INTERNATIONAL BASE METALS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 2014 ("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
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 Non-executive Director to Mr Zhehong Luo
Mr Aidong Yang, Alternate Non-executive Director to Mr Rui Liu
Mr Xianwu Deng, Alternate Non-executive Director to Mr Jinhua Wang (appointed 26 November 2014)

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 copper 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 $3,071,310 (2013: corresponding period a loss of $1,918,210). All exploration expenditure during the period was expensed.

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 asset. Activities during the period were as follows:

- A Mining Licence (ML183) was issued to Craton by the Namibian Ministry of Mines and Energy for a period of 20 years from 22 September 2014. The Mining Licence is specifically related to the planned development of a modest-sized Phase 1 copper mining and processing operation, based on near-surface oxide and mixed oxide-sulphide copper.
- An Environmental Clearance Certificate (ECC) was issued to Craton by the Namibian Ministry of Environment and Tourism in respect to the planned Phase 1 development. Two farmers, whose properties lie adjacent to ML183, have lodged an appeal against the grant of the ECC. The two farmers also question the validity of ML183 as it was issued prior to the ECC.
- Currently, the land on which Craton intends to conduct exploration and mining operations, Farm Groot Omitiomire, is under the control of the executor of the estate of the late Alida Steyn.

Previously, the four heirs of that estate were also the co-executors, but due to continuing disagreement, the Master of the High Court of Namibia removed all four co-executors and appointed a third party as executor. On 26 November 2014, Craton entered into a compensation agreement with the executor. On 1 December 2014, one of the heirs (who resides on the farm) brought motion proceedings to the High Court of Namibia against various parties (principally the Master of the High Court of Namibia and the current executor), asking for and was granted an order to the effect that the compensation agreement be set aside or be suspended pending a review of the decision by the Master of the High Court to appoint the current executor. Craton was cited as an interested party, but since no relief was asked against Craton, Craton did not oppose the matter. The review is currently underway.

- Craton continued detailed planning for development of the Phase 1 project.
- Craton initiated a review of the 2010 pre-feasibility study (PFS) related to development of the much larger Phase 2 sulphide copper project.

Exploration continued at Craton's other Namibian exploration projects, including drilling on several targets in the Steinhausen project area.

Elsewhere in Namibia, IBML had previously decided not to contribute further exploration funds to the joint venture with African Mining Capital 4 Pty Ltd on the Epembe tantalum-niobium project. On 25 September 2014, AMC took over the role of Manager of the project from Craton.

In Australia, Craton's wholly-owned subsidiary, AuriCula Mines Pty Ltd, holds a 10% interest in two copper-gold exploration projects in the Cobar district of NSW. Exploration of the projects is managed by a subsidiary of Glencore, which carried out low-impact exploration activities during the period under review.

Capital raising

Following the raising of $33,587,420 (net) in the 2013 financial year, no further capital has been raised.

Shares and options on issue

At 31 December 2014 there were 544,158,541 fully paid ordinary shares on issue.

There were no outstanding options at 31 December 2014.

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. Early in 2015 the copper price dropped significantly and if this reduced copper price does not recover the viability of the Omitiomire Phase 1 project will need to be reviewed.

Events subsequent to the end of reporting period

Craton ML 183 – appeals by neighbours

On 16 February 2015, Craton was served with and cited in motion proceedings in the High Court of Namibia, brought by one Hendry Derks and one Drikus Bruwer Swanepoel. The principal respondent under the motion proceedings is the Minister of Mines and Energy, Craton being the third respondent. In substance, the applicants have asked the High Court of Namibia to review the decision of the Minister of Mines and Energy to "award" mining licence ML 183 to Craton. The principal basis of the challenge is the applicants' interpretation of section 31 of the Environmental Management Act, 2007. Section 31 (1) of the Environmental Management Act, 2007 states that despite any other law to the contrary, a "competent authority" may not issue an authorisation to engage in a "listed activity" (such as mining) under the Environmental Management Act, 2007 unless the proponent has obtained an environmental clearance certificate in terms of the Environmental Management Act, 2007. More specifically, in terms of section 31 (2) of the Environmental Management Act, 2007, it is stated that "an authorisation issued contrary to subsection (1) is invalid". The applicant's position is apparently that the "award" of the mining licence by the Minister of Mines and Energy under the Minerals Act, 1992 is an "authorisation" contrary to section 31 (1)

