INTERNATIONAL BASE METALS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Contents

Directors' Report

Directors present their consolidated report on International Base Metals Limited, ("the Company"), and its controlled entities for the half year ended 31 December 2013 ("the period" or "the half-year").

Directors

The names of Directors who held office during or since the end of the half year:

Dr Kenneth John Maiden, Executive Director and Interim Chairman (appointed Interim Chairman on 3 October 2013)
Dr Alasdair James Macdonald, Chairman (resigned 3 October 2013)
Mr Frank Macdonald Bethune, Managing Director
Mr Rui Liu, Non-executive Director
Mr Alan John Humphris, Non-executive Director
Mr Zhehong Luo, Non-executive Director
Mr Jinhua Wang, Non-executive Director
Mr Qiang Chen, Alternate to Mr Zhehong Luo
Mr Aidong Yang, Alternate to Mr Rui Liu (appointed 7 May 2013)
Dr John Zhao, Alternate to Mr Jinhua Wang (appointed 28 October 2013)

Company Secretary

John Stone B.Ec.

Principal Activities

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

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

Operating Results

The net loss of the consolidated entity for the half-year was $1,918,210 (2012: corresponding period a loss of $2,498,928). All exploration expenditure during the period was expensed with the exception of expenditure incurred on the joint venture with African Mining Capital Pty Limited namely Tandem JV Pty Limited on the Epembe tenements.

Dividends

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

Review of Operations

The Omitiomire copper project, held by IBML's wholly-owned Namibian-registered subsidiary, Craton Mining & Exploration (Pty) Ltd ('Craton'), is the Company's main project. Activities during the period were as follows:

- A definitive feasibility study ('DFS') on the oxide copper project was completed in September 2013. The Board accepted the DFS and resolved to take steps to move the project towards development.
- The Omitiomire Oxide Mining Licence application was submitted to the Ministry of Mines and Energy on 13 December 2013.
- The surface rights agreement for Omitiomire has been extended for a further six months.

An offer to purchase the farm Omitiomire has been submitted to the bank that is handling the estate of the late owner.

Exploration continued at other Namibian exploration projects, including drilling on several targets in the Steinhausen, Kalahari Copperbelt and Kamanjab projects.

IBML committed to a $1.7million investment in the Epembe Project JV, a tantalum-niobium (Ta/Nb) project in northern Namibia, with the objective of earning a 31% interest in this corporate JV by 1 April 2014. IBML thereafter has the option to spend a further $3million to increase its ownership interest in the JV to 51%. The JV Agreement and the Management Agreement with African Mining Capital Pty Ltd ('AMC') for the Epembe Project were finalised and signed during this half year.

Results from the electromagnetic (EM) survey over the Darkwater prospect (in EPM 14260) in southern Queensland were evaluated by a consulting geophysicist who concluded that no definitive anomalies were outlined. In July 2013 the Board approved the recommendation by Maranoa Resources Pty Ltd that no further work be carried out. It was agreed that this tenement is to be relinquished.

Capital raising

Following the raising of $33,587,420 (net) in the 2013 financial year, no further capital has been raised. The 1(one) fully paid A Class Preference share was converted to 1 (one) fully paid Ordinary share on 9 October 2013.

Shares and options on issue

At 31 December 2013 there were 544,158,541 fully paid ordinary shares on issue.

During the reporting period 10 million options over ordinary shares lapsed on 30 November 2013. There were no outstanding options at 31 December 2013.

Company Strategy

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 entering into an off-take agreements with an investor for commodities we produce but would normally limit such off-take to the investment percentage 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

The aim remains to increase the value of IBML by:

- Securing surface rights and a Mining Licence for Omitiomire for the development of a small copper mining and processing operation. This is expected to be followed by further study and if found viable, the development of the larger Phase 2 sulphide copper development later on;
- finding satellite copper deposits within trucking distance of Omitiomire;
- completing the Phase 1 Epembe exploration work to earn 31% and, if successful, committing to Phase 2 for a 51% interest; and
- Progress our other exploration projects.

Significant Changes in the State of Affairs

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

Events subsequent to the end of reporting period

In the opinion of the Directors, there were no significant after balance date events that resulted in changes in the state of affairs of the consolidated entity.

Environment Regulation

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

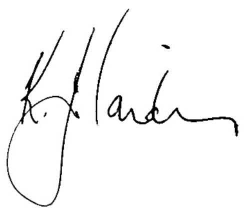
Proceedings on behalf of the Company

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

Auditor's Independence

A copy of the independence declaration by the lead auditor under Section 307C of the Corporations Act is included on page 20 of this financial report.

