-up capital 30 June 2011	**5,241,031**

NOTE 26: JOINT VENTURES

AuriCula Mines, a wholly owned subsidiary of IBML, has an exploration joint venture with Cobar Management Pty Ltd ('CMPL') and Actway Pty Ltd ('Actway') in the Cobar district, of central New South Wales. AuriCula holds Exploration Licence ('EL') 6223 (Shuttleton Project); another two tenements EL 6907 & EL 6868 (Mt Hope Project) are held by Actway. CMPL manages the projects.

NOTE 27: SUBSEQUENT EVENTS

On 10 August 2011, a share placement of 16,666,667 shares at $0.12 cents per share was made to Hangzhou Kings Industry Co Ltd following receipt of allotment monies of $2 million and following Board approval on 10 August 2011.

The share price of Zamia Metals Limited, in which the Company has a 6.31% holding, fell from $0.08 at 30June 2011 to $0.052 at 14 September 2011.

On 8 September 2011, a share placement of 53,380 shares at $0.15 cents per share was made to an investor following Board approval on 24 August 2011.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

NOTE 28: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated Group	
	2011	**2010**
	$	**$**
Operating profit/(loss) after income tax	(4,507,464)	(5,082,604)
Non cash items included in profit and loss:		
- depreciation and amortization	76,658	70,720
- share based payments		-
- debts settled with share-based payments	131,812	-
- fixed assets written off		-
Net foreign exchange difference	(2,830)	(42,055)
Change in assets and liabilities		
(Increase)/ decrease in:		
- receivables	67,342	(239,196)
- prepayments	33,526	(33,526)
Increase/(decrease) in:		
- payables	183,332	385,606
- provisions	33,212	(12,204)
Net cash (outflow) from operating activities	**(3,984,411)**	**(4,953,259)**

NOTE 29: NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated Group 2011 $	2010 $
During the year shares were issued to settle amounts owing to the Company Secretary and a consultant	75,000	-
An accrual of the previous year	56,812	95,833
	131,812	95,833

NOTE 30: LOSS PER SHARE

	Consolidated Group 2011 Cent per Share	2010 Cents per Share
Basic loss per share	(0.01)	(0.02)
Diluted loss per share	(0.01)	(0.02)

Basic and diluted loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:-

	2011 $	2010 $
Loss (i)	(4,507,464)	(5,082,604)
	No.	**No**
Weighted average number of ordinary shares (ii)	325,530,760	284,552,720

(i) Losses used in the calculation of basic and diluted loss per share are net loss after tax attributable to owners as per statement of comprehensive income.

(ii) While there are 24,500,000 options outstanding at 30 June 2011 (2010:24,500,000) none of these potential shares are dilutive and have therefore been excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted loss per share.

NOTE 31: SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The Company has a shareholder approved Employee Share Option Plan. The Plan is designed to provide long-term incentives for senior managers, directors and contractors, and to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the Plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. Shares granted under the Plan are also issued for no consideration and carry dividend and voting rights.

The following share based payments were made during the financial year in payment for services rendered to the Group:-

(b) Shares

Grant Date	No of Shares	Fair Value per share $	Total Fair Value
02 August 2010	250,000	0.15	37,500
02 August 2010	250,000	0.15	37,500
09 November 2010	378,747	0.15	56,812
	878,747	-	**131,812**

Fair value

Share-based payments have been valued at the last transaction price for the company's shares in relation to the date of approval of the issue.

NOTE 31: SHARE-BASED PAYMENTS (continued)

(c) Options

Options are issued to Directors and Key Management Personnel as part of their remuneration with options granted for no consideration. There were no options issued during the year and no options were exercised during the year. Options granted are not listed and carry no dividend or voting rights. When exercisable each option is convertible into one ordinary share.

No options were issued to Directors and Key Management Personnel during the reporting year.

Set out below are summaries of vested options issued to key management personnel in prior years:

			Number				
Grant date	**Expiry date**	**Exercise Price**	**Balance at start of Year**	**Granted during the year**	**Exercised during the year**	**Balance at end of Year**	**Date vested and exercisable at end of year**
Consolidated entity 2011							
20 Dec 07	20 Dec 12	$0.20	22,000,000	-	-	22,000,000	20 Dec 07
02 Oct 08	02 Oct 13	$0.30	2,500,000	-	-	2,500,000	02 Oct 08
Weighted average exercise price			$0.21	-		$0.21	$0.21