of the Environmental Management Act, 2007 and is "invalid". There is no case law on this point in Namibia, and the validity of this attack will require to be tested.
Craton will lodge a notice to oppose the aforesaid application.
The procedure, being an administrative law review, is that the Minister of Mines and Energy is first required to provide a complete record of all documents relating to the decision to award the mining licence to Craton. Once these documents have been supplied by the Minister of Mines and Energy, the applicants may amplify their papers, upon which the respondents (including Craton) may file replying papers. To the extent that the respondents raise new matters, the applicants will have a further opportunity to file another set of replying papers. Upon the notice to oppose, the matter will be assigned to a managing judge, who will determine the timing for filing papers and hearing.

Copper Price

Early in 2015 the copper price dropped significantly so that in the event that this reduced copper price does not recover the viability of the Omitiomire Phase 1 project will need to be reviewed.

Company Strategy

Post reporting date the Company's strategy is under revision.

There are no other 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.

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 19 of this financial report.

Signed on 13 March 2015 in accordance with a resolution of the Board of Directors

Dr Kenneth John Maiden
Interim Chairman

13 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year ended 31 December 2014

	Note	Consolidated Entity	
		Half Year ended	
		31 Dec 2014	31 Dec 2013
		$	$
Revenue	2	425,886	696,978
Expenditure			
Administrative expenses		(519,707)	(478,768)
Exploration expenses		(1,950,389)	(983,190)
Depreciation and amortisation expense		(39,770)	(19,961)
Consultants' expense		(70,601)	(4,400)
Financial and legal advice		(12,124)	(38,144)
Occupancy expenses		(39,739)	(15,916)
Contribution to Craton Foundation		(30,434)	(30,338)
Employee benefits expense		(666,592)	(691,559)
Provision for impairment of debtors		(133,100)	-
Impairment of available for sale financial assets		(13,593)	(352,912)
Loss before income tax		(3,050,163	(1,918,210)
Income tax (expense)/benefit		(21,147)	-
Loss for the period		**(3,071,310)**	**(1,918,210)**
Loss attributable to members of parent entity		**(3,071,310)**	**(1,918,210)**
Other Comprehensive income/(losses)			
Changes in the fair value of available-for-sale financial assets		-	339,318
Exchange differences on translation of foreign operations		84,239	(41,739)
Total Other Comprehensive income/(Loss)		84,239	**297,579**
Total Comprehensive (Loss) for the half-year attributable to owners of International Base Metals Limited		**(2,987,071)**	**(1,620,631)**
Loss per share from continuing operations attributable to the ordinary holders of the Company			
Basic loss per share (cents)		(0.56)	(0.35)
Diluted loss per share (cents)		(0.56)	(0.35)

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 2014

	Note	Consolidated entity	
		31 Dec 2014 $	30 Jun 2014 $
Current Assets			
Cash and cash equivalents		24,413,850	24,264,820
Trade and other receivables		285,448	412,757
Total Current Assets		**21,699,298**	**24,677,577**
Non-current Assets			
Available-for-sale financial assets	5	54,376	67,969
Property, plant and equipment		274,069	290,630
Total Non-current Assets		**328,445**	**658,599**
Total Assets		**22,027,743**	**25,036,176**
Current Liabilities			
Trade and other payables		371,625	396,759
Short-term provisions		150,638	146,866
Total Current Liabilities		**522,263**	**543,625**
Total Liabilities		**522,263**	
Net Assets		**21,505,480**	**24,492,551**
Equity			
Issued capital	10	67,707,532	67,707,532
Reserves		(1,241,943)	(1,326,182)
Accumulated losses		(44,960,109)	(41,888,799)
Total Equity		**21,505,480**	**24,492,551**

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 2014

	Contributed Equity $	Reserves $	Accumulated losses	Total Equity $
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**
Balance at 1 July 2014	**67,707,532**	**(1,326,182)**	**(41,888,799)**	**24,492,551**
Comprehensive loss for the half-year	-	84,239	(3,071,310)	(2,987,071)
Balance at 31 December 2014	**67,707,532**	**(1,241,943)**	**(44,960,109)**	**21,505,480**

