2010

ANNUAL REPORT

ABN 73 100 373 635

INTERNATIONAL
BASE METALS LIMITED

CONTENTS

CORPORATE DIRECTORY

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

Directors

Dr Alasdair James Macdonald	- Non-executive Chairman
Mr Frank Bethune	- Managing Director
Dr Kenneth John Maiden	- Executive Director – Technical
Dr Deng Jiniu	- Non-executive Director
Mr Alan Humphris	- Non-executive Director
Mr Chen Qiang	- Alternate Non-executive Director to Dr Deng Jiniu

Company Secretary

Mr John Stone

Registered Office and Principal Place of Business

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Auditors

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Solicitors

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Sydney NSW 2000

Bankers

Bankwest
17 Castlereagh Street
Sydney NSW 2000

Share Registry

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Sydney NSW 2000

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CHAIRMAN'S LETTER

Dear Shareholders,

The period July 2009-June 2010 has been productive for IBML in (a) expanding the resource at the Omitiomire Project, Namibia, and (b) producing a Pre-Feasibility Study ("PFS") for Omitiomire, which will be used as the basis for a proposed listing on the Australian Securities Exchange ("ASX") in the next financial year.

During the past 12 months IBML has raised A$7 million from private placements. IBML's Board of Directors is very grateful for these expressions of confidence in the Company's on-going programme. We also wish to acknowledge the diligence of Sinonew Capital Advisory of Beijing, for identifying potential investors for placements in IBML. The funds have been utilised for:

i) expanding the resource at Omitiomire;
ii) geochemical exploration, geological mapping and drilling at other tenements in Namibia;
iii) preparation of the Omitiomire PFS.

The exploration work in Namibia has been undertaken by Craton Mining and Exploration (Pty) Ltd ("Craton"), a 100% subsidiary of IBML. I would like to take this opportunity to recognise the high quality of the work accomplished by Craton's technical and management teams.

The PFS concludes that the planned open pit mine will produce a high quality concentrate containing in excess of 50% copper ("Cu"). It also demonstrates that the Omitiomire project possesses attractive and robust economics.

Alan Humphris was appointed a Non-Executive Director of the Company in August 2009. Mr Humphris is an investment banker with more than 25 years experience in Australia and offshore markets specialising in corporate finance and advisory services. Mr. Humphris has had significant experience in the resources sector.

Late in 2009, Craton formed a Trust (The Craton Foundation) with the objective of providing financial assistance to Historically Deprived Namibians ("HDN"). We have recently appointed three independent Namibian residents as Trustees; we anticipate that the principal focus for funding will be towards educating the youth of Namibia.

Stephen Blackman, IBML's co-founder and Managing Director, retired in November 2009. IBML's Board of Directors expressed their appreciation for all the work contributed by Stephen in forming IBML and associated companies over the previous decade.

In early 2010, IBML commenced a global search for a new Managing Director position. After an extensive review of over 100 applicants, Frank Bethune was offered the position towards the end of the financial year, with formal appointment early in the following year. Frank joins IBML from AngloGold Ashanti Australia, where he was Surface Mining Manager from 2006-2010. Previously Frank was General Manager at AngloGold's Navachab mine in Namibia. IBML's Board believes that Frank's previous experience in Namibia will be of considerable benefit to the Company as the Omitiomire project is progressed from an advanced exploration stage, through a Definitive Feasibility Study ("DFS"), leading to a production decision.

Following completion of the IPO, IBML will embark on a DFS, comprising in-fill drilling, bulk sampling, geo-technical drilling and sterilisation drilling. I look forward to being able to report positive results to you in a year's time, with commensurate increase in the value of your investment in the Company.

Yours sincerely,

A. James Macdonald
Non-Executive Chairman
September 8, 2010

MANAGING DIRECTOR'S LETTER

Dear Shareholders,

Since joining IBML on 3 August 2010, I have been meeting key stakeholders and starting to get to know the business. Over the past few weeks, I have come to the conclusion that this is a remarkable exploration company with huge potential. I am privileged and grateful for the opportunity of being part of this adventure.

As we move forward with our proposed listing on the ASX and the Omitiomire DFS we will need to consider our long term strategy. What will we do once our DFS has demonstrated a viable mine? Do we remain an exploration company or do we grow our skills and expand into a mining and exploration company? During this financial year I propose to explore our options and, together with the Board, develop a Vision and Mission for IBML. We also need to develop a set of values to guide us in all our actions and relationships. For example we have to treat each other with dignity and respect. We need to build relationships where we support each other and work together for success.

Namibia, my country of birth, offers good infrastructure, a stable government and an investment friendly environment. Craton Mining and Exploration (Pty) Ltd is the vehicle for our growth in Namibia. Karl Hartmann and his team have and continue to provide exceptional skills and knowledge of Namibia and the region. Not only have they taken Omitiomire to DFS but they have also secured significant exploration rights to other prospective areas in Namibia.

In recognition that mining goes far beyond the technical aspects, IBML has formed a Trust ("The Craton Foundation"). The Foundation has the objective of making a positive contributions to the communities in which we operate. We will support sustainable initiatives towards improving the lives of previously disadvantaged people.

We also have under-explored tenements in Australia. With sufficient exploration funding, these may pave the way towards a second mine. In time, we may identify further opportunities elsewhere.

IBML should aim to develop one mine to generate revenues to support further exploration and to provide returns to shareholders. This then might lead to a second mine followed by a third and fourth. This could be our future, but first we need to secure the funding to successfully complete the Omitiomire DFS. My primary focus for the remainder of 2010 will, therefore, be our proposed ASX listing and building relationships with shareholders and other investors.

Yours sincerely,

Frank Bethune
Managing Director
27 September 2010

CORPORATE STRATEGY

The Board has adopted the following strategy:

- Prepare for a proposed Initial Public Offering ("IPO") and a listing of the Company's shares on ASX in the 2011 financial year;
- Initiate a Definitive Feasibility Study ("DFS") for a copper mining and processing operation based on the Omitiomire resource;
- Continue to assess the resource potential of the Omitiomire Project area;
- Define and prioritise exploration targets in other Namibian project areas;
- Continue to assess other exploration opportunities, especially within Australia;
- Secure a joint venture partner for the Maranoa and/or other projects;
- Assess and follow up other suitable capital-raising options as required; and
- Assuming a successful DFS at Omitiomire in 2011, to raise equity and project finance for the Omitiomire mine development in 2011-2012. The Omitiomire Copper Project could then generate its first cash flow in 2013-2014.

REVIEW OF OPERATIONS

IBML operates its mineral exploration projects through a number of wholly-owned subsidiary companies:

- Craton Mining and Exploration (Pty) Ltd ("Craton"): Namibia;
- Maranoa Resources Pty Ltd ("Maranoa"): Queensland;
- AuriCula Mines Pty Ltd ("AuriCula"): New South Wales.

CRATON MINING AND EXPLORATION (PTY) LTD - NAMIBIA

OMITIOMIRE PROJECT

IBML's premier asset is the Omitiomire Project, which lies approximately 120 km northeast of Windhoek in central Namibia.

The Omitiomire Project encompasses the Omitiomire copper deposit and numerous other copper occurrences and targets within Exclusive Prospecting Licence ("EPL") 3589 which covers some 988 km^2. A Preliminary Feasibility Study ("PFS") on the Omitiomire Copper Project was completed in June 2010 by Johannesburg-based Green Team International (Pty) Ltd ("GTI"). This is based on the mineral resource estimate for the Omitiomire deposit prepared by Hellman & Schofield Pty Ltd ("H&S") in April 2010.

The Omitiomire copper deposit lies within a geological entity known as the Ekuja Dome. It is hosted by banded schist and gneiss which are overlain by massive unmineralised quartz-feldspar gneiss. The copper mineralisation occurs mainly as chalcocite (copper sulphide – Cu_2S) within bands of biotite-bearing schist. The deposit is a broadly tabular body, extending at least 2,300m in a north-south direction, 800m in an east-west direction and generally dipping at a shallow angle to the east. The deposit remains open to the northeast at depths of greater than 200m.

Since the commencement of drilling in August 2007, 39,500m of reverse circulation ("RC") drilling and 3,044m of diamond drilling has been completed. In addition, the Company has carried out extensive shallow rotary air blast ("RAB") drilling (totalling 53,403m) to test soil geochemical anomalies.

Resource Estimation and Metallurgy

The Omitiomire mineral resource estimate, prepared by H&S, is based on data from IBML's drilling programmes completed to the end of 2009 with some historic drilling included. The majority of the drilling is based on a 100m x 100m grid with infill drilling to 50m x 100m, and 50m x 50m spacing within the central portions of the deposit.

Within the deposit, the banding of heavy, copper-bearing, mafic rocks and lighter, barren, felsic layers lends itself to effective pre-concentration by dense medium separation ("DMS").

In primary (unoxidised) ore, copper occurs mainly as disseminated chalcocite with very minor bornite [Cu_5FeS_4]. Pure chalcocite contains 79.9% Cu, thus providing a very high concentrate grade after processing by flotation. (By comparison, chalcopyrite, the world's major copper ore mineral, contains only 34.5% Cu).

In the top 20m, the deposit is weathered (oxidised) and is dominated by malachite [$CuCO_3.Cu(OH)_2$]; pure malachite contains 57.5% Cu. From about 20 – 40m depth, the deposit is partly oxidised. Minor malachite extends to greater depth along faults and fractures.

Table 1 summarises the H&S resource estimates.

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

Summary of resource estimates (Indicated + Inferred).

Pre-Feasibility Study

GTI has presented a report on the Omitiomire PFS.

In summary, the PFS results are as follows:

- Mining is planned by conventional open pit mining. The current base case assumes a final pit containing 69 million tonnes ("Mt") of ore at 0.55% Cu and 375 Mt of waste.
- Life of mine is estimated at 10 years plus an additional two years during which the stockpiles will be processed.
- The processing plant is designed to receive 6 Mt per annum of ore. Crushed rock is fed through a screen, which separates out the -1 mm fine fraction from the coarser fraction. The coarse fraction is concentrated through DMS cyclones. The DMS concentrate is combined with the fine fraction and fed into a ball mill at a rate of 3.45 Mt per annum. From the ball mill the ore will go to a sulphide flotation circuit. The final sulphide concentrate will have concentrations of up to 55% Cu and a recovery of around 93%.
- Ore containing a high oxide copper content will be batch fed through the processing plant, where the sulphide rougher tailings will pass through an oxide flotation circuit. During periods where only sulphide ore is processed, the sulphide rougher tailings will by-pass the oxide flotation circuit and go directly to the thickener before being pumped to the tailings dam.
- The processing and tailings facilities will have an initial capital expenditure of US$93.5 million (process plant US$84.7 million and tailings US$8.8 million) and an operating expenditure of about US$5.8 /t of ore. The operating costs will vary, depending on the type of ore, which affects the amount of waste that is rejected in the DMS circuit.
- The Omitiomire deposit straddles the Black Nossob River bed and the public road MR53; both will need to be diverted to the south of the deposit. The exact position of the deviation will depend on the results of planned sterilisation drilling and an aerial topographic survey.
- About 90 km of water pipeline will need to be constructed to pump 2.2 million cubic metres ("m^3") per annum from a national water carrier. In addition, the aquifer in the source area will need to be developed.
- The nearest adequate power supply is the Auas substation, from where a 115 km, 132 kV line is envisaged.
- Social and environmental impact assessment ("SEIA") for the Omitiomire project is progressing.
- Total capital expenditure ("Capex") is estimated at US$295.4 million (sustaining capital excluded) and operating expenditure ("Opex") at US$10.48 /t of ore. These costs are all based on a 69 Mt pit and a cut-off grade of 0.35% Cu.

Planned Programme for 2010 – 2011

The IBML Board has approved the PFS report and is preparing to progress to a DFS and related activities, utilising funds raised at the Company's IPO. Craton has appointed Johannesburg-based TWP Projects (Pty) Ltd as project consultants for the DFS.

Drilling to date has shown that the Omitiomire deposit continues at depth to the northeast. As part of the DFS, deep drilling is planned to test this zone. Close to the Omitiomire resource, there are other known copper occurrences and geochemical anomalies which have not yet been tested by detailed drilling. Some of these are in areas which have been identified as possible sites for waste dumps and other infrastructure. These areas will be assessed as part of the sterilisation drilling during the DFS.