			Number				
Grant date	**Expiry date**	**Exercise Price**	**Balance at start of Year**	**Granted during the year**	**Exercised during the year**	**Balance at end of Year**	**Date vested and exercisable at end of year**
Consolidated entity 2010							
20 Dec 07	20 Dec 12	$0.20	22,000,000	-	-	22,000,000	20 Dec 07
02 Oct 08	02 Oct 13	$0.30	2,500,000	-	-	2,500,000	02 Oct 08
Weighted average exercise price			$0.21	-		$0.21	$0.21

(d) Expense arising from share-based payment transactions

Share-based payments of $56,812 were made to a Director comprising $49,950 in payment of an amount owing and accrued at 30 June 2010. The payment with a share-based payment of the amount accrued in the previous year has not resulted in a charge against income in the current financial year but the extinguishment of an accrual and a corresponding increase in contributed equity.

Share-based payments of $75,000 were made to the Company Secretary and a consultant in payment of amounts for service rendered during the financial year.

878,847 shares issued as share based payments are disclosed in (b) above.

(e) Fair value of options granted

No options were issued in the 2011 and 2010 financial years..

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the risk free interest rate for the term of the option and expected price volatility of the underlying share calculated as the standard deviation of the Company's share prices for shares under issue during the period. The Company is unlisted and with thin trading in the Company's shares hence the use of an expected volatility of 100%.

(f) Model inputs for options granted

The model inputs for options granted in previous years for no consideration and unexpired at the end of the current financial year are:-

	Options granted 2 Oct 08	**Options granted 5 Feb 09**
Exercise price	$0.30	$0.05
Expiry Date	5 Aug 2013	5 Aug 2009
Estimated share price at grant date	$0.12	$0.08
Expected price volatility of the Company's shares	100%	100%
Risk-free interest rate	7.00%	4.25%

SHAREHOLDER INFORMATION

Statement of quoted securities as at 14 September 2011

- There are 323 shareholders holding a total of 356,056,273 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 76.99% of the total issued shares on issue.

  The voting rights attaching to the ordinary shares are that a member shall be entitled either personally or by proxy or by attorney or by representative to be present at any general meeting of the Company and to vote on any question on a show of hands and upon a poll and to be reckoned in a quorum.

Distribution of quoted securities as at 14 September 2011

Ordinary fully paid shares

	Range of holding		Number of holders
	1 -	1,000	-
	1,001 -	5,000	3
	5,001 -	10,000	6
	10,001 -	100,000	131
	100,001 -	and over	183
Total holders			323

Substantial shareholdings as at 14 September 2011 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
West Minerals Pty Limited	113,326,491	31.83
Kings Resources Group Co Limited	40,000,000	11.23

SHAREHOLDER INFORMATION

TOP TWENTY SHAREHOLDERS

Holder Name	Shares held	%
WEST MINERALS PTY LIMITED	113,326,491	31.83
KINGS RESOURCES GROUP CO LTD	40,000,000	11.23
MANICA MINERALS LTD	15,000,000	4.21
BLACKMANS & ASSOCIATES PTY LTD	14,470,558	4.06
PEARL GLOBAL INVESTMENT LIMITED	13,333,333	3.74
MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN	11,077,307	3.11
GREAT SEA WAVE INVESTMENT PTY LTD	9,167,333	2.58
MACQUARIE BANK LTD	8,333,333	2.34
PERPETUAL CORPORATE TRUST LIMITED	8,333,333	2.34
PEAK SUCCEED INVESTMENTS LIMITED	6,666,667	1.88
HUNAN CENTRAL SOUTH BIOHYDROMETALLURGY COMPANY LTD	6,250,000	1.76
MRS CORAL ESTELLE HARRIS & MR KERRY WILLIAM JOHN HARRIS	5,361,660	1.51
GOLDVANCE PTY LTD	5,047,200	1.42
AUSTRALIAN GEOSCIENTISTS PTY LTD	2,932,500	0.82
MR MATTHEW STEPHENS	2,859,702	0.80
FITEL NOMINEES LIMITED	2,856,667	0.80
MULATO NOMINEES PTY LTD	2,500,000	0.70
SOS INITIATIVES PTY LTD	2,343,750	0.66
DAYMOND & ASSOCIATES PTY LTD	2,162,917	0.61
MRS CLAUDE BROOMHEAD	2,096,094	0.59
	274,118,845	**76.99**
Total Number of Issued Ordinary Shares	**356,056,273**	

International Base Metals Limited (IBML)
Level 8, 275 George Street
Sydney NSW 2000
GPO Box 4147,
SYDNEY NSW 2001
AUSTRALIA

T: +61 (2) 8223 3777
F: +61 (2) 8223 3799

www.ibml.com.au