Signed on 4 March 2014 in accordance with a resolution of the Board of Directors



Dr Kenneth John Maiden
Interim Chairman

4 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year ended 31 December 2013

	Note	Consolidated Entity Half Year ended 31 Dec 2013 $	31 Dec 2012 $
Revenue	2	696,978	97,717
Expenditure			
Administrative expenses		(478,768)	(392,901)
Exploration expenses		(983,190)	(1,599,798)
Depreciation and amortisation expense		(19,961)	(15,818)
Consultants' expense		(4,400)	-
Financial and legal advice		(38,144)	(102,433)
Occupancy expenses		(15,916)	(15,420)
Contribution to Craton Foundation		(30,338)	-
Employee benefits expense		(691,559)	(470,275)
Impairment of available for sale financial assets		(352,912)	
Loss before income tax		(1,918,210)	(2,498,928)
Income tax (expense)/benefit		-	-
Loss for the period		**(1,918,210)**	**(2,498,928)**
Loss attributable to members of parent entity		**(1,918,210)**	**(2,498,928)**
Other Comprehensive income/(losses)			
Changes in the fair value of available-for-sale financial assets		339,318	(179,126)
Exchange differences on translation of foreign operations		(41,739)	(30,586)
Total Other Comprehensive income/(Loss)		**297,579**	**(209,712)**
Total Comprehensive (Loss) for the half-year attributable to owners of International Base Metals Limited		**(1,620,631)**	**(2,708,640)**
Earnings per share for loss from continuing operations attributable to the ordinary holders of the Company			
Basic earnings per share (cents)		(0.35)	(0.01)
Diluted earnings per share (cents)		(0.35)	(0.01)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2013

	Note	Consolidated entity	
		31 Dec 2013	30 Jun 2013
		$	$
Current Assets			
Cash and cash equivalents		27,309,369	30,697,824
Trade and other receivables		238,519	197,137
Other current assets		-	108,041
Total Current Assets		**27,547,888**	**31,003,002**
Non-current Assets			
Available-for-sale financial assets	5	381,563	395,157
Exploration and evaluation assets		1,304,156	-
Property, plant and equipment		139,710	127,908
Total Non-current Assets		**1,825,429**	**523,065**
Total Assets		**29,373,317**	**31,526,067**
Current Liabilities			
Trade and other payables		405,750	941,163
Short-term provisions		96,539	93,245
Total Current Liabilities		**502,289**	**1,034,408**
Total Liabilities		**502,289**	**1,034,408**
Net Assets		**28,871,028**	**30,491,659**
Equity			
Issued capital	10	67,707,532	67,707,532
Reserves		(659,231)	(956,810)
Accumulated losses		(38,177,273)	(36,259,063)
Total Equity		**28,871,028**	**30,491,659**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2013

	Contributed Equity $	Reserves $	Accumulated losses	Total Equity $
Balance at 1 July 2012	**34,037,612**	**(488,637)**	**(31,030,271)**	**2,518,704**
Comprehensive loss for the half-year	-	(209,712)	(2,498,928)	(2,708,640)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	4,350,000	-	-	4,350,000
Share based payments at fair value	82,500	(71,512)		10,988
Balance at 31 December 2012	**38,470,112**	**(769,861)**	**(33,529,199)**	**4,171,052**
Balance at 1 July 2013	**67,707,532**	**(956,810)**	**(36,259,063)**	**30,491,659**
Comprehensive loss for the half-year	-	297,579	(1,918,210)	(1,620,631)
Balance at 31 December 2013	**67,707,532**	**(659,231)**	**(38,177,273)**	**28,871,028**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the Half-Year ended 31 December 2013

	Note	Consolidated Half Year ended 31 Dec 2013 $	Consolidated Half Year ended 31 Dec 2012 $
Cash flow from operating activities			
Receipts from customers		24,051	137,360
JV contribution to exploration expenditure			394,284
Other revenue			1,138
Payments to suppliers and employees		(1,768,144)	(1,217,094)
Payments for exploration expenditure		(983,190)	(1,470,802)
JV exploration expenditure		(1,196116)	(364,220)
Interest received		570,529	52,643
Net cash outflow from operating activities		**(3,352,870)**	**(2,466,691)**
Cash flows from investing activities			
Payments for property, plant and equipment		(35,585)	(27,359)
Proceeds from sale of property, plant and equipment		-	928
Payment for available-for-sale financial assets		-	(300,000)
Net cash (outflow)/inflow from investing		**(35,585)**	**(326,431)**
Cash flows from financing			
Proceeds from issue of shares		-	4,350,000
Net cash inflow from financing activities		-	4,350,000
Net increase/(decrease) in cash held		**(3,388,455)**	**1,556,878**
Cash at beginning of the period		30,697,824	2,231,369
Effects of exchange rate changes on cash and cash equivalents			-
Cash at end of the period		**27,309,369**	**3,788,247**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of International Base Metals Limited and its controlled entity (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the following half-year.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 1(c) below.