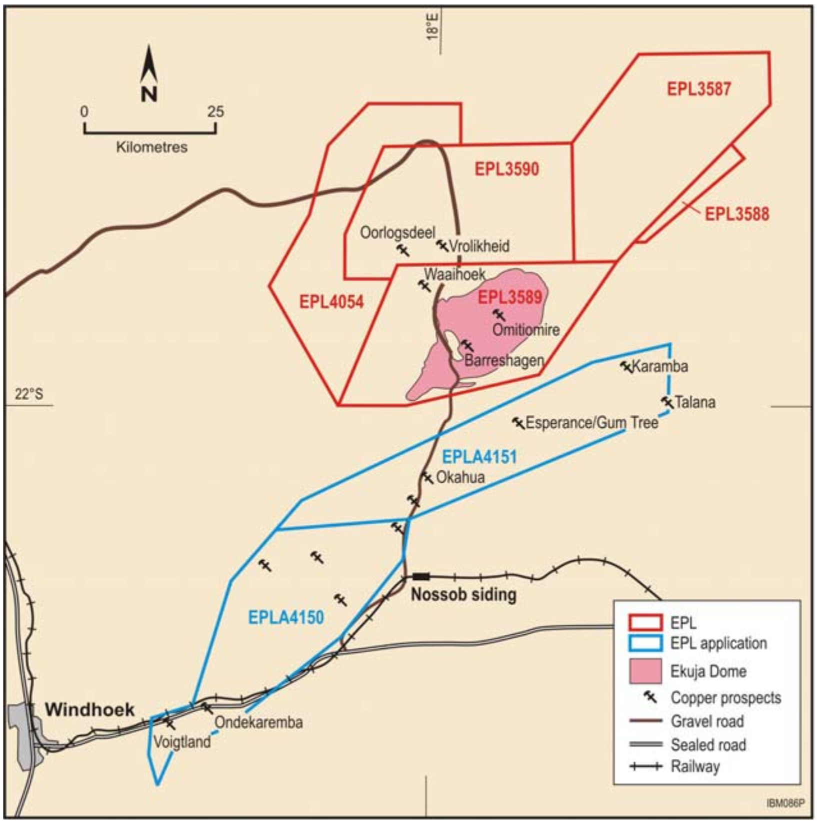
Most of the Ekuja Dome and much of the surrounding area of EPL 3589 have been covered by detailed (100m x 100m sample spacing) soil geochemical surveys, which showed widespread copper-in-soil anomalies. Some of these have been tested by a RAB drilling programme, which intersected copper mineralisation at several sites. Additional RC drilling is required to test these targets.

The results of this preliminary exploration suggest the likelihood that a resource of one million tonnes of contained copper can be defined within the Ekuja Dome.

STEINHAUSEN PROJECT

The Steinhausen Project, surrounding the Omitiomire Project, consists of four granted EPLs and two EPL applications. The tenements contain numerous known copper occurrences which are under-explored. Outcrop in the project area is extremely poor and geophysical data has been relied upon for geological interpretation. Several other known and potential basement domes, similar to the Ekuja Dome, have been identified.

IBML's exploration approach is to blanket the project area with soil geochemical surveys. To date, these have defined numerous targets for follow-up exploration



Steinhausen project area showing tenements and copper prospects

In total 11,334 samples have been collected over the Steinhausen Project area on a 400m x 400m grid. Follow-up detailed sampling and mapping around some of the best anomalies has been carried out.

EPL 3586 and 80% of EPL 3588 have been relinquished as they failed to delineate anomalous target areas for follow-up investigations.

Exploration Strategy

Mineralisation styles include:

- Omitiomire-type deposits – based on the interpretation of geophysical data, several other known and potential basement domes similar to the Ekuja Dome have been identified and require further investigation to determine if they are analogous to the Ekuja Dome.
- Sediment-hosted copper deposits – exploration targets on the quartzites and schist of the Nosib Group, which is stratigraphically related to the Zambian Copperbelt host rocks, have been outlined for assessment.
- Nickel-copper in mafic rocks represent a conceptual exploration target.
- Massive sulphide copper deposits of the Matchless Belt are at an early-stage of assessment. Targets will be identified and assessed once the EPL applications over this area are granted.

KALAHARI COPPERBELT

The Kalahari Copperbelt Project covers three distinct geological domains, all of which contain historic copper mines or prospects.

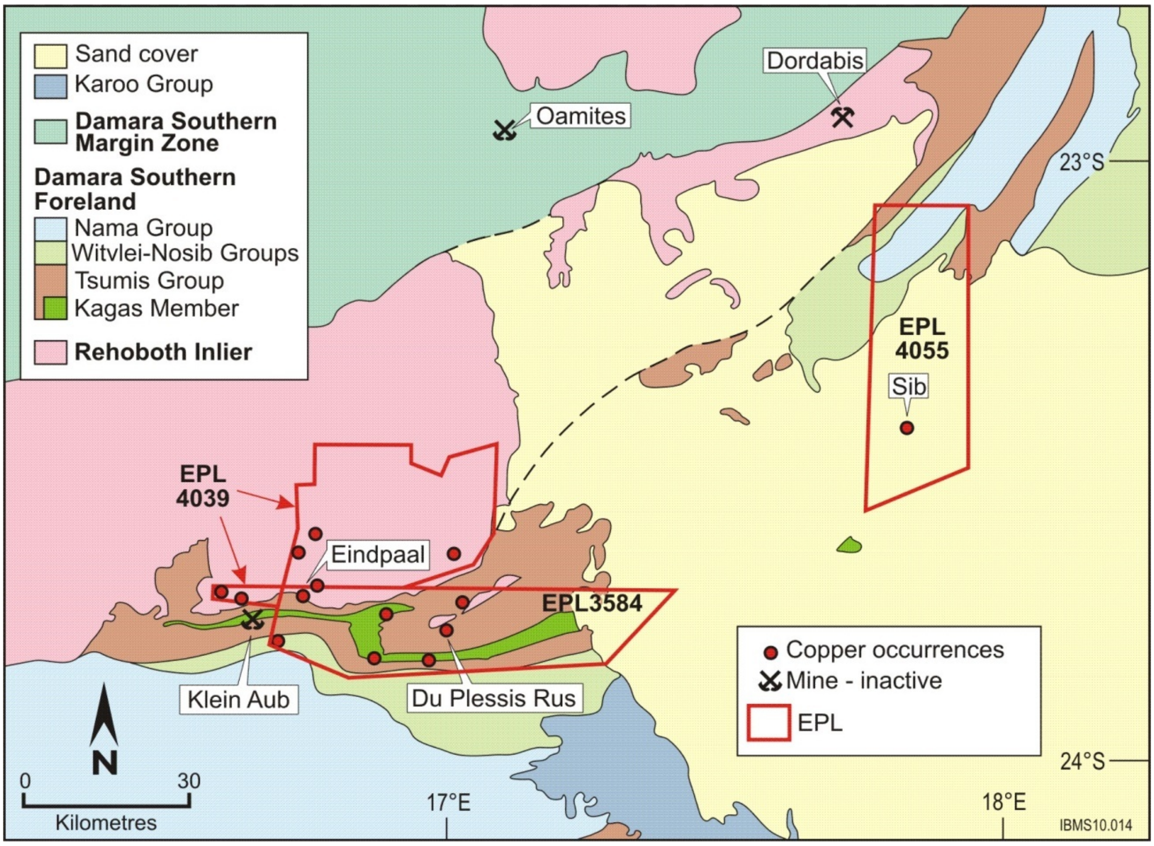
- Within EPL 3584, the Kagas Member of the Klein Aub Formation, which has been interpreted to be stratigraphically equivalent to the Zambian Copperbelt, contains regionally-extensive copper geochemical anomalies covering a strike length of over 60 km.
- EPL 4039 covers the Rehoboth Inlier, which forms the basement rocks of the Kalahari Craton on which the Damara Sequence was deposited. The Eindpaal prospect is hosted by intense potassic altered basement rocks similar to porphyry copper-style deposits.
- At the Sib prospect, in EPL 4055, sandstone-hosted copper mineralisation is exposed as two beds in a number of shallow prospecting trenches along several hundred metres of strike length.

IBML's exploration programme has involved detailed geological mapping and soil geochemical surveys aimed at delineating and prioritising targets for further work. As a result IBML did not renew EPL 3583 (Rehoboth central) or EPL 3262 (Kojeka) and has withdrawn the EPL 4057 application (Oamites). EPL 4055 was granted in April 2010.

Exploration has focussed on EPL 3584 (Rehoboth South) where soil geochemical programmes have collected around 10,000 samples over the Kagas Member. Geochemical soil sampling also commenced on EPL 4039.

Exploration Strategy

The soil geochemical programmes and geological mapping will be completed prior to more detailed investigation of geochemically anomalous areas.



Kalahari Copperbelt Project area showing tenements and prospects overlain on regional geology

KAMANJAB PROJECT

The project area encompasses EPL 3372 and newly granted EPL 4431 plus two EPL applications covering a total of 3,080 km^2. In November 2009, IBML entered into a joint venture ("JV") agreement with Antofagasta Minerals SA ("Antofagasta"), over EPL 3372.

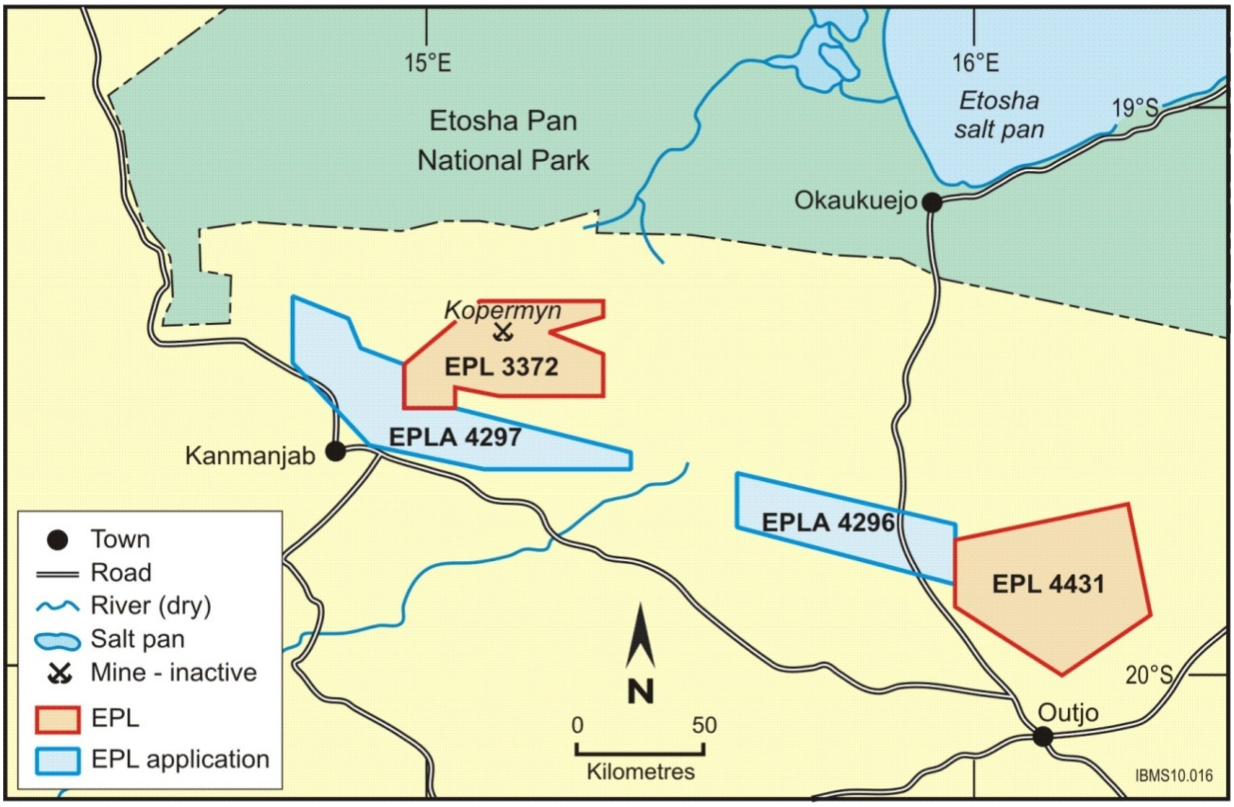
In summary, the JV terms are:

- Initial expenditure by Antofagasta of US$500,000 for initial exploration up to "proof of concept" drilling.
- Antofagasta may then elect to contribute US$1.6 million to earn a 60% interest in the tenement.
- Antofagasta can earn an 80% interest in the tenement by funding a Definitive Feasibility Study on a project within the tenement area.

The target rock sequence is poorly-exposed but reconnaissance exploration by IBML has identified copper occurrences intermittently developed over 11 km of strike. Initial drilling, carried out during April 2010, has shown widespread but low grade copper concentrations. Exploration is continuing.

