INTERNATIONAL BASE METALS LIMITED

2012
Annual Report

ABN 73 100 373 635

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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 and Chief Geologist
Mr Zhehong Luo	Non-executive Director
Mr Alan Humphris	Non-executive Director
Mr Jinhua Wang	Non-executive Director
Mr Qiang Chen	Alternate Non-executive Director to Mr Zhehong Luo

Company Secretary

Mr John Stone

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Chairman's Letter

Dear Shareholders

In the previous Financial Year IBML experienced an incident and accident-free year. I am sad to report that this was not repeated in 2012, with two Lost Time Incidents in Namibia for a total of four days of lost time. It is the Company's responsibility to strive for continual improvement in all aspects of our staff's health and safety, plus the way we treat the environment and the communities within which we work.

All IBML and Craton staff were greatly saddened by the sudden death in July 2012 of Consulting Senior Geologist Ken Hart, a valued member of the Omitiomire exploration team. Ken was born in Yorkshire, England, but lived in Namibia from 1981. Ken has been a long-time colleague of Karl Hartmann (Craton's Exploration Manager) since they commenced work together in 1999 at the Skorpion Project, near Rosh Pinah in Southern Namibia. Ken will be very much missed by his family, colleagues and the mineral exploration community in general.

In FY2012, IBML raised just over $5.5 million dollars through issuing shares in the Company. Over 98% of the exploration expenditures in the year were directed to (a) further delineation of the Omitiomire copper mineralisation by both drilling and bulk sampling, (b) grassroots exploration elsewhere in Namibia.

Since December 2011, IBML has been assisted by Perth-based Azure Capital, who provide Corporate Advice and assistance in Capital Raising; we are grateful for Azure's assistance over the last several months.

This time last year, I summarised efforts by the Company to reduce office overheads in Sydney. General and Administrative costs were further reduced in March 2012 by relocating the Company's office from the Sydney CBD to Chatswood.

On behalf of the Company's Directors and Management, I wish to thank you, our shareholders, for your continued support. FY2013 is shaping up to be a pivotal year for the Omitiomire project and for IBML. It is your company's near-term objective to secure funds sufficient to advance Omitiomire to Full Feasibility, which will be an important milestone leading to a production decision.

Yours sincerely,

A. James Macdonald
Non-executive Chairman
4 October 2012

Managing Director's Letter

Dear Shareholders

During the year we entrenched our vision, mission and values, with a focus on Health and Safety. Our Safety performance was reasonable with two sprained ankle lost time injuries. We need to improve and we have learned some important lessons from a number of serious near miss incidents. The Board held a strategic planning review workshop in September 2012. It was agreed that we would focus on Omitiomire ('Omi') and exploration in Namibia, Australia and possibly Botswana.

We raised $5.5 million during the year and completed an exploration programme with the aim of identifying potential to grow 'Omi' resource to over one million tonnes of contained copper. In October 2011 we successfully identified the potential for 1.2 million tonnes of contained copper at Omitiomire. The JORC Indicated and Inferred Resource contained just under 0.7 million tonnes of contained copper. We have completed 23,661 metres of drilling at Omi since June 2011 and a new resource model was produced in August 2012. We also completed a small drill programme on our Kalahari Copper Project.

In early 2012, IBML signed a Term Sheet with HPX TechCo ('HPX') to carry out an exploration programme on our Kopermyn EPL. A gradient array induced polarisation ('IP') survey and a 3-dimensional IP survey over a selected area has been carried out, using HPX's Typhoon system. A potential base metal target has been identified. Drilling commenced in August 2012.

A Heads of Agreement was signed with African Mining Capital securing IBML the option of earning in to a majority stake in the Epembe project in Namibia.

In parallel with our exploration, we made progress towards securing a new cornerstone investor for IBML. Should this succeed, we would be in a position to commence with a Feasibility Study for Omi early in 2013. Once we have a fully funded programme, a listing or other form of potential exit for shareholders could be considered.