c. New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

(i) *Consolidated financial statements, joint arrangements and disclosure of interests in other entities*

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

– AASB 10: *Consolidated Financial Statements;*

– AASB 127: *Separate Financial Statements* (August 2011);

– AASB 11: *Joint Arrangements;*

– AASB 128: *Investments in Associates and Joint Ventures* (August 2011);

– AASB 12: *Disclosure of Interests in Other Entities;*

– AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and

– AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(d).

– *Joint arrangements:*

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will generally be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted. However, this has not had any impact on the Group's financial statements as the Group currently has no interests in joint ventures which would need to be accounted for using the equity method of accounting.

When changing from the proportionate consolidation method to the equity method upon initial application of AASB 11, investments in joint ventures are required to be recognised as at the beginning of the immediately preceding year (ie as at 1 July 2012) and measured as the aggregate of the carrying amounts of the assets and liabilities that the investor had previously proportionately consolidated, including any goodwill arising from acquisition. This amount is regarded as the deemed cost of the investment at initial recognition, and is subject to impairment testing at that point in time. If aggregating all previously proportionately consolidated assets and liabilities results in a negative net asset amount, the investor recognises a liability to the extent that it has a legal or constructive obligation with respect to the negative net assets, and recognises any balance of the negative net assets as an adjustment to opening retained earnings.

Although the first-time application of AASB 11 (together with the associated Standards) caused certain changes to the Group's accounting policy for accounting for joint ventures and classification of joint arrangements, the directors have determined that such changes did not have any impact on the amounts reported in the Group's financial statements, mainly because the Group's classification of joint arrangements did not change and the Group has currently no interest in joint ventures which would need to be accounted for using the equity method. However, the revised accounting policy for joint arrangements is set out in Note 1(e).

– *Disclosure of interest in other entities:*

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. New disclosures that are material to this interim financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12 have been set out in Note 11.

(ii) *Fair value measurements and disclosures*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(f), should be incorporated in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(iii) *Stripping costs*

The Group has adopted AASB Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011–12: *Amendments to Australian Accounting Standards arising from Interpretation 20* from 1 July 2013. The Interpretation and the Amending Standard became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013.

Interpretation 20 addresses waste removal costs that are incurred in surface mining activity ("stripping costs") during the production phase of the mine and prescribes accounting requirements for recognition and measurement of such costs. On transition, existing production phase stripping costs need to be written off to retained earnings unless they can be attributed to an identifiable component of an ore body.

The directors have determined that the Interpretation did not result in any significant changes to the amounts reported in the Group's financial statements, as the Group does not have any previously recognised asset balances that resulted from stripping activity undertaken during the production phase of a mine, either at the beginning of the current half-year reporting period or as at the beginning of the earliest period presented (ie as at 1 July 2012). However, the new accounting policy for stripping costs is as set out in Note 1(g).

(iv) *Other*

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.*

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10*: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

d. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent International Base Metals Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 9.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

e. Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

The Group's subsidiary Tandem Resources Pty Ltd has an incorporated joint venture with African Mining Capital Pty Ltd, namely Tandem JV Pty Ltd. This corporate joint venture is on the Epembe tenements in Namibia and provides for joint management and for Tandem Resources Pty Ltd to earn a 31% interest in Tandem JV Pty Ltd by contributing $1.7 million towards exploration on the tenements. As at 31 December 2013, the Group had incurred expenditure of $1.3 million.

If successful, there is the option to commit to phase 2 to increase the Group's interest in Tandem JV Pty Ltd to 51% by contributing a further $3.0m to exploration.