Exploration Strategy

IBML's exploration strategy for EPL 3372 is to establish whether repetitions of copper mineralisation exist within the conglomerate and sandstone of the Nosib Group surrounding the Kopermyn Inlier. EPL 4431 and the two EPL applications cover a geological setting similar to the Kopermyn deposit and contain some known copper occurrences.



Location of the Kamanjab Project area

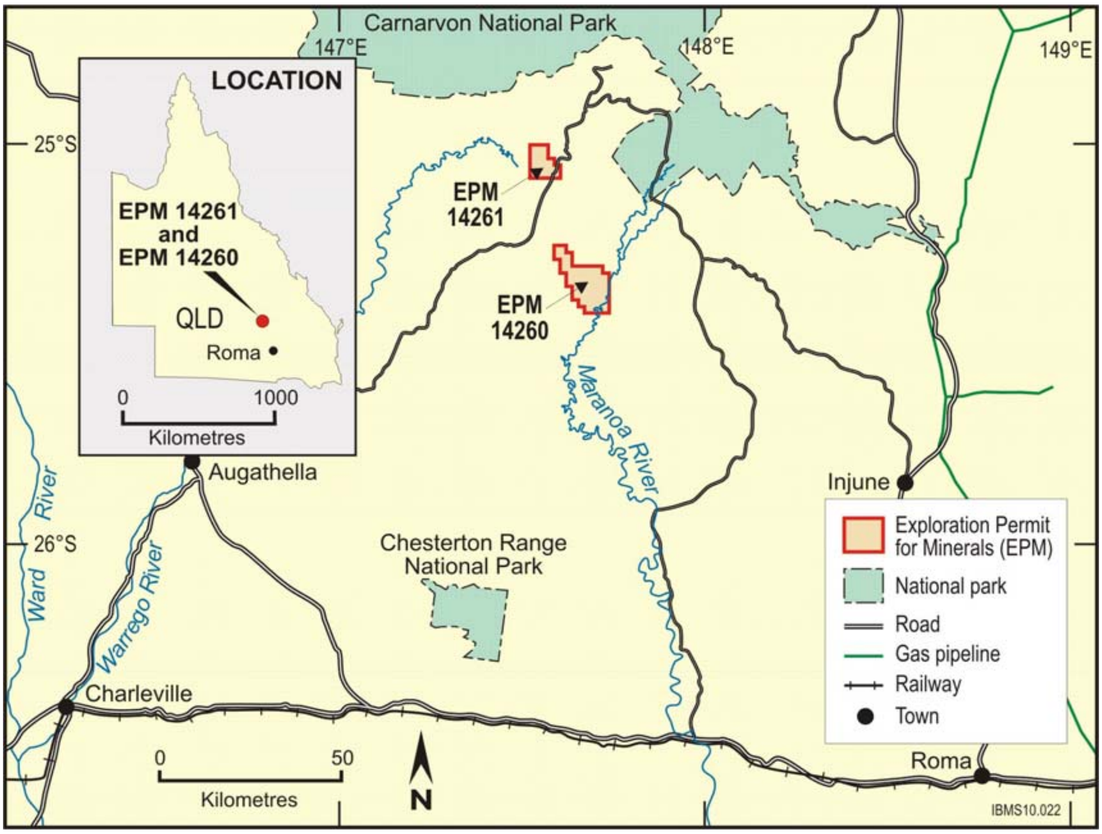
Within EPL 3372, additional expenditure on soil geochemistry, mapping, a magnetic survey and further drilling are planned. Within EPL 4431, EPLA 4296 and EPLA 4297, IBML plans to conduct regional orientation studies, geochemical sampling and geological mapping, to be followed by drilling on targets.

EXPLORATION PROJECTS IN AUSTRALIA

IBML has several early-stage exploration projects in Australia, each held in separate wholly-owned subsidiary companies.

MARANOA RESOURCES PTY LTD – QUEENSLAND

Maranoa has two granted Exploration Permits for Minerals ("EPMs") in south-central Queensland. EPM 14260 covers the Darkwater mafic-ultramafic complex, an under-explored body with known nickel concentrations and potential for discovery of nickel-copper-platinum group elements ("PGE") mineralisation. The other tenement, EPM 14261, covers a known small cobalt resource in the form of manganiferous cobalt, with potential for resource extensions.



Location of the Maranoa tenements

Exploration Strategy

Following the renewal of EPM 14260 for a further three years, IBML plans to conduct detailed ground geophysical surveys over the Darkwater ultramafic body to delineate drill targets. EPM 14261 was granted to Maranoa Resources in September 2009, and research work is being carried out for target generation.

AURICULA MINES PTY LTD – NEW SOUTH WALES

The project areas, in the Cobar district of NSW, cover historic copper workings and other targets at Mt Hope (EL 6907, EL 6868) and Shuttleton (EL 6223). The projects are the subject of JV agreements with Cobar Mines Management Pty Ltd, which manages exploration of the tenements.

PERSONNEL, ENVIRONMENT, COMMUNITY

Our People

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

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

Environment

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

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

Community

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

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

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

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

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

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

EXPLORATION TENEMENTS

NAMIBIA

Tenement Number	Tenement Name	Application Date	Grant Date	Expiry Date	Area km²
Ekuja Dome Project					
EPL 3589	Omitiomire - SW	17.11.2005	26.04.2007	25.04.2012	988
Steinhausen Project					
EPL 3587	Mabela – N	17.11.2005	26.04.2007	25.04.2012	979
EPL 3588	Glenorkie - NE	17.11.2005	26.04.2007	25.04.2012	73
EPL 3590	Oorlogsdeel - NW	17.11.2005	26.04.2007	25.04.2012	985
EPL 4054	Hochfeld	09.04.2008	27.04.2010	26.04.2013	763
EPLA 4150	Seeis	01.08.2008			981
EPLA 4151	Karamba	01.08.2008			960
Kalahari Copperbelt Project					
EPL 3584	Rehoboth South	17.11.2005	26.04.2007	25.04.2010*	983
EPL 4039	Nomeib	02.04.2008	01.07.2008	30.06.2011	886
EPL 4055	Sib	09.04.2008	27.04.2010	26.04.2013	938
Kamanjab Project					
EPL 3372	Kopermyn	13.05.2005	13.12.2005	12.12.2010	856
EPL 4431	Tzamin	1.02.2010	25.06.2010	24.06.2013	938
EPLA 4296	Tzaus	19.06.2009			499
EPLA 4297	Vaalberg	19.06.2009			787

AUSTRALIA

Cobar Project NSW					
EL 6223	Shuttleton	21.11.2003	05.04.2004	04.04.2010*	38
EL 6868**	Mt Hope South	21.03.2003	06.09.2007	06.09.2011	51
EL 6907**	Mt Hope	21.03.2003	11.10.2007	11.10.2011	135
Maranoa Project Queensland					
EPM 14260	Darkwater	24.09.2003	13.04.2005	12.04.2013	155
EPM 14261	Mt Tabor	24.09.2003	29.09.2009	28.09.2014	62

* *Renewal application lodged.*

** *Tenement held by Actway Pty Ltd*

ZAMIA METALS LIMITED (IBML 8.66 %) As at 10 September 2010

Zamia Metals Limited ("Zamia") has a substantial portfolio of exploration tenements covering over 1,400 km² in the Clermont District of central Queensland. Zamia has discovered the Anthony molybdenum deposit and has released in September 2010 a significant increase in the resource estimates for this porphyry-style deposit. Based on 54 drill holes completed by Zamia to date, H&S have produced a new JORC compliant resource of 130 Mt at a 0.02% (200 ppm) Mo cut-off grade.

For further information on Zamia and its projects – see www.zamia.com.au

COPPER RANGE LIMITED (IBML 1.5%) As at 10 September 2010

Copper Range is an ASX-listed company (ASX: CRJ) with a portfolio of exploration tenements in South Australia, Northern Territory and Brazil. During the year, CRJ revealed that its Adelaide Fold Belt tenements contained significant potential for iron ore.

Further information is available at www.copperrange.com.au.

GLOSSARY OF TERMS AND ABREVIATIONS

Alteration	A change in the chemical and mineralogical composition of a rock commonly brought about by reaction with hydrothermal solutions
Anomaly	A value (e.g. of geochemical and geophysical parameters) significantly higher than the norm
ASX	Australian Securities Exchange Limited
Basement	Older, usually metamorphic, rocks beneath younger strata
Basin	A broad sub-continental depression in which sediments are deposited. The Gulf of Carpentaria and the Coral Sea are present-day examples
Bed	Layering in sedimentary rocks
Belt	A large linear body of rocks
Biotite	A common black mica mineral
Bornite	Copper – iron sulphide [Cu_5FES_4]
Breccia	A rock consisting of large angular fragments cemented together. Fragmentation ("brecciation") can be caused by processes such as faulting, igneous intrusion and hydrothermal activity
Chalcocite	Copper sulphide [Cu_2S]
Chalcopyrite	The most common ore mineral of copper [$CuFeS_2$]
Concentrate	The product of metallurgical upgrading of minerals by various mineral separation processes
Conglomerate	A coarse grained sedimentary rock consisting of cemented pebbles and cobbles
Craton	A large, geologically-stable block of continental crust
Cut-off grade	The lowest grade to which a mineral deposit can be economically mined
Definitive Feasibility Study ('DFS')	A study of the likely viability of a mineral project often based on costs to $\pm$ 10% to 15% accuracy
Dense medium separation ('DMS')	A mineral separation process whereby denser material is separated from less dense material
Diamond drilling	Recovery of drill core using a hollow drilling bit studded with industrial diamonds
Dip	The angle below the horizontal of a tilted unit of strata
Dome	A body of old rocks surrounded by younger rocks (See also 'Inlier')
Exploration Licence ('EL')	A mineral exploration tenement conferred by the New South Wales or South Australian government
Exploration Permit for Minerals ('EPM')	A mineral exploration tenement conferred by the Queensland government
Exclusive Prospecting Licence ('EPL')	A mineral exploration tenement conferred by the Namibian government
Fault	A break in a rock sequence, along which there has been movement
Feldspar	Common rock-forming minerals composed of silicates of potassium, sodium and calcium with aluminium
Felsic	Pale in colour, rich in "felsic" minerals such as quartz and feldspar
Flotation	A commonly-used mineral separation process whereby crushed and ground metal sulphide minerals are liberated from barren minerals
Formation	A geologically mappable unit of rock strata
Geochemical survey	Prospecting techniques which measure the concentrations of certain metals in soil and rocks, and define anomalies for further testing
Geophysical survey	Prospecting techniques which measure physical properties of rocks (e.g. magnetic susceptibility, electrical conductivity) and define anomalies for further testing
Gneiss	Metamorphic rocks formed under intense heat and pressure
Grade	The concentration of a metal in a mineral deposit
Inlier	A large body of older "basement" rocks surrounded by younger strata
Intrusion	A mass of igneous rock which, while molten, was forced into or between other rocks
Mafic	Dark in colour. "Ultramafic" refers to very dark igneous rocks
Magnetic survey	A geophysical survey which measures variations in the Earth's magnetic field, caused by variations in the magnetic susceptibility of the rocks
Malachite	A basic copper carbonate mineral, formed in the oxide zone of copper deposits
Metamorphism	The processes by which rocks become mineralogically and texturally altered under the influence of heat and pressure
Mineralisation	The processes by which ore minerals are emplaced into rocks
Mining Licence	A tenement, conferred by the Namibian government, which permits the holder to carry out mining operations
Oxide zone	The upper, weathered portion of a mineral deposit, wherein metal sulphide minerals have been converted ("oxidised") to metal oxide , sulphate, carbonate, etc minerals
Porphyry	An intrusive igneous rock with conspicuous crystals in a fine grained groundmass
Porphyry deposit	Referring to a common style of copper and molybdenum deposits, related to bodies of porphyry

Pre-feasibility study ('PFS')	A preliminary study of the commercial feasibility of a mining and processing operation
Quartz	A very common mineral composed of silicon and oxygen [SiO_2]
Quartzite	A metamorphic rock formed by metamorphism of sandstone
Reserve	An estimate of tonnage and grade of an orebody, based on detailed sampling and measurement. The categories Proven and Probable reflect the degree of uncertainty
Resource	An estimate of the tonnage and grade of a mineral deposit, but not implying that it can all be profitably mined. The categories Measured, Indicated and Inferred reflect the degree of uncertainty
Reverse circulation ('RC') drilling	A percussion drilling technique in which rock cuttings are recovered through the centre of hollow drill rods, thus minimising sample contamination
Rotary air blast ('RAB') drilling	A shallow percussion drilling technique
Sandstone	A common sedimentary rock made of cemented sand grains
Schist	A common metamorphic rock with parallel orientation of mica minerals
Sedimentary	Rocks formed at the Earth's surface by deposition of sediment
Sequence	A package of rock strata
Strike	The trend of a unit of strata
Strata	Superimposed layers of sedimentary rocks. Hence "stratigraphic"
Stratabound	Hosted by strata and usually broadly parallel to bedding
Supergene	Processes by which minerals become altered (and commonly upgraded) due to weathering, but occurring below the oxide zone
Tenements	A mining or mineral exploration title, conferred on the holder by government
Vein	A tabular or sheet-like mineral-filled fracture

CORPORATE GOVERNANCE STATEMENT

International Base Metals Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Second edition August 2007) for the entire 2010 financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below. The Company's 'Corporate Governance Plan' including Policies and Committee Charters are disclosed on its website (www.interbasemetals.com).