In Namibia the Government introduced a number of new taxes. A tax on the dilution of any holding in an EPL is making it difficult for exploration companies to secure earn-in JV funds. Unless a solution is found, this could negatively impact exploration expenditure in Namibia. It is pleasing to report that two EPLA's that we applied for in 2009 were offered for grant to Craton in August 2012. The challenge is to now find a viable mineral deposit.

Karl Hartmann and his Craton team continue to provide good work. It is with sadness that we report the death of Ken Hart, our senior geologist at Omi. Our condolences go out to his family.

The Craton Foundation has delivered its first project, a classroom at the Olof Palme Primary School at Katatura in Windhoek. We look forward to being able to contribute towards education in Namibia with further projects.

I have been part of IBML for two years and remain confident that we will add significant value to the Company for the benefit of all our shareholders.

Yours sincerely,

Frank Bethune
Managing Director
4 October 2012

Corporate Strategy

Our Vision Mission and Values continued to guide our strategy and behaviours.

Our Vision:

To be a successful and sustainable exploration and mining company.

Our Mission is to:

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

Our Values are:

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

Our Strategy

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

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

Short Term Plan

The following four short term objectives have been set:

1. Having identified a potential resource of 1.2 million tonnes of contained copper at Omitiomire we will focus on trying to find satellite deposits within trucking distance of Omitiomire;
2. Seek a cornerstone investor to fund a Feasibility Study for Omitiomire followed by a possible listing;
3. Progress our other exploration targets through a combination of equity funded drilling and JV's; and
4. Identify further exploration growth opportunities in Namibia, Australia and Botswana.

Review of Operations

1. INTRODUCTION

International Base Metals Limited ('IBML' or 'the Company') is an Australian-registered mineral exploration company. The Company's main focus is exploration for, and development of, copper resources in Namibia. IBML also has several mineral exploration projects in Australia.

The Company's assets in Namibia are held by a wholly-owned Namibian-registered subsidiary company, Craton Mining and Exploration (Pty) Ltd ('Craton'). Craton holds ten Exclusive Prospecting Licences (EPLs) covering more than 7,600 square kilometres ('km^2'). An additional two EPL applications, totalling more than 1,900 km^2, are expected to be granted.

The Company's major asset is the Omitiomire Copper Project, which consists of the Omitiomire copper deposit and the surrounding area in EPL 3589. The other Namibian tenements are clustered into three project areas as shown in Figure 1.