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 2014

	Note	Consolidated Half Year ended 31 Dec 2014 $	31 Dec 2013 $
Cash flow from operating activities			
Receipts from customers		16,632	24,051
Payments to suppliers and employees		(1,279,580)	(1,768,144)
Payments for exploration expenditure		(1,950,389)	(983,190)
JV exploration expenditure		-	(1,196,116)
Income tax paid		(21,147)	-
Interest received		393,004	570,529
Net cash outflow from operating activities		**(2,841,480)**	**(3,352,870)**
Cash flows from investing activities			
Payments for property, plant and equipment		(9,490)	(35,585)
Net cash (outflow)/inflow from investing		**(9,490)**	**(35,585)**
Net increase/(decrease) in cash held		**(2,850,970)**	**(3,388,455)**
Cash at beginning of the period		24,264,820	30,697,824
Cash at end of the period		**21,413,850**	**27,309,369**

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 2014 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 2014, 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

Certain new accounting standards and interpretations have been published that are mandatory for 30 June 2015 reporting periods. The group's assessment of the impact of these new standards which have been adopted is discussed below:

(i) AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

(ii) Interpretation 21: **Levies** (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

(iii) AASB 2013–3: **Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets** (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

(iv) AASB 2013–4: ***Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*** (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Group does not hedge and the standard is not expected to significantly impact the Group's financial statements.

(v) AASB 2013–5: **Amendments to Australian Accounting Standards – Investment Entities** (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 for Tandem Resources Pty Ltd in which Tandem JV Pty Ltd has earned a 31% equity stake by contributing $1.7 million towards exploration on the tenements. The Board of IBML has resolved not to proceed to the earn-in phase 2 of the project.

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).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

– *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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

h. 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%.

i. 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 2014 was $3,071,310 (2013 corresponding period $1,918,210).

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

(i) the Group had $21,413,850 cash on hand at 31 December 2014;

(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 2014	31 Dec 2013
From continuing operations		
Service revenue		
Technical service fee	3,514	14,056
Project management fee	6,078	-
JV management fee	-	115,355
	9,592	129,411
Other revenue		
Interest received – other entities	416,284	567,567
Other	10	-
TOTAL REVENUE	**425,886**	**696,978**

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 2014			Half Year Dec 2013		
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
REVENUE						
External sales*	3,514	6,078	9,592	14,056	115,355	129,411
Other revenue (including finance revenue)	1,970,071	52,107	2,022,178	1,087,811	8,931	1,096,742
Total segment revenue	**1,973,585**	**58,185**	**2,031,770**	**1,101,867**	**124,286**	**1,226,153**
Reconciliation of segment revenue to Group revenue						
Inter-segment elimination**	(1,605,884)	-	(1,605,884)	(529,175)	-	(529,175)
Total Group revenue	**367,701**	**58,185**	**425,886**	**572,692**	**124,286**	**696,978**

** 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 2014			Half year Dec 2013		
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
Net Profit/(loss) Before Tax *	(7,748,054)	(3,045,270)	(10,793,324)	286,327	(1,693,547)	(1,407,220)
Reconciliation of segment net profit before tax to Group net profit before tax						
Inter-segment eliminations* *	7,085,812	636,202	7,722,014	(1,040,165)	529,175	(510,990)
Operating Net Loss before tax	**(662,242)**	**(2,409,068)**	**(3,071,310)**	**(753,838)**	**(1,164,372)**	**(1,918,210)**

* *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 2014			Financial Year June 2014		
	Australia $	Namibia $	Total $	Australia $	Namibia $	Total $
Segment assets current*	16,404,683	5,294,615	21,699,298	24,129,243	548,334	24,677,577
Segment assets non-current**	10,642,442	268,625	10,911,067	10,657,553	281,529	10,939,082
Inter-segment eliminations***	(10,580,472)	(2,150)	(10,582,622)	(10,580,473)	(10)	(10,580,483)
Total Group assets	**16,466,653**	**5,561,090**	**22,027,743**	**24,206,323**	**829,853**	**25,036,176**

* *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 2014 $28,139,170 (June 2014:$17,747,474) which has been offset against the impairment of these loans*

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

	31 Dec 2014	30 June 2014
Shares in listed entities at fair value	54,376	67,969

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

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 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Available-for-sale financial assets:				
- Listed investments (a)	54,376	-	-	54,376
	54,376	-	-	54,376

(a) Shares in listed entities have been valued at market value based on the closing bid price as at 31 December 2014 resulting in fair value of $54,376 (30 June 2014: $67,969).