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chairperson should be an independent director.	No	3
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	3
2.4	The Board should establish a nomination committee.	No	4
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	5
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	3-5
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Yes	6
	• The practice necessary to maintain confidence in the company's integrity;	Yes	
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of their stakeholders;	Yes	
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	7
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	Yes	6-7
4.1	The Board should establish an audit committee.	Yes	8
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors;	No	8
	• consists of a majority of independent directors;	No	8
	• is chaired by an independent chair who is not chair of the Board;	Yes	8
	• has at least three members.	No	8
4.3	The audit committee should have a formal charter.	Yes	8
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	8
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	9
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	9
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	10
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	10
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	11

		Complied	Note
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	11
7.3	Disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	12
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	11-12
8.1	Establish a remuneration committee.	No	13
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	14
8.3	Provide the information indicated in Guide to reporting on Principle 8.	Yes	13-14

Notes

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

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

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

3. The Company was not totally compliant with this principle for the whole year. Dr James Macdonald was for the major part of the year Executive Chairman up until the appointment of a new Managing Director Mr Frank Bethune in August 2010. Mr Alan Humphris is a Non-Executive Director while the other Directors are not independent Directors. Mr Frank Bethune is the Managing Director, Dr Ken Maiden is an Executive Director while Dr Deng Jiniu and Mr Chen Qiang are associated directly or indirectly with one of the Company's substantial shareholders and therefore not independent Directors The Board believes however that the people on the Board can and do make independent judgments in the best interests of the Company at all times.

4. The Company does not currently have a nomination committee but has adopted a Nomination Committee Charter and plans to form this Committee in the near future. Presently all Board nomination matters are considered by the whole Board.

5. The Nomination Committee when formed will arrange a performance evaluation of the Board, its Committees and its individual Directors on an annual basis. To assist in this process an independent advisor may be used.

   The Nomination Committee will conduct an annual review of the role of the Board, assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively.

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

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

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

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

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

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

8. The Company has adopted an 'Audit and Risk Committee Charter' with the Committee chaired by Mr Alan Humphris a Non-executive Director and with one other member Dr James Macdonald, Executive Chairman for the major part of the year.

9. Although the Company shares are not yet listed on the ASX the Company has adopted a policy on 'Disclosure-Continuous Disclosure' designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

   The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

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

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

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

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

    - identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks.
    - Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
    - Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

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

13. The Company has not yet established a remuneration committee but the Board has adopted a 'Remuneration Committee Charter' with the aim of establishing a committee in the near future.

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

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

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

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

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of International Base Metals Limited ('IBML') and the entities it controlled at the end of or during the year ended 30 June 2010.

DIRECTORS

The following directors in office at any time during or since the end of the year are:-

Dr Alasdair James Macdonald

Non-executive Chairman (appointed on 1 September 2008). Executive Chairman from 17/11/2009 to 3/8/2010 on appointment of incoming Managing Director

Qualifications: BA, MSc, PhD

Experience: A geologist by training, James Macdonald had extensive mine and exploration geological experience in Mexico, Canada and the USA before completing a PhD in economic geology at the University of Toronto. Subsequently, he worked for the Ontario Geological Survey and the Mineral Deposit Research Unit at the University of British Columbia. From 1994, he developed a corporate career, initially with Homestake Mining Company in Chile, then with Billiton International and BHP Billiton, with broad experience in exploration management, project assessment and strategic planning.

James brings a wealth of international geological and exploration experience to the Board.

Special responsibilities: Member of the Audit Committee

Interest in shares and options: 416,612 ordinary shares and 1,500,000 options.

Other current directorships: Chairman of Clancy Exploration Limited

Mr Frank Bethune

Managing Director (appointed 3 August 2010)

Qualifications: BSc, MSc

Experience: Surface Mining Manager for AngloGold Ashanti Australia since 2006, based in Perth, WA. Prior to this, Frank was Mine Manager at Sunrise Dam, also in WA. From 1997 to 2004, Frank was General Manager at AngloGold's Navachab Mine in Namibia and a Director of AngloGold Namibia (Pty) Ltd. From 1991 to 1997, Frank was employed by Anglovaal Limited, as Senior Mining Engineer in head office (Johannesburg), as Head of Department Mining and Mine Planning (Lavino underground chrome mine) and Manager Iron Ore (Beeshoek mine), in South Africa. Frank was employed from 1989 to 1991 as a mining engineer by Rössing Uranium Limited, part of the Rio Tinto Group, in Namibia. From 1982 to 1989, Frank worked for Anglo American Corporation at the Western Deep Levels gold mine in South Africa.

Frank brings essential skills sets to IBML, particularly in the fields of Mining Engineering and Management. In addition his several years of experience in Namibia, including his knowledge of and familiarity with key stakeholders in that country will be of considerable benefit to the company.

Interest in shares and options: Nil

Dr Deng Jiniu

Non-executive Director

Qualifications:	BSc, PhD
Experience:	Dr Deng Jiniu is a well-known professorial senior engineer with a doctorate degree from the Chinese University of Geosciences. He has held the position of Chief Geologist and Executive Director of Western Mining Co Ltd from 2000 to 2008 and since 2006 has been Chairman and Managing Director of Qinghai West Resources Co Ltd and Chairman of Qinghai West Rare & Precious Metals Co Ltd. His exploration successes have included the discovery of lead-zinc in the Xitieshan deposit, nickel in the Hami Tulaergen deposit of Xinjiang province, and copper and lead-zinc in the Huogeqi deposit of Inner Mongolia. Dr Deng has been honoured with numerous scientific and business awards in China. Dr Deng brings to the Board extensive geological, mining and business experience.
Interest in shares and options:	375,000 ordinary shares and 2,000,000 options

Dr Kenneth John Maiden

Executive Director

Qualifications:	BSc, PhD
Experience:	Since completing a doctoral thesis on the Broken Hill orebody, Ken has had 37 years professional experience - as an exploration geologist with major resource companies (CSR and MIM), as an academic (University of the Witwatersrand, Johannesburg) and as a mineral exploration consultant. Ken has participated in successful base metal exploration programmes in South Australia, Queensland, southern Africa and Indonesia. Ken brings particular strengths in project generation to the Board. He has established mineral exploration companies in Southern Africa, South Australia and Queensland, and is a founding director of International Base Metals Limited. Ken is a Fellow of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscientists and a Fellow of the Society of Economic Geologists.
Interest in shares and options:	11,168,557 ordinary shares and 2,750,000 options
Other current directorships:	Executive Chairman of Zamia Metals Limited

Alan Humphris

Non-executive Director (appointed on 30 July 2009)

Qualifications:	BSc, BEc, LLM
Experience:	Alan Humphris is an investment banker with more than 30 years experience in Australian and international markets. He is Managing Director of Balmoral Capital Pty Limited, an investment banking firm specialising in providing corporate advisory services which he founded in 1997 following a career in merchant banking with JP Morgan and Hambros Australia.
Special responsibilities:	Chairman of the Audit Committee
Interest in shares and options:	275,000 ordinary shares
Other current directorships:	Alan Humphris is a Non-executive director of Zamia Metals Limited, Rey Resources Limited and ASF Group Limited

Chen Qiang

Alternate Director to Dr Deng Jiniu

Qualifications:	BSc, MSc
Experience:	Mr Chen is Managing Director of West Minerals Pty Ltd, one of the Company's largest shareholders. Mr Chen, a resident of Perth, has extensive experience in international commodities trading and private equity investment. In the 1990's he was the Marketing Manager of China Metallurgical Import and Export Corporation.
Interest in shares and options:	Nil
Other current directorships:	Chen Qiang is an Alternate Director to Dr Deng Jiniu and a Non-executive director of Zamia Metals Limited

Stephen Edward Blackman

Executive Director (resigned 17 November 2009)

Peter Bradford

Non-executive Director (resigned 30 November 2009)

Company Secretary

John Stone

Qualifications:	BEc
Experience:	John has over 30 years' experience in the Australian and international corporate markets. He has been a director and company secretary for private and public listed companies.
Interest in shares:	828,125 ordinary shares and 300,000 options

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director while they were a director. During the financial year 8 Board meetings and 2 Audit Committee meetings were held.

	Full meetings of Directors		Meetings of Audit Committee Audit	
	A	**B**	**A**	**B**
Dr Alasdair James Macdonald	8	8	2	2
Dr Deng Jiniu	1	1	-	-
Kenneth Maiden	8	8	-	-
Alan Humphris	8	8	2	2
Chen Qiang as alternate for Dr Deng	7	7	-	-
Stephen Blackman	3	3	-	-
Peter Bradford	2	2	-	-

A. Number of Meetings held during the time the director held office or was a member of the committee during the year

B. Number of meetings attended

Principal activities

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

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

Dividends

No dividends have been declared in the 2010 financial year (2009: no dividend declared).

Review of operations and activities

Financial

For the financial year ended 30 June 2010, the consolidated entity's net loss after taxation was $5,082,604 (2009:$5,270,685). Exploration expenditure on Australian and Namibian tenements in the 2010 financial year was $3,589,713 (2009:$2,294,342) and was fully expensed rather than capitalised, which Directors believe is more relevant with understanding the Company's financial position, complies fully with AASB 6 and is cash flow neutral.

Exploration activities

A review of the Group's exploration activities in Namibia and Australia is set out on pages 7-13.

Corporate activities

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

The Company has continued to use Balmoral Capital - Sinonew Capital Advisory as its financial advisers and to assist with the raising of equity funds via placements.

West Minerals Pty Ltd, the Company's cornerstone investor, exercised its options over 6,250,000 ordinary shares in July 2009 at $0.08 raising $2.5 million. Additional placements during the year raised a further $4.5 million.

Planning is in progress for an IPO and ASX listing during the 2011 financial year.

The Company continues to be very transparent in its need to raise capital progressively to maintain its targeted exploration activities. As an exploration company, IBML recognises the need to modify planned activities in the light of market conditions and the availability of capital.

During the financial year, the Group conserved working capital by the payment of outstanding creditors and payables to consultants from the previous year with share based payments of $95,833.

As at 30 June 2010, the number of listed ordinary shares was 309,290,812 (2009: 238,926,234). There are 24,500,000 unquoted options which can be exercised up until 2 October 2013.

Significant changes in state of affairs

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

Likely developments and expected results of operations

Additional comments on likely and expected results of operations of the Group are included in this annual report under the 'Review of operations' on page 7-13.

After balance date events

On 2 July 2010, a placement of 6,666,667 ordinary shares at $0.15 raised $1 million.
Advanced planning has taken place for an IPO and listing on the ASX during the 2011 financial year.

Environmental regulations

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

Remuneration Report – Audited

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year were:-

Dr Alasdair James Macdonald	Executive Chairman Non-executive Chairman	Executive Chairman from 17/11/09 to 3/8/2010 until appointment of incoming Managing Director Appointed 1 September 2008
Frank Bethune	Managing Director	Appointed 3 August 2010
Stephen Edward Blackman	Managing Director	Resigned 17 November 2009
Dr Kenneth John Maiden	Executive Director	
Dr Deng Jiniu	Non-executive Director	
Alan Humphris	Non-executive Director	Appointed 30 July 2009
Peter Bradford	Non-executive Director	Resigned 30 November 2009
Chen Qiang	Alternate to Dr Deng Jiniu	
John Stone	Company Secretary	
Barry Neal	Chief Financial Officer	Confirmed 6 July 2010
Karl Hartmann	Director and Exploration Manager, Craton Mining and Exploration (Pty) Ltd	
Sigrid Hartmann	Director, Craton Mining and Exploration (Pty) Ltd	

Remuneration Policy

The Board determine the remuneration policy applicable to each executive as and when required based on market rates and funding available. Currently all executive key management personnel are contractors to the Company and all were appointed under arms length agreements acceptable to both parties.

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

Details of remuneration

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

Remuneration – Key management personnel of the Group 2010

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

* *To be paid as a share-based payment as per service contract following shareholder approval at 2010 AGM. Share-based payment is not performance related.*

** *Directors of controlled entity Craton Mining and Exploration (Pty) Ltd*

(a) Non-executive Chairman from 1/7/09-17/11/09, Executive Chairman from 17/11/09 to 3/8/2010.