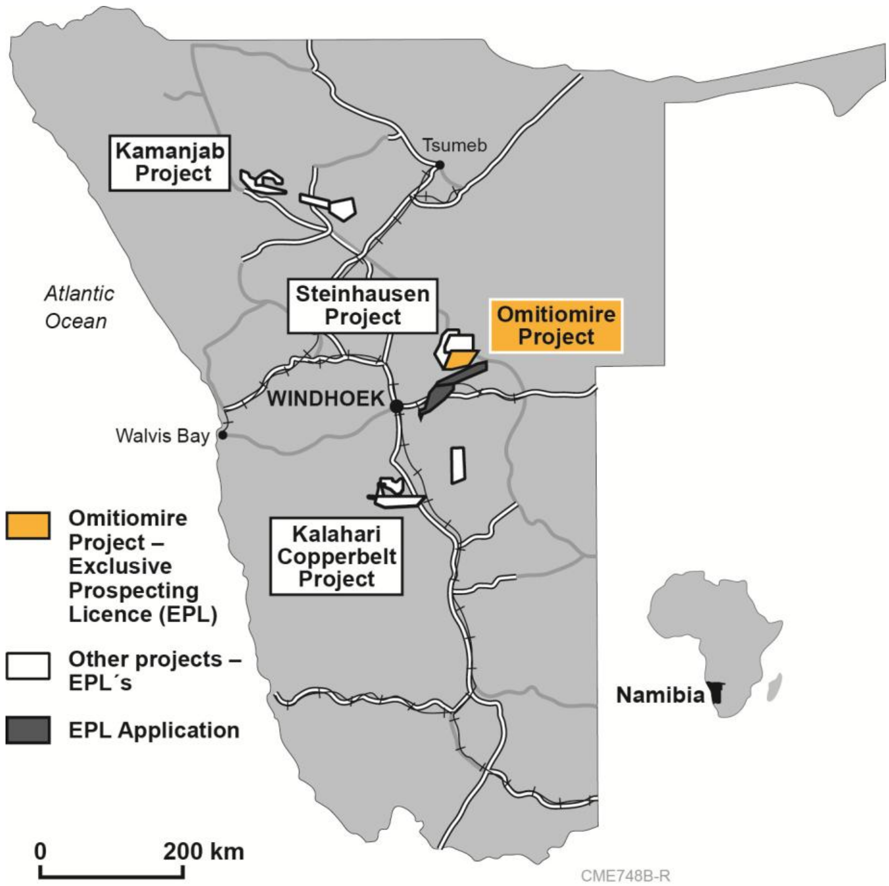

Figure 1. Map of Namibia showing Craton's EPLs and applications

Craton has established an office in the Namibian capital, Windhoek. Craton's staff complement includes a General Manager, administration manager, seven geologists, database manager, landholder liaison officer, field team and office support staff. In addition, Craton calls on support from consultants and contractors in Namibia, South Africa and Australia.

IBML's Australian projects are held in wholly-owned subsidiary companies:

- AuriCula Mines Pty Ltd: Exploration for copper-gold in the Cobar district of New South Wales;
- Maranoa Resources Pty Ltd: Exploration for nickel and copper in the Maranoa district of south-central Queensland;
- Endolithic Resources Pty Ltd: Exploration for copper in the Mount Isa district of northwest Queensland.

IBML is seeking to expand its portfolio of projects, in particular by acquiring more advanced exploration projects, either in southern Africa or Australia.

2. OMITIOMIRE COPPER PROJECT

Company Strategy and Objectives

Prior to the reporting period, Craton's exploration drilling had defined a resource of over 600,000 tonnes of contained copper within a deposit which extends north-south over a distance of at least 3,000m and dips at a moderate angle to the east. The Company had also carried out a pre-feasibility study ('PFS') which demonstrated the likely feasibility of a copper mining and processing operation based on the identified resource.

The drilling had shown that the deposit thickens to the east, providing a target for resource expansion.

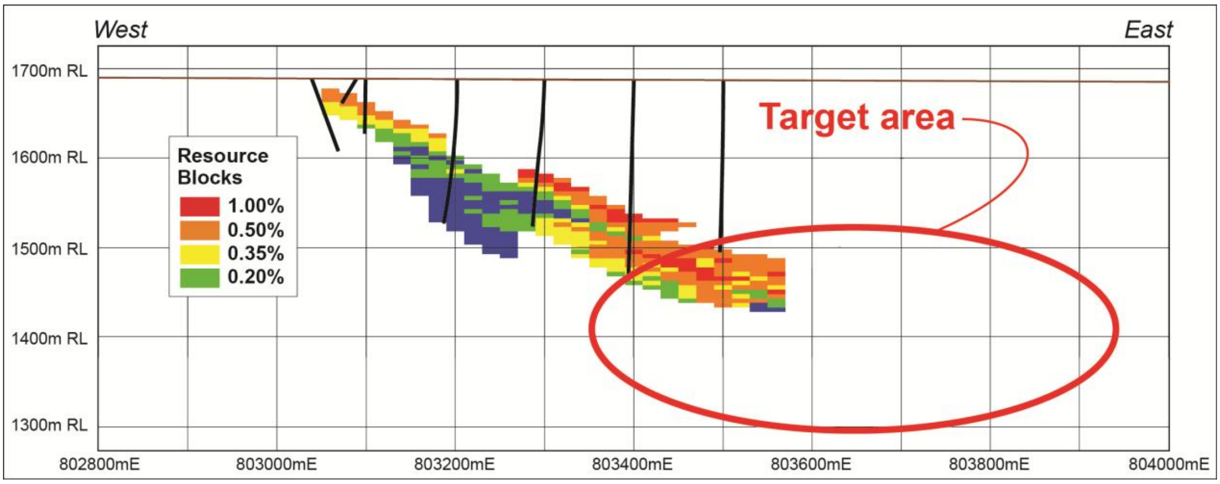

Figure 2. Section 3870 showing resource blocks as at mid-2011 and down-dip target