Where the Group has incurred expenditure in acquiring a right to an interest in a mineral resource (farmee in a farm-in arrangement), the costs incurred are capitalised and recognised as exploration and evaluation assets on the statement of financial position, regardless of the stage of development of the asset.

f. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

– *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

– *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

g. Stripping Costs of Surface Mining

The Group will incurs costs to remove overburden and other waste materials when it commences the production stage in order to gain access to ore from which minerals can be extracted (“stripping costs”). Stripping costs incurred during the development phase of a mine (ie before production commences) are capitalised as part of the depreciable cost of developing and constructing the mine and are depreciated over the useful life using the units of production method, once production begins.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Stripping costs incurred during the production phase are recognised as:

– inventory in accordance with AASB 102: *Inventories* to the extent that benefits are realised in the form of inventory produced; and

– a non-current asset ("stripping activity asset") if, and only if, they generate a benefit of improved access to an identifiable component of the ore body, it is probable that the benefits will flow to the entity and the costs can be measured reliably. A stripping activity asset is accounted for as part of (as an enhancement to) an existing tangible or intangible asset.

At initial recognition, the stripping activity asset is measured at cost. After initial recognition, it is measured at either its cost or its revalued amount less depreciation and impairment losses, in the same way as the existing asset of which it is a part. The stripping activity asset is depreciated using the units of production method, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

g. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the Company's 2013 Annual Report. However, the following additional significant judgments used in applying accounting policies have been disclosed as required by the new and revised Accounting Standards adopted for the first time in this interim financial reporting period:

Consolidation of entities

All subsidiary of the parent entity are 100% owned and there are no entities in which the Group holds less than 51%.

h. Financials 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 and at the amounts stated in the financial report.

The net loss after income tax for the consolidated entity for the half year ended 31 December 2013 was $1,918,210 (2012 corresponding period:$2,498,928).

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

(i) the Group had $27,309,369 cash on hand at 31 December 2013;

(ii) the Company is expected to require additional funds in the future for resource drilling, for the development of an oxide copper mining operation at the Omitiomire project and for additional drilling on other targets. To fund this expenditure the Board is planning fund raising as required.

NOTE 2: REVENUE

	31 Dec 2013	31 Dec 2012
From continuing operations		
Service revenue		
Administration service fee	-	2,928
Technical service fee	14,056	5,522
JV management fee	115,355	35,486
	129,411	43,936
Other revenue		
Interest received – other entities	567,567	52,643
Other revenue	-	1,138
	567,567	53,781
TOTAL REVENUE	**696,978**	**97,717**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 4: SEGMENT REPORTING

(a) Notes to and forming part of the segment information

Accounting policies

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 an exploration and a geographic perspective and has identified two reportable segments as disclosed below,.

International Base Metals Limited and its controlled entities are involved in mineral exploration without an income stream at this stage. Cash flow management including the raising of capital from time to time to fund investment and working capital needs, therefore is an important function. The two reportable segments are Australia and Namibia which also equate to the geographic location.

(b) Segment performance

	Half Year Dec 2013			Half Year Dec 2012		
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
REVENUE						
External sales*	14,056	115,355	129,411	43,936	-	43,936
Other revenue (including finance revenue)	1,087,811	8,931	1,096,742	547,355	5,647	553,002
Total segment revenue	**1,101,867**	**124,286**	**1,226,153**	**591,291**	**5,647**	**596,938**
Reconciliation of segment revenue to Group revenue						
Inter-segment elimination**	(529,175)	-	(529,175)	(499,221)	-	(499,221)
Total Group revenue	**572,692**	**124,286**	**696,978**	**92,070**	**5,647**	**97,717**

** Australian external sales represent technical service charges earned from another entity and Namibian income represents management fees earned from the Tandem JV.*

*** Represents interest charged by Australia to Namibia on intercompany loan*

NET PROFIT/(LOSS) BEFORE TAX

	Half Year 2013			Half year Dec 2012		
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
Net Profit/(loss) Before Tax *	286,327	(1,693,547)	(1,407,220)	(774,797)	(2,478,187)	(3,252,984)
Reconciliation of segment net profit before tax to Group net profit before tax						
Inter-segment eliminations* *	(1,040,165)	529,175	(510,990)	254,834	499,222	754,056
Operating Net Loss before tax	**(753,838)**	**(1,164,372)**	**(1,918,210)**	**(519,963)**	**(1,978,965)**	**(2,498,928)**

* *Australian net profit includes interest earned including interest charged to a subsidiary*

* * *Represents provision for impairment of intercompany loans, interest revenue and an exchange loss by Australia on a loan to Namibia; and interest expense by Namibia on loan from Australia.*

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: SEGMENT REPORTING (continued)