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

Remuneration – Key management personnel of the Group 2009

	Short-term benefits *	Post-employment benefits	Share-based payments**				% Rumun-eration consisting of Options
	Cash, salary and fees $	Super-annuation $	Equity $	Options $	Termin-ation benefit $	Total $	
***Executive* Directors**							
Stephen Blackman	139,145	66,688	56,771	-	-	262,604	-
Kenneth Maiden	104,561	66,383	51,094	-	-	222,038	-
	243,706	133,071	107,865	-	-	484,642	-
Non-executive Directors							
Dr Alastair James Macdonald (appointed 01/09/08)	-	-	33,333	7,236	-	40,569	17.84
Dr Deng Jiniu	-	-	30,000	-	-	30,000	-
Ian Daymond (resigned 06/12/08)	20,550	1,125	-	-	-	21,675	-
Peter Bradford (appointed 01/09/08)	-	-	25,000	4,824	-	29,824	16.17
	20,550	1,125	88,333	12,060	-	122,068	34.01
Kart Hartmann, Exploration Manager	187,689	-	118,974	-	-	306,663	-
John Stone , Company Secretary	59,800	-	-	-	-	59,800	-
Geoffrey Broomhead (until 18/12/2008)	140,821	10,769	47,687	-	-	199,277	-
Garry Baglin (resigned 30/06/09)	69,711	5,807	-	-	46,240	121,758	-
Robert Ilchik	89,258	5,625	-	-	-	94,883	-
Charlotte Seabrook (resigned 03/10/08)	34,621	2,363	-	-	-	36,984	-
	581,900	24,564	166,661	-	46,240	819,365	-
Total Key Management Remuneration	**846,156**	**158,760**	**362,859**	**12,060**	**46,240**	**1,426,075**	**34.01**

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

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

Service Contracts

Remuneration and other terms of employment for the Chairman Dr James Macdonald (while Executive Chairman pending the appointment of a new Managing Director), the Managing Director Mr Frank Bethune (appointed 3 August 2010), Executive Director Dr Ken Maiden and Mr Karl Hartmann, Exploration Manager of the Company's fully owned subsidiary Craton Mining and Exploration (Pty) Ltd are formalised in service agreements.

The major provisions of the agreements are set out below:-

Name	Term of agreement	Base fees	Termination Benefit
Dr James Macdonald, Executive Chairman	From 1 Dec 2009 until appointment of new Managing Director	$800 per day with an additional $450 per day payable by the issue of ordinary shares in the company at no consideration with the shares to be issued within 14 days of the end of the term.	Not applicable
Mr Frank Bethune, Managing Director	From 3 August 2010	On appointment $325,000 p.a. plus superannuation; and 750,000 rights to ordinary shares in the company to be issued for no consideration and to be forfeited in the case of resignation within two years of appointment; and On listing of the Company on the ASX an increase in base fees to $350,000, a $30,000 cash bonus plus super entitlements, and the issue of 100,000 ordinary shares at no consideration. Share rights (options) to acquire 6.7 million ordinary shares on various conditions, and exercise prices.	12 months salary and superannuation plus leave entitlements
Dr Ken Maiden, Executive Director	From 1 April 2010 expiring on 31 December 2010	A retainer of $7,500 per month plus a daily consulting rate of $300 per day of service provided with the consulting fee to be reviewed every six months from date of appointment	Not applicable
Mr Karl Hartmann, Exploration Manager Craton Mining and Exploration (Pty) Ltd	From 1 April 2010 and expiring on 31 December 2011 but may be extended beyond this date on terms agreeable to both parties	US$12,500 per month with a review every six months from the date of commencement of the agreement	3 months notice to be given by either party for termination without cause, no termination payments apply

Other executives (standard contracts)

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

Options Granted as Remuneration

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

Shares Issued on Exercise of Remuneration Options

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

END OF AUDITED REMUNERATON REPORT

Shares under option

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

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

Shares Issued on Exercise of Options

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

Indemnifying and insurance of directors and officers

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

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

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non-audit services

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

Details of the amounts paid or payable to the auditor BDO Audit (NSW-Vic) Pty Ltd for non-audit services provided during the year during the year was $nil.

Auditor Independence declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and is set out on page 32 of the financial report.

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

27 September 2010

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Australia

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

As lead auditor of International Base Metals Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Jeff Abela
Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 27 September 2010.

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INDEPENDENT AUDITOR'S REPORT

To the members of International Base Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of International Base Metals Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred a net loss of $5,082,604 during the year ended 30 June 2010 and, as of that date, the consolidated entity has cash available for use of $2,094,667. These conditions, along with other matters set forth in note 1(b), indicate the existence of a material uncertainty about the consolidated entity's ability to continue as a going concern. The ability of the consolidated entity to continue as a going concern is dependent upon future fundraising.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 30 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of International Base Metals Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

Jeff Abela.

Jeff Abela

Director

Sydney, 27 September 2010

DIRECTORS' DECLARATION

The directors of the company declare that:

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

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

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date.

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

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

4. The remuneration disclosures included in pages 28 to 30 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001.*

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

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

Dr A. James Macdonald
Non-Executive Chairman

27 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
Revenue from continuing operations	4	311,116	1,059,304
Other income	5	35,591	12,199
Expenditure			
Administrative expenses		(810,764)	(871,484)
Exploration expenditure	6	(3,589,713)	(2,294,342)
Depreciation and amortisation expense	6	(70,720)	(97,425)
Consultants' expense		(121,237)	(383,297)
Financial and legal advice		(33,203)	(66,960)
Occupancy expenses		(354,304)	(209,725)
Financial expenses – related party		-	(24,658)
Employee benefits expense		(449,370)	(1,945,760)
Share based payments	6	-	(448,537)
Loss before income tax		(5,082,604)	(5,270,685)
Income tax	7	-	-
Loss for the year		**(5,082,604)**	**(5,270,685)**
Other Comprehensive Income			
Changes in the fair value of available-for-sale financial assets			
• Revaluation		484,055	(1,202,981)
• Reclassification		23,850	-
Exchange differences on translation of foreign currency		(27,974)	(54,043)
Total other comprehensive income/(loss)		**432,231**	**(1,257,024)**
Total Comprehensive (loss) for the year		**(4,650,373)**	**(6,527,709)**
Earnings per share			
Basic and diluted loss per Share	30	($0.02)	($0.03)

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	30 June 2010 $	30 June 2009 adjusted $	1 July 2008* adjusted $
Current Assets				
Cash and cash equivalents	9	2,094,667	297,837	2,492,699
Trade and other receivables	10	311,323	72,127	204,583
Other current assets	11	33,526	-	-
Total Current Assets		2,439,516	369,964	2,697,282
Non-current Assets				
Available-for-sale financial assets	12	850,695	390,490	1,183,875
Plant and equipment	13	161,863	122,501	204,205
Other assets	14	160,325	164,915	164,162
Total Non-current Assets		1,172,883	677,906	1,552,242
Total Assets		3,612,399	1,047,870	4,249,524
Current Liabilities				
Trade and other payables	15	586,826	297,053	699,440
Short-term provisions	16	33,329	45,533	85,878
Total Current Liabilities		620,155	342,586	785,318
Total Liabilities		620,155	342,586	785,318
Net Assets		2,992,244	705,284	3,464,206
Equity				
Contributed equity	17	24,300,293	17,362,960	13,838,710
Reserves	18	(111,567)	(543,798)	468,689
Accumulated losses	18	(21,196,482)	(16,113,878)	(10,843,193)
Total Equity		2,992,244	705,284	3,464,206

* See Note 8 for details of correction of errors in financials for the 2009 year.

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2010

Consolidated Group

	Note	Share Capital $	Accumulated loss $	Other Reserves $	Total Equity $
Balance at 1 July 2008		13,838,710	(11,939,700)	1,565,196	3,464,206
Correction of error	8		1,096,507	(1,096,507)	-
Restated total equity at the beginning of the financial year		**13,838,710**	**(10,843,193)**	**468,689**	**3,464,206**
Total comprehensive (loss) for the year as reported in the 2009 financial statements		-	(5,270,685)	(1,257,024)	(6,527,709)
Transactions with owners in their capacity as owners					
Shares issued during the year		2,847,525	-	-	2,847,525
Share issue costs		(66,484)	-	-	(66,484)
Options exercised		312,500	-	-	312,500
Share based payments		430,709	-	244,537	675,246
		3,524,250	-	244,537	3,768,787
Balance at 30 June 2009		**17,362,960**	**(16,113,878)**	**(543,798)**	**705,284**
Balance at 1 July 2009		**17,362,960**	**(16,113,878)**	**(543,798)**	**705,284**
Total comprehensive (loss)/income for the year		-	(5,082,604)	432,231	(4,650,373)
Transactions with owners in their capacity as owners					
Shares issued during the year		7,000,000	-	-	7,000,000
Share issue costs		(158,500)	-	-	(158,500)
Share based payments		95,833	-	-	95,833
		6,937,333	-	-	6,937,333
Balance at 30 June 2010		**24,300,293**	**(21,196,482)**	**(111,567)**	**2,992,244**

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		51,085	528,620
Payments to suppliers and employees		(1,430,680)	(3,471,336)
Payments for exploration expenditure		(3,613,566)	(2,348,383)
Interest received		73,428	67,814
Interest paid		-	(24,658)
Prepaid capital raising cost		(33,526)	-
Net cash(used in) operating activities	**28**	**(4,953,259)**	**(5,247,943)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(110,402)	(16,356)
Proceeds from sale of property, plant and equipment		-	1,308
Proceeds from the sale of available-for-sale financial assets		15,900	-
Security deposit recouped/(paid)		4,591	(754)
Net cash(used in) investing activities		**(89,911)**	**(15,802)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,000,000	3,135,367
Cost of capital raising		(160,000)	(66,484)
Net cash provided by financing activities		**6,840,000**	**3,068,883**
Net increase/(decrease) in cash held		1,796,830	(2,194,862)
Cash at the beginning of the financial year		297,837	2,492,699
Cash at the end of the financial year	**9**	**2,094,667**	**297,837**

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. They were authorised for issue in accordance with a resolution of Directors on 27 September 2010.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

Financial statement presentation

The group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Separate financial statements for International Base Metals Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for International Base Metals Limited as an individual entity is included in Note 19.

(b) Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.
The net loss after income tax for the consolidated entity for the financial year ended 30 June 2010 was $5,082,604 (2009: $5,270,685).

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

a) In the financial year the Company raised funds from share placements resulting in a net cash injection of $6,840,000; a further $1 million was raised in early July 2010 from a share placement;

b) The Group had $2,094,667 in cash at 30 June 2010;

c) The Company is currently in the process of preparing a prospectus for an IPO and a listing of the Company's shares on the ASX in the 2011 financial year. The company is seeking to raise sufficient funds to fund planned expenditure on the Group's Namibian tenements and to provide working capital;

d) the Group has budgeted for the period from 1 July 2010 to 30 September 2010 for expenditure of $22.6 million.

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

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

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of International Base Metals Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. International Base Metals Limited and its subsidiary together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

The acquisition method of accounting is used to account for the acquisition for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balance

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

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

(iii) Group companies

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

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

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

(e) Revenue Recognition

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

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

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

(f) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted at the end of the reporting period based on the applicable income tax rates for each jurisdiction where the Company and its subsidiaries operate and generate income.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(g) Exploration and development expenditure

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

(h) Impairment of assets

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

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

(i) Cash and cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown with short-term borrowings in current liabilities.

(j) Financial instruments

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired, in the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

Fair value

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

(k) Plant and equipment

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

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

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

Depreciation

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

Parent and Australian registered subsidiaries

Furniture & fitting	20-50%
Office equipment	5-37.5%
Computer software and equipment	33.3-50%

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are recognised in profit or loss. When re-valued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

(l) Trade and other payables

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

(m) Provisions

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

(n) Operating Leases

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

(o) Borrowing

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

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

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

(p) Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Employee benefits

Short-term obligations

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

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

Share-based payments

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

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

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

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

(r) Contributed equity

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

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(t) Goods and services tax

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

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

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

(u) Critical accounting estimates and judgements

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

) **Key estimates – Impairment**

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

Key estimates – Options

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

impairment of other receivables

The directors have reviewed outstanding debtors as at 30 June 2010 and have formed the opinion that not all debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables should be made in the accounts of the parent of $2,183,410 being debts owing by subsidiaries to the parent entity. Refer to Note 19(b).