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 for the medium to long term.

NOTE 6: CONTINGENT LIABILITIES

There are no contingent liabilities at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Craton ML 183 – appeals by neighbours

On 16 February 2015, Craton was served with and cited in motion proceedings in the High Court of Namibia, brought by one Hendry Derks and one Drikus Bruwer Swanepoel. The principal respondent under the motion proceedings is the Minister of Mines and Energy, Craton being the third respondent. In substance, the applicants have asked the High Court of Namibia to review the decision of the Minister of Mines and Energy to award mining licence ML 183 to Craton. The principal basis of the challenge is the applicants' interpretation of section 31 of the Environmental Management Act, 2007. Section 31 (1) of the Environmental Management Act, 2007 states that despite any other law to the contrary, a "competent authority" may not issue an authorisation to engage in a so-called "listed activity" (such as mining) under the Environmental Management Act, 2007 unless the proponent has obtained an environmental clearance certificate in terms of the Environmental Management Act, 2007. More specifically, in terms of section 31 (2) of the Environmental Management Act, 2007, it is stated that "an authorisation issued contrary to subsection (1) is invalid". The applicant's position is therefore apparently that the award of the mining licence by the Minister of Mines and Energy under the Minerals Act, 1992 is an "authorisation" contrary to section 31 (1) of the Environmental Management Act, 2007 and therefore "invalid". There is no case law on this point in Namibia, and the validity of this attack will require to be tested.

Craton will lodge a notice to oppose the aforesaid application.

The procedure, being an administrative law review, is that the Minister of Mines and Energy is first required to provide a complete record of all documents relating to the decision to award the mining licence to Craton. Once these documents have been supplied by the Minister of Mines and Energy, the applicants may amplify their papers, upon which the respondents (including Craton) may file replying papers. To the extent that the respondents raise new matters, the applicants will have a further opportunity to file another set of replying papers. Upon the notice to oppose, the matter will be assigned to a managing judge, who will determine the timing for filing papers and hearing.

Copper Price

Early in 2015 the copper price dropped significantly so that in the event that this reduced copper price does not recover the viability of the Omitiomire Phase 1 project will need to be reviewed'

Company Strategy

Post reporting date the Company's strategy is under revision.

There are no other 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 2014	31 Dec 2013
Analysis of items of other comprehensive loss by each class of reserve:		
Revaluation deficiency		
Exchange differences on translation of foreign operations	84,239	(41,739)
Changes in the fair value of available-for-sale financial assets	-	339,318
Total other comprehensive income for the period	84,239	**297,579**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2014. 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 2014	June 2014
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%	100%
Craton Property Holdings Pty Ltd (incorporated 14 April 2014)	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 (Pty) Ltd (incorporated 6 April 2010)	Namibia	Ordinary	100%	100%

Group is unchanged from 30 June 2014 positon.

NOTE 10: EQUITY SECURITIES ISSUED

	31 Dec 2014 Shares	30 June 2014 Shares	31 Dec 2013 $	30 June 2014 $
Issue of ordinary shares during the half-year/financial year				
Share placements net of issue costs	-	-	-	-
A Class preference share converted to Ordinary Share	-	1	-	1
	-	1	-	1

NOTE 11: RELATED PARTY TRANSACTIONS

Related party transactions are consistent with those reported in the 2014 Annual Report.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 4-15 are in accordance with the Corporations Act 2001, including:
   a. complying with Accounting Standard AASB 134 'Interim Financial Reporting', and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 13 March 2015

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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 ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, 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 Company 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 2014 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 2014 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 Accountants

Ian Kemp

I S Kemp
Partner - Audit & Assurance

Sydney, 13 March 2015

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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 2014, 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 AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner - Audit & Assurance

Sydney, 13 March 2015