Segment assets

	Half Year Dec 2013			Financial Year June 2013		
	Australia	**Namibia**	**Total**	**Australia**	**Namibia**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Segment assets current*	26,984,730	563,157	27,547,887	30,445,108	557,895	31,003,003
Segment assets non-current**	11,084,879	1,321,033	12,405,912	7,214,244	123,564	7,337,808
Inter-segment eliminations***	(10,580,471)	(11)	(10,580,482)	(6,814,733)	(11)	(6,814,744)
Total Group assets	**27,489,138**	**1,884,179**	**29,373,317**	**30,844,619**	**681,448**	**31,526,067**

* *Australian current assets are cash and receivables. Namibian current assets are cash and receivables.*

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

*** *Eliminations in segment assets include loans from the Parent to the controlled entities as at December 2013 $17,359,243 (June 2013:$14,414,285) which has been offset against the impairment of these loans*

NOTE 5: NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS

	31 Dec 2013	**30 June 2013**
Shares in listed entities at fair value	81,563	95,157
Shares in unlisted entity: African Mining Capital Limited *	300,000	300,000
	381,563	395,157

* As disclosed in the 2013 Annual Report an investment and farm-in agreement was signed with African Mining Capital Pty Limited (AMC). IBML has made an investment in African mining Capital Pty Limited and is earning a 31% interest in AMC's Epembe Project in Namibia through a corporate joint venture. IBML also has the right to elect to further increase its ownership interest in this joint venture to 51%. Directors believe that the cost of the investment reasonably reflects its fair value at reporting date.

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 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Available-for-sale financial assets:				
- Listed investments (a)	81,583	-	-	81,583
- Unlisted investments (b)	-	-	300,000	300,000
	81,583	-	300,000	381,583

(a) Shares in listed entities have been valued at market value based on the closing bid price as at 31 December 2013 resulting in fair value of $81,563 (30 June 2013: $95,157).

(b) The Group's unlisted investments are not traded in active markets. The fair value is measured based on price paid for the shares received. Management considers this to represent the fair value as it represents the Company's entry in the right to earn into the Epembe project. As long as the project is expected to continue, management considers that market participants would assess cost as the best estimate of fair value due to the underlying nature of the exploration licenses and assets.

Classification

Shares in listed entities and unlisted 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 for the medium to long term.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: CONTINGENT LIABILITIES

There are no contingent liabilities at balance sheet date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the entities, the results of those operations, or state of affairs of the entities in future financial periods

NOTE 8: ANALYSIS OF OTHER COMPREHENSIVE LOSS

	31 Dec 2013	31 Dec 2013
Analysis of items of other comprehensive loss by each class of reserve:		
Revaluation deficiency		
Exchange differences on translation of foreign operations	(41,739)	(30,586)
Changes in the fair value of available-for-sale financial assets	339,318	(179,126)
Total other comprehensive income for the period	**297,579**	**(209,712)**

NOTE 9: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2013. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest	
			December 2013	June 2013
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%
Tandem Resources Pty Ltd (incorporated 13 May 2013)	Australia	Ordinary	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 (Pty) Ltd (incorporated 6 April 2010)	Namibia	Ordinary	100%	100%

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

NOTE 10: EQUITY SECURITIES ISSUED

	31 Dec 2013 Shares	30 June 2013 Shares	31 Dec 2013 $	30 June 2013 $
Issue of ordinary shares during the half-year/financial year				
Share placements net of issue costs	-	170,147,723	-	33,669,920
A Class preference share converted to Ordinary Share	1	-	-	-
	1	170,147,723	**-**	33,669,920

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RELATED PARTY TRANSACTIONS

Related party transactions are consistent with those reported in the 2013 Annual Report.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 5-18 are in accordance with the Corporations Act 2001, including:
    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and
2. there are reasonable grounds to believe that International Base Metals Limited will be able to pay its debts as and when they become due and payable.

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

Dr Kenneth John Maiden
Interim Chairman

Dated this 4 March 2014

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Independent Auditor's Review Report
To the Members of International Base Metals Limited

We have reviewed the accompanying half-year financial report of International Base Metals Limited ("Entity"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of International Base Metals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the International Base Metals Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of International Base Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of International Base Metals Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accounts

Ian Kemp

I S Kemp
Partner - Audit & Assurance

Sydney, 4 March 2014

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Auditor's Independence Declaration
To The Directors of International Base Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of International Base Metals Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner - Audit & Assurance

Sydney, 4 March 2014