Key judgements – Income tax

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

Key judgements – exploration expenses

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

(v) Adoption of new and revised accounting standards

During the current year the Group adopted new and revised standards Australian Accounting Standards applicable to its operations which became mandatory.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed. Below is an overview of the key changes and the impact on the Group’s financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the ‘management approach’ to the identification measurement and disclosure of operating segments. The ‘management approach’ requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity’s chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The adoption of the ‘management approach’ to segment reporting has resulted in the identification of two reportable segment consistent with the prior year. (Refer Note 3).

AASB 101: Presentation of financial statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group’s financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

he Group’s financial statements now contain a statement of comprehensive income.

ther comprehensive income — The revised version of AASB 101 introduces the concept of ‘other comprehensive income’ hich comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting tandards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are equired to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 01 did not contain an equivalent concept.

AASB 2009–2: *Amendments to Australian Accounting Standards — Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038)*

Only the change to AASB 7 which require enhanced disclosure about fair value measurements and liquidity risk will impact on the Group. This makes amendments to the requirements of AASB 7: Financial Instruments: Disclosures. The additional disclosures are intended to draw the reader’s attention to the fair value measurement inputs involved in valuation of financial instruments recognised in the financial statements and the extent to which such inputs were drawn from observable market information. Additional disclosures required include the following:

- the carrying values of financial instruments categorised into the following hierarchy, which is based on the derivation of valuation inputs used in fair value measurement:
  - Level 1: quoted prices in active markets for the same instrument (ie without modification or repackaging);
  - Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
  - Level 3: valuation techniques for which any significant input is not based on observable market data;
- the fair value measurements resulting from the use of significant unobservable inputs to valuation techniques, including a reconciliation from beginning balances to ending balances;
- the movements between different levels of the fair value hierarchy and the reasons for those movements; and
- the remaining expected maturities of non-derivative financial liabilities if entities manage liquidity risk on the basis of expected maturities.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group’s and the parent entity’s assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions [AASB 2]* (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity - or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's or the parent entity's financial statements.

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues in a currency other than the functional currency, the amendment will not have any effect on the group's or the parent entity's financial statements.

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

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is Not likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, initial indications are that it will not affect the group's accounting for its available-for-sale financial assets as the Groups available-for-sale financial assets are not held for trading. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.
The group has not yet decided when to adopt AASB 9.

AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

NOTE 2: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

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

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

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

	Consolidated Group	
	2010	**2009**
Financial Assets		
Cash and cash equivalents	2,094,667	297,837
Trade and other receivables	311,323	72,127
Other current assets	33,526	-
Deposits	160,325	164,916
Available-for-sale financial assets	850,695	390,490
	3,450,536	925,370
Financial liabilities		
Trade and other payables	586,826	297,053

(a) Market Risk

(i) Foreign exchange risk

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

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

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

	30 June 10	30 June 09
	N$	N$
Cash at bank	1,730,700	209,399
Other assets (deposits)	-	3,971
Other receivables	364,563	-
Payables	(2,705,276)	(64,012)

Group sensitivity

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the Namibian dollar (N$) with all other variables held constant, the Group's net profit before tax would have been $515,674 lower/$515,674 higher (2009: $342,281 lower/$342,281higher).

(ii) Price risk

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

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

Price risk sensitivity

The analysis of the available for sale assets (investments in equity securities) is based upon the change in the S&P/ASX Metals and Mining Index which has increased by 11.35% (2009: decrease 48.17%) over the financial year

	Impact on other components of equity	
	2010	2009
S&P/ASX Metals and Mining Index – increase 11.35% (2009: decrease 48.17%)	96,570	(187,435)

(iii) Interest rate risk

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

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

The Group's interest rate risk arises from cash equivalents with variable interest rates. The average interest rate applicable during the reporting period was 4.31% (2009:3%).

Group sensitivity

At 30 June 2010 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the Group's net profit before tax would have been $10,473 higher/lower$ (2009: $1,439 higher/ lower as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

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

Investments, banks and financial institutions

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

Trade and other receivables

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

Financial assets past due but not impaired

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

Financial assets neither past due nor impaired

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

	Carrying amount Consolidated 2010 $	Carrying amount Consolidated 2009 $
Cash and cash equivalents		
AA Standard & Poor's	1,830,763	88,438
BBB+ Standard & Poor's	15,515	96,724
BBB+ Fitch Rating	248,389	112,675
	2,094,667	297,837
Other receivables		
Counterparts without external credit rating		
Group 1*	255,714	72,127

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

(c) Liquidity risk

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

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

The Group has no long term financial liabilities and prefers to use capital raising rather than borrowings to balance cash flow requirements.

The following tables reflect undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

As at 30 June 2010	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	586,827	-	-	586,827	586,827
Short-term provisions	33,329			33,329	33,329
Total financial liabilities	620,156	-	-	620,156	620,156

As at 30 June 2009	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	297,053	-	-	297,053	297,053
Short-term provisions	45,533			45,533	45,533
Total financial liabilities	342,586	-	-	342,586	342,586

(d) Fair value estimation

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

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

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

	Footnote	2010 Carrying Value $	2010 Net Fair Value $	2009 Carrying Value $	2009 Net Fair Value $
Financial assets					
Cash and cash equivalents	(i)	2,094,667	2,094,667	297,837	297,837
Trade and other receivables	(i)	311,323	311,323	72,127	72,127
Other current assets	(i)	33,526	33,526	-	-
Available-for-sale financial assets at fair value:	(i)				
- listed investments	(ii)	850,695	850,695	390,490	390,490
Security deposits	(i)	160,325	160,325	164,915	164,915
Total Financial assets		3,450,536	3,450,536	925,369	925,369
Financial liabilities					
Trade and other payables	(i)	586,827	586,827	297,054	297,054
Total Financial liabilities		586,827	586,827	297,054	297,054

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

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

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

Financial Instruments Measured at Fair Value

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

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

Consolidated 2010	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Available-for-sale financial assets:				
- Listed investments	850,695	-	-	850,695
Consolidated				
2009				
Financial assets				
Available-for-sale financial assets:				
- Listed investments	390,490	-	-	390,490

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

NOTE 3: SEGMENT INFORMATION

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

Accounting policies

The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Segments are reported in a manner that is consistent with the internal reporting provided to the Board that is on a geographical basis.

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

NOTE 3: SEGMENT INFORMATION (continued)

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, plant and equipment. Segment liabilities consist primarily of trade and other creditors, employee benefits and borrowings.

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both exploration and a geographic perspective and has identified two reportable segments.
International Base Metals Ltd and its controlled entity are involved in mineral exploration without an income stream at this stage. Cash flow including the raising of capital to fund exploration is presently therefore the main focus rather than profit.

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

(b) Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

(c) Segment performance

		2010			2009	
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
REVENUE						
External sales	210,000	-	210,000	986,319	-	986,319
Other revenue (including finance revenue)	954,366	11,563	965,929	651,483	11,836	663,319
Total segment revenue	1,164,366	11,563	1,175,929	1,637,802	11,836	1,649,638
Reconciliation of segment revenue to group revenue						
Inter-segment elimination**	(864,813)	-	(864,813)	(590,334)	-	(590,334)
Total group revenue	299,553	11,563	311,116	1,047,468	11,836	1,059,304

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

** Represents interest charged by Australia to Namibia

MAJOR CUSTOMERS

Revenue from external sales of $210,000 (2009:$986,319) was for service fees from a single customer of Australia. These revenues amount to more than 10% of the Group's revenues from external customers.

NET PROFIT/(LOSS) BEFORE TAX

		2010			2009	
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
Net Profit/(loss) Before Tax	(3,029,364)	(4,641,066)	(7,670,430)	(5224,241)	(3,080,528)	(8,304,769)
Reconciliation of segment net profit before tax to group net profit before tax						
Inter-segment eliminations*	1,723,013	864,813	2,587,826	2,467,787	566,297	3,034,084
Operating Net Loss before tax	(1,306,351)	(3,776,253)	(5,082,604)	(2,756,454)	(2,514,231)	(5,270,685)

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

(d) Segment assets

		2010			2009	
	Australia $	**Namibia $**	**Total $**	**Australia $**	**Namibia $**	**Total $**
Segment assets current	2,120,002	319,512	2,439,514	160,565	209,399	369,964
Segment assets non-current	3,059,553	96,317	3,155,870	673,958	3,971	677,929
Inter-segment eliminations*	(1,982,970)	(15)	(1,982,985)	(23)	-	(23)
Total group assets	3,196,585	415,814	3,612,399	834,500	213,370	1,047,870

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

Eliminations in segment assets include loans from the Parent to the controlled entities of $15,301,401 (2009:$13,117,392) which has been contrared against the Impairment of these loans.

NOTE 3: SEGMENT INFORMATION (continued)

(e) Segment Non-current assets by Geographic Location

	2010 Australia $	2010 Namibia $	2010 Total $	2009 Australia $	2009 Namibia $	2009 Total $
Non-current assets	1,076,581	96,302	1,172,883	673,935	3,971	677,906
(f) Segment liabilities						
Segment liabilities	2,102,194	13,819,378	15,921,572	2,125,338	11,335,240	13,460,578
Reconciliation of segment liabilities to group liabilities						
Inter-segment eliminations*	(1,894,673)	(13,406,744)	(15,301,417)	(1,846,763)	(11,271,229)	(13,117,992)
Total group liabilities	207,521	412,634	620,155	278,575	64,011	342,586

* Eliminations in segment liabilities include loans from the Parent to the controlled entities of $15,301,416 (2009:$13,117,992).

NOTE 4: REVENUE

	Consolidated Group 2010 $	2009 $
From continuing operations		
(a) Service revenue		
Administration service fees	210,000	696,000
Technical service fees	-	290,319
	210,000	986,319
(b) Other revenue		
Interest received – other entities	73,428	67,814
Other revenue	27,688	5,171
	101,116	72,985
TOTAL REVENUE	311,116	1,059,304

NOTE 5: OTHER INCOME

	2010 $	2009 $
Net gain on disposal of plant and equipment	11,353	-
Profit on sale of available-for-sale financial assets	15,900	-
Foreign currency gain	8,338	12,199
	35,591	12,199

NOTE 6: EXPENSES

Loss before income tax includes the following specific expenses:

	2010 $	2009 $
Exploration expenditure (Note 23 (b))	3,589,713	2,294,342
Depreciation		
Plant and equipment	13,781	-
Office Furniture and equipment	56,939	97,425
Total Deprecation	70,720	97,425
Share based payments expense		
Directors and employees (shares)	-	204,000
Directors and employees (options)	-	12,060
Related party	-	232,477
Total Share based payments expense	-	448,537
Defined contribution superannuation expense	24,003	104,630
Rental expense relating to operating leases		
Minimum lease payments	334,816	196,946
Contingent rentals	15,149	12,779
Total rental expense relating to operating leases	349,965	209,725

NOTE 7: INCOME TAX

		Consolidated Group 2010 $	2009 $
(a)	**income tax expense**		
	Current tax	-	-
	Deferred tax	(2,084,517)	(1,484,220)
	Deferred tax assets not recognised	2,084,517	1,484,220
		-	-
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows		
	Prima facie tax payable on profit/(loss before income tax at applicable rates:		
	- consolidated	(1,524,781)	(1,581,206)
	- parent	-	-
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	- Share based payments expensed	-	134,561
	- Other non allowable items		-
	- Other assessable items		-
	- Other allowable items	(54,825)	(45,315)
	- Provisions and accruals	(15,994)	764
	Difference in overseas tax rates	(348,080)	(231,040)
	Previously unrecognised tax losses now recouped to reduce current tax expense	(2,776)	-
	Investment revaluation relating to other comprehensive income	(138,062)	238,016
	Tax losses not recognised	2,084,518	1,484,220
	Income tax benefit attributable to operating loss	-	-
(c)	**Unrecognised temporary differences**		
	Deferred tax assets (at 30%)		
	Carry forward tax losses	7,162,942	5,078,425
	Temporary differences	172,853	(30,293)
		7,325,795	5,048,132

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

NOTE 8: CORRECTION OF ERRORS IN RECORDING OF FOREIGN EXCHANGE GAINS/LOSSES

The Namibian dollar denominated loan from the Parent to its fully owned subsidiary Craton Mining and Exploration Pty Ltd was incorrectly treated as an Australian dollar denominated loan. Also some prior period foreign exchange translations of the overseas subsidiary had been taken to the profit and loss account rather than the Foreign Exchange Translation Reserve. The effect is that the foreign exchange gain/losses previously recognised in the books of the subsidiary up to 30 June 2009 have been reversed and the elements of equity restated at this date.

Correction of the error has not resulted in a change in total consolidated equity but has decreased reserves by $1,096,507 and decreased accumulated losses by the same amount. Refer Note 18(a) and 18(b).

The correction has not affected consolidated net profit after tax for the 2009 financial year.

The errors have been corrected by restating each of the affected financial statement items for the prior year.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated Group 2010 $	2009 $
Cash at bank and in hand	2,094,667	297,837

Reconciliation of cash

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

Cash at bank and in hand	2,094,667	297,837

Interest rate exposure

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

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2010 $	2009 $
Trade receivable	255,714	72,127
Other receivables	55,609	-
Total Trade and other receivables	**311,323**	**72,127**

Fair value and credit risk

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

NOTE 11: CURRENT ASSETS – OTHER CURRENT ASSETS

Prepayments – unallocated share raising costs	33,526	-

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

Shares in listed entities at fair value	850,695	390,490

Fair value

Shares in listed entities have been valued at market value based on closing bid price on 30 June 2010 resulting in an increase in the Available-for-sale investments revaluation reserve of $460,205 (2009: decrease of $1,202,981).

Classification

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

NOTE 13: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	2010 $	2009 $
Cost or fair value	421,992	316,451
Accumulated depreciation	(260,129)	(193,950)
Net book value	**161,863**	**122,501**
Plant & Equipment and Office Equipment		
As at 30 June 2009	**$**	**$**
Opening Net book value		204,205
Additions		16,356
Disposals		(635)
Depreciation charge		(97,425)
Closing Net book value		**122,501**
As at 30 June 2010		
Opening Net book value	122,501	
Additions	110,402	
Foreign exchange loss on conversion	(320)	
Depreciation charge	(70,720)	
Closing Net book value	**161,863**	

NOTE 14: NON-CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated	
	2010	2009
Security deposits	160,325	164,915

NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	64,404	93,012
Sundry payable and accrued expenses *	522,423	204,041
	586,827	297,053

* Includes $266,826 contributed by Antofagasta Minerals SA towards exploration costs in Craton Mining and Exploration (Pty) Ltd; tenement EPL3372 as agreed per the joint venture agreement with Craton Mining and Exploration (Pty) Ltd. Refer to Note 26 for further details on joint venture terms

NOTE 16: CURRENT LIABILITIES – SHORT TERM PROVISIONS

	Consolidated	
	2010	**2009**
Employee benefits	33,329	45,533

NOTE 17: CONTRIBUTED EQUITY

	2010 Shares	**2009 Shares**
Fully paid ordinary shares 309,290,812 (FY2009: 238,926,235)	309,290,812	238,926,234
1 (FY2009: 1) fully paid "A" class preference share	1	1
	309,290,813	238,926,235

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

(a) Movements in ordinary share capital

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

(b) Share-based payments

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

		No of shares	Issue price*	$
31 August 2009	Directors' fees from prior year	687,500	0.08	55,000
22 September 2009	Directors' fees from prior year	416,662	0.08	33,333
01 October 2009	Creditor payment	48,000	0.08	3,840
16 December 2009	Creditor payment	45,750	0.08	3,660
		1,197,912	-	95,833

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

All share-based payments were in payment of directors' fees and expenses accrued in the previous year

(c) Ordinary shares

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

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

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

At 30 June 2010 there were 309,290,812 ordinary shares issued and fully paid up shares and 1 fully paid "A" class preference share.

(d) A Class Preference Share

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

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

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

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

(e) Capital risk management

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

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

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

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

NOTE 18: RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2010 $	2009 $
Available-for-sale investments revaluation reserve	416,220	(43,985)
Share-based payments reserve	646,024	646,024
Foreign currency translation reserve	(1,173,811)	(1,145,837)
	(111,567)	(543,798)
Movements		
Available-for-sale investments revaluation reserve		
Balance at beginning of financial year	(43,985)	1,158,996
Reclassification – disposal of investments	(23,850)	-
Revaluation	484,055	(1,202,981)
Balance at end of financial year	416,220	(43,985)

NOTE 18: RESERVES AND ACCUMULATED LOSSES (continued)

	2010 $	2009 $
Share-based payments Reserve		
Balance at beginning of financial year	646,024	401,487
Options issued to employees	-	12,060
Options issued to a related party	-	232,477
Balance at end of financial year	646,024	646,024
Foreign Exchange Translation Reserve		
Balance at beginning of financial year	(1,145,837)	4,713
Correction of error in previous years (Note 8)	-	(1,096,507)
Currency translation differences arising during the year	(27,974)	(54,043)
Balance at end of financial year	(1,173,811)	(1,145,837)

(b) Accumulated losses

Movements in retained profits were as follows:		
Balance 1 July	(16,113,878)	(11,939,700)
Correction of error in previous years (Note 8)	-	1,096,507
Net profit / (loss) attributable to members of the Company	(5,082,604)	(5,270,685)
Balance 30 June	(21,196,482)	(16,113,878)

(c) Nature and purpose of reserves

(i) Foreign Exchange Translation reserve

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

(ii) Fair value reserve

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

(iii) Share-based payment reserve

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

NOTE 19: PARENT ENTITY FINANCIAL INFORMATION

The Consolidated Group has taken advantage of Corporations Amendment Regulations 2010 (No. 6) of 29 June 2010 and has not included separate parent entity financial statements.

The disclosures as required for the Parent Entity as a result of this amendment are set out below:

	Parent Entity		
	2010 $	2009 $	2008 $
Current assets	2,108,542	153,798	1,738.935
Total assets	5,168,093	827,757	3,287,983
Current liabilities	208,098	278,803	356,172
Total liabilities	208,098	278,803	356,172
Shareholders' equity			
Contributed equity	24,300,293	17,362,960	13,838,710
Share-based payments reserve	646,024	646,024	401,487
Available-for-sale investments revaluation	416,220	(43,985)	1,158,996
Retained losses	(20,402,542)	(17,416,045)	(12,467,382)
Total equity	4,959,995	548,954	2,931,811

NOTE 19: PARENT ENTITY FINANCIAL INFORMATION (continued)

	Parent Entity 2010 $	2009 $	2008 $
Loss for the year	(2,986,497)	(4,948,663)	(10,140,627)
Other comprehensive income	484,055	(1,202,981)	(1,007,375)
Total comprehensive income	**(2,502,442)**	**(6,151,644)**	**(11,148,002)**
Loans by parent to controlled entities			
Amounts owing by controlled entities	15,301,401	13,117,992	9,239,321
Provision for impairment of receivables	(15,301,401)	(13,117,992)	(9,239,321)
	-	-	-

Non-canceable operating leases

	Parent Entity 2010 $	2009 $
The Parent Entity leases Head Office facilities under a non-cancellable four year operating lease expiring on 30 April 2012.		
Non-cancellable operating leases contracted but not capitalised in the financial statements		
- Payable not later than one year	216,646	360,233
- Longer than 1 year and not longer than five years	274,775	644,135
	491,421	1,004,368
Minimum lease payments	491,421	1,004,368

(a) Impaired receivables and receivables past due

At 30 June 2010 $15,301,401 (2009: $13,117,992) owing by controlled entities was impaired with $2,183,410 provided for in 2010 (2009: $3,878,671). The impairment has resulted from the Parent Entity advancing working capital to Controlled Entities which entities have no income and therefore are not in a position at this exploration stage to meet their liability to the Parent Entity.

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up the above mentioned loans totalling $15,301,401 (2009: $13,117,992) referred to in Note 10 until each of the Controlled Entities is able to pay its debts as and when they fall due; and to provide further funding as is necessary to enable each of the Controlled Entities to pay its debts as and when they become due and payable.

(b) Fair values

After provisioning for impairment for the amount owing by a controlled entities in the current and past years of $15,301,401, the carrying amount is assumed to approximate the fair value of the loans to controlled entities. $2,183,410 was provisioned in the current financial year and the balance in previous financial years. Information about the Group's exposure to credit and interest risk is provided in Note 2.

(c) Correction of errors in recording of foreign exchange gains/losses

The Namibian dollar denominated loan from the Parent to its fully owned subsidiary Craton Mining and Exploration Pty Ltd was incorrectly treated as an Australian dollar denominated loan. Also some prior period foreign exchange translations of the overseas subsidiary had been taken to the profit and loss account rather than the Foreign Exchange Translation Reserve. The effect is that the foreign exchange gain/losses previously recognised in the books of the subsidiary up to 30 June 2009 have been reversed and the elements of equity restated at this date.

Correction of the error in the books of the Parent Entity has resulted in the following changes to the Statement of Comprehensive Income and the Statement of Financial Position for the Parent at 30 June 2009

	30 June 2009 $	30 June 2009 adjusted $
Changes to Statement of Comprehensive Income		
Provision for impairment of loan to subsidiary	2,787,562	3,632,149
Foreign exchange gain	12,199	856,786
Net Loss before tax	(4,948,663)	(4,948,663)
Changes to Statement of Financial Position		
Non-current assets		
Loan to subsidiary	10,426,642	11,271,229
Impairment of loan	(10,426,642)	(11,271,229)
Accumulated losses	(17,416,045)	(17,416,045)

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2010 $	2009 $
Short-term employee benefits	803,835	846,156
Post employment benefits	2,888	158,760
Share-based payments - shares	49,950	362,859
Share-based payments - options	-	12,060
Termination benefits	37,500	46,240
	894,173	1,426,075

Details of key management personnel remuneration are included in the remuneration report on page 28-30.

(b) Shareholdings of key management personnel

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

2010	Balance at start of the year	Received during the year as share based payments	Other changes during the year	Balance at the end of the year
Stephen Blackman, Managing Director (resigned 17/11/09)	15,305,810	-	(699,924)	14,605,636
Dr James Macdonald, Chairman	-	416,612	-	416,612
Dr Kenneth Maiden, Executive Director	11,078,557	-	90,000	11,168,557
Dr Deng Jiniu	-	375,000	-	375,000
Chen Qiang, alternate to Dr Deng Jiniu	-	-	-	-
Alan Humphris	-	-	275,000	275,000
John Stone	203,125	-	625,000	828,125
Peter Bradford (resigned 30/11/09)	-	375,000	-	375,000
Barry Neal	-	-	-	-
Karl Hartmann	1,862,179		(270)	1,861,909
Sigrid Hartmann	-		280,416	280,416
Robert Ilchik (retrenched 27/8/09)	525,000	-	-	525,000
	29,974,671	1,116,612	570,222	30,711,255

2009	Balance at start of the year	Received during the year as share based payments	Other changes during the year	Balance at the end of the year
Stephen Blackman, Managing Director	14,596,172	709,638	-	15,305,810
Dr Kenneth Maiden, Executive Director	10,439,885	638,672	-	11,078,557
Ian Daymond, Non-executive Director *	3,015,596	-	(3,015,596)	-
Dr Deng Jiniu	-	-	-	-
Geoffrey Broomhead*	2,031,250	596,094	(2,627,344)	-
John Stone	203,125	-	-	203,125
Karl Hartmann	625,000	-	1,237,179	1,862,179
Garry Baglin *	1,225,000	-	(1,225,000)	-
Robert Ilchik	525,000	-	-	525,000
Charlotte Seabrook*	350,000	-	(350,000)	-
	33,011,028	1,944,404	(5,980,761)	29,974,671

** Resigned during the reporting period*

(c) Option holdings of key management personnel

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

2010	Balance at start of the year	Received during the year as share based payments	Other changes	Balance at the end of the year	Vested and exercisable
Dr James Macdonald	1,500,000	-	-	1,500,000	1,500,000
Peter Bradford (resigned 30/11/09)	1,000,000	-	-	1,000,000	1,000,000
Stephen Blackman (resigned 17/11/09)	4,000,000	-	-	4,000,000	4,000,000
Kenneth Maiden	2,750,000	-	-	2,750,000	2,750,000
Deng Jiniu	2,000,000	-	-	2,000,000	2,000,000
John Stone	300,000	-	-	300,000	300,000
Robert Ilchik (retrenched 27/8/09)	1,000,000	-	-	1,000,000	1,000,000
	12,550,000	-	-	12,550,000	12,550,000

2009	Balance at start of the year	Received during the year as share based payments	Other changes	Balance at the end of the year	Vested and exercisable
Dr James Macdonald	-	1,500,000	-	1,500,000	1,500,000
Peter Bradford*	-	1,000,000	-	1,000,000	1,000,000
Stephen Blackman	4,000,000	-	-	4,000,000	4,000,000
Kenneth Maiden	2,750,000	-	-	2,750,000	2,750,000
Deng Jinliu	2,000,000	-	-	2,000,000	2,000,000
John Stone	300,000	-	-	300,000	300,000
Ian Daymond*	2,000,000	-	-	2,000,000	2,000,000
Geoffrey Broomhead*	4,000,000	-	-	4,000,000	4,000,000
Garry Baglin*	1,000,000	-	-	1,000,000	1,000,000
Charlotte Seabrook*	450,000	-	-	450,000	450,000
Robert Ilchik	1,000,000	-	-	1,000,000	1,000,000
	17,500,000	2,500,000	-	19,000,000	19,000,000

* *Resigned during the reporting period*

(d) Other transactions with Directors or key management personnel

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

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

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

	2010 $	2009 $
Consulting fees payable to Balmoral Capital	8,900	50,000

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

NOTE 21: REMUNERATION OF AUDITORS

Auditor to the parent company		
Auditing or reviewing the financial report	37,000	36,530
Non audit services:		
- corporate advisory services	-	652
Other auditors of subsidiaries		
Auditing or reviewing the financial report of subsidiaries	8,342	7,876
	45,342	45,058

NOTE 22: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

NOTE 23: COMMITMENTS

(a) Non-cancellable operating leases

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

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

	2010 **$**	**2009** **$**
- Payable not later than one year	337,899	360,233
- Longer than 1 year and not longer than five years	274,775	644,135
Minimum lease payments	612,674	1,004,368

(b) Exploration and Development

Exploration tenements granted in Australia, Namibia are issued with a minimum annual expenditure commitment. The total minimum expenditure on existing exploration tenements in the next financial year is $1,376,000 although there is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms. (Minimum annual expenditure for tenements in Namibia is translated at rate of 1A$=6N$)

As at 30 June 2010, $259,667 had been underspent on one Queensland tenement. The Directors are confident that they will address this matter and maintain the tenement.

	2010 **$**	**2009** **$**
- Namibia Tenement Payable not later than one year	790,000	325,000
- Australia Tenement Payable not later than one year	220,000	300,000
	1,010,000	625,000

(c) Loans to Controlled entities

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up loans totalling $15,301,401 (2009: $13,117,992) until each of the Controlled Entities is able to pay its debts as and when they fall due; and to provide further funding as is necessary to enable each of the Controlled Entities to pay its debts as and when they become due and payable

NOTE 24: RELATED PARTY TRANSACTIONS

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

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 25.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 20 and on page 28-30 of the Directors' Report.

(d) Other transactions with related parties

The Parent Entity has an Administrative Services Agreement with Zamia Gold Mines Limited ("ZGM") whereby the Parent Entity provides services of a receptionist, secretarial, tenement management, accounting, investor relations, information technology and office facilities. During the year the Parent Entity billed $210,000 in fees to ZGM for these services and recouped expenses paid on behalf of the Zamia Gold Mines Consolidated entity of $272,609. Ken Maiden, Alan Humphris and Chen Qiang are also Directors of Zamia Gold Mines Limited.

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

	2010 $	2009 $
Amounts recognised as expense - interest	-	24,658
Amounts recognised as revenue – service fees	210,000	811,593
Amounts recognised as equity – share-based payment	-	874,658
(e) Outstanding balances arising from sale of services		
Current receivables – service fees and expenses recouped	246,364	71,027

NOTE 25: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 10.

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest	
			2010	2009
Parent entity				
International Base Metals Limited	Australia	Ordinary	100%	100%
Controlled entities				
AuriCula Mines Pty Ltd (incorporated 15 March 2004)	Australia	Ordinary	100%	100%
Maranoa Resources Pty Ltd (incorporated 31 August 2004)	Australia	Ordinary	100%	100%
Endolithic Resources Pty Ltd (incorporated 8 November 2007)	Australia	Ordinary	100%	100%
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	Ordinary	100%	100%
Omitiomire Mining Company (Pty) Ltd (incorporated 4 March 2009)	Namibia	Ordinary	100%	100%
Kopermyn Explorations (Proprietary) Limited (incorporated 6 April 2010)	Namibia	Ordinary	100%	-

NOTE 26: JOINT VENTURES

Craton Mining and Exploration (Pty) Ltd has concluded a joint venture agreement with Antofagasta Minerals SA with relation to joint exploration of Craton's Kopermyn tenement EPL3372. The agreement provides Antofagasta Minerals SA with the option to contribute US$1.8 million towards exploration costs in return for a 60% investment in a new company to be established and to which this exploration tenement would be transferred.

A new company Kopermyn Explorations (Proprietary) Limited was formed on 30 June 2010 as a fully owned subsidiary of Craton Mining and Exploration (Pty) Ltd. When Antofagasta has made its contribution towards exploration costs and wishes to take up its option of shares in Kopermyn Explorations (Proprietary) Limited there is to be a conversion of Antofagasta's contribution into equity representing 60% of the paid-up capital of the company. Once this has occurred Kopermyn Explorations (Proprietary) Limited will be de-consolidated and equity-accounted in the consolidated accounts of the IBML Group.

If Antofagasta Minerals SA fails to take up the option, the funds already received will not be refundable. In the financial year $266,826 was contributed by Antofagasta Minerals SA towards exploration costs incurred by Craton Mining and Exploration (Pty) on the Kopermyn tenement EPL3372. This contribution has been taken up as a current liability. (Refer to Note 15).

AuriCula Mines, a wholly-owned subsidiary of IBML, has an exploration joint venture with Cobar Management Pty Ltd ('CMPL') and Actway Pty Ltd ('Actway') in the Cobar district of New South Wales. AuriCula holds Exploration Licence ('EL') 6223 Shuttleton; another three ELs are held by Actway.

CMPL manages the joint ventures. CMPL carried out preliminary resource modelling at Shuttleton during the reporting period. Results of this work are currently being reviewed.

NOTE 27: SUBSEQUENT EVENTS

On 2 July 2010 a placement of 6,666,667 ordinary shares at $0.15 was made which raised $1 million.

Advanced planning has taken place for an IPO and listing on the ASX during the 2011 financial year.

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

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

	Consolidated Group 2010 $	2009 $
Operating profit/(loss) after income tax	(5,082,604)	(5,270,685)
Non cash items included in profit and loss:		
- depreciation and amortization	70,720	97,425
- share based payments	-	448,537
- interest paid as a share-based payment	-	24,658
- fixed assets written off	-	635
Net foreign exchange difference	(42,055)	-
Change in assets and liabilities		
(Increase)/ decrease in:		
- receivables	(239,196)	(475,068)
- prepayments	(33,526)	(754)
Increase/(decrease) in:		
- payables	385,606	(72,691)
- provisions	(12,204)	-
Net cash (outflow)/inflow from operating activities	**(4,953,259)**	**(5,247,943)**

NOTE 29: NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated Group 2010 $	2009 $
Convertible loan from a related party plus interest on the loan paid in shares*	-	874,658
During the year shares were issued to settle an accrual of the previous year	95,833	-
	95,833	874,658

* This loan plus interest was repaid by the issue of 6,250,000 ordinary shares in the Company at a determined fair value of $0.05 on 5 February 2009. Refer Note 31(c).

NOTE 30: LOSS PER SHARE

	Consolidated Group 2010 Cent per Share	2009 Cents per Share
Basic loss per share	(0.02)	(0.03)
Diluted loss per share	(0.02)	(0.03)

Basic and diluted loss per share

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

	2010 $	2009 $
Loss (i)	(5,082,604)	(5,270,685)
	No.	**No**
Weighted average number of ordinary shares (ii)	284,552,720	202,028,784

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

(ii) While there are 24,500,000 options outstanding at 20 June 2010 (2009:24,500,000) none of these potential shares are dilutive and have therefore been excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted loss per share.

NOTE 31: SHARE-BASED PAYMENTS

(a) Employee Share Option Plan

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

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

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

(b) Shares

Grant Date	No of Shares	Fair Value per share $	Total Fair Value
31 Aug 09 *	687,500	0.08	55,000
22 Sep 09 *	416,662	0.08	33,333
01 Oct 09**	48,000	0.08	3,840
16 Dec 09**	45,750	0.08	3,660
	1,197,912	-	95,833

* Issued to Directors in payment of fees accrued in the previous financial year

** Issued to a creditor for legal fees accrued in the previous financial year

Fair value

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

(c) Options

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

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

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

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

			Number				
Grant date	Expiry date	Exercise Price	Balance at start of Year	Granted during the year	Exercised during the year	Balance at end of Year	Date vested and exercisable at end of year
Consolidated entity 2009							
20 Dec 07	20 Dec 12	$0.20	22,000,000	-	-	22,000,000	20 Dec 07
02 Oct 08	02 Oct 13	$0.30	-	2,500,000	-	2,500,000	02 Oct 08
05 Feb 09	05 Aug 09	$0.05	-	6,250,000	(6,250,000)	-	05 Feb 09
Weighted average exercise price			$0.20	$0.12		$0.21	$0.21

(d) Expense arising from share-based payment transactions

Share-based payments of $95,833 were made to Directors and a creditor in payment for amounts owing and accrued at 30 June 2009. This has not resulted in a charge against income in the current financial year but the extinguishment of an accrual and a corresponding increase in contributed equity.

1,197,912 shares issued as share based payments are disclosed in (b) above.

(e) Fair value of options granted

The assessed fair value at grant date of the 2,500,000 options granted to key management personnel during the year ended 30 June 2009 was 0.48 cents and of the fair value of the 6,250,000 options issued to a major shareholder as a condition of a loan agreement was 3.7 cents.

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

(f) Model inputs for options granted

The model inputs for options granted during the year ended 30 June for no consideration included:-

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

SHAREHOLDER INFORMATION

Statement of quoted securities as at 1 September 2010

- There are 318 shareholders holding a total of 315,957,479 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 75.166% of the total issued shares on issue.

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

Distribution of quoted securities as at 1 September 2010

Ordinary fully paid shares

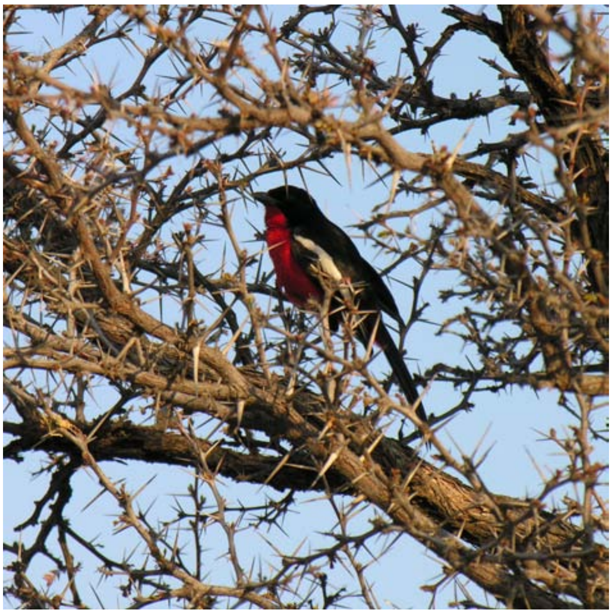
Range of holding		Number of holders
1 -	1,000	-
1,001 -	5,000	3
5,001 -	10,000	6
10,001 -	100,000	129
100,001 -	and over	180
Total holders		318

Substantial shareholdings as at 1 September 2010 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
West Minerals Pty Limited	104,993,158	33.178
Hangzhou Kings Industry Co Limited	23,333,333	7.373

Top twenty shareholders

Holder Name	Shares held	%
WEST MINERALS PTY LIMITED	104,993,158	33.178
HANGZHOU KINGS INDUSTRY CO LIMITED	23,333,333	7.373
MANICA MINERALS LTD	15,000,000	4.740
BLACKMANS & ASSOCIATES PTY LTD	14,470,558	4.573
MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN	11,077,307	3.500
GREAT SEA WAVE INVESTMENT PTY LTD	9,167,333	2.897
MACQUARIE BANK LTD	8,333,333	2.633
PERPETUAL CORPORATE TRUST LIMITED	8,333,333	2.633
PEAK SUCCEED INVESTMENTS LIMITED	6,666,667	2.107
HUNAN CENTRAL SOUTH BIOHYDROMETALLURGY COMPANY LTD	6,250,000	1.975
MRS CORAL ESTELLE HARRIS & MR KERRY WILLIAM JOHN HARRIS	5,361,660	1.694
GOLDVANCE PTY LTD	5,047,200	1.595
AUSTRALIAN GEOSCIENTISTS PTY LTD	2,932,500	0.927
MR MATTHEW STEPHENS	2,859,702	0.904
FITEL NOMINEES LIMITED	2,856,667	0.903
MULATO NOMINEES PTY LTD	2,500,000	0.790
SOS INITIATIVES PTY LTD	2,343,750	0.741
DAYMOND & ASSOCIATES PTY LTD	2,162,917	0.683
MRS CLAUDE BROOMHEAD	2,096,094	0.662
AUREX PTY LTD	2,083,333	0.658
	237,868,845	**75.166**
Total Number of Issued Ordinary Shares	**316,457,479**	



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