In June 2011, the Company commenced a new drilling programme, aimed at demonstrating the potential for a resource in excess of 1 million tonnes ('Mt') of contained copper.

The other objectives of work carried out during the reporting year were:

- To determine the likely extent of the Omitiomire deposit;
- To plan for a definitive feasibility study ('DFS') which would commence upon raising sufficient capital;
- To assess the potential for an initial small-scale copper mining and processing operation based on near-surface oxide copper resources;
- To continue the programme of social and environmental impact assessment;
- To test, by drilling, satellite deposits within trucking distance of Omitiomire;
- To define and prioritise other exploration targets within the project area.

Tenement

The Omitiomire deposit is within EPL 3589, held 100% by Craton. EPL 3589 was granted for a three-year period on 25 April 2007, was renewed for a two-year period in 2010, and was renewed for a further two-year period on 25 April 2012. The tenement covers an area of 988 km^2.

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

Geology of the Deposit

Drilling has defined a broadly tabular copper deposit, striking north-south and dipping at a shallow angle (around 20º) to the east. The deposit forms sub–outcrop, beneath shallow sand cover, over several hundred metres; at depth, drilling has shown a strike length of almost 4,000m. The deposit is about 10m thick near surface but thickens to the east, where some drill holes have intersected over 100m of copper mineralisation.

The previous (mid-2011) structural interpretation was that the main Omitiomire deposit consists of a single tabular body in which the thick drill intersections were due to repetition of the body by recumbent folding (Photo 1). The drilling which commenced in June 2011 has shown that the recumbent folding causes local thickening of individual lenses and that the deposit consists of a number of stacked parallel tabular bodies ("lenses") which partly merge. In particular, drill holes have intersected a previously-unknown extensive lower lens (the C Lens) in the northeast of the deposit. Several smaller lenses are also known.

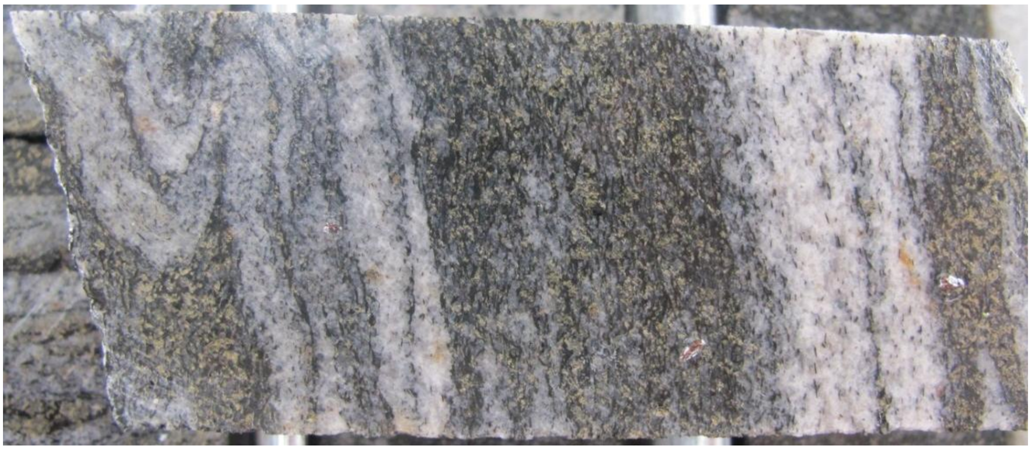

Photo 1. Recumbent fold in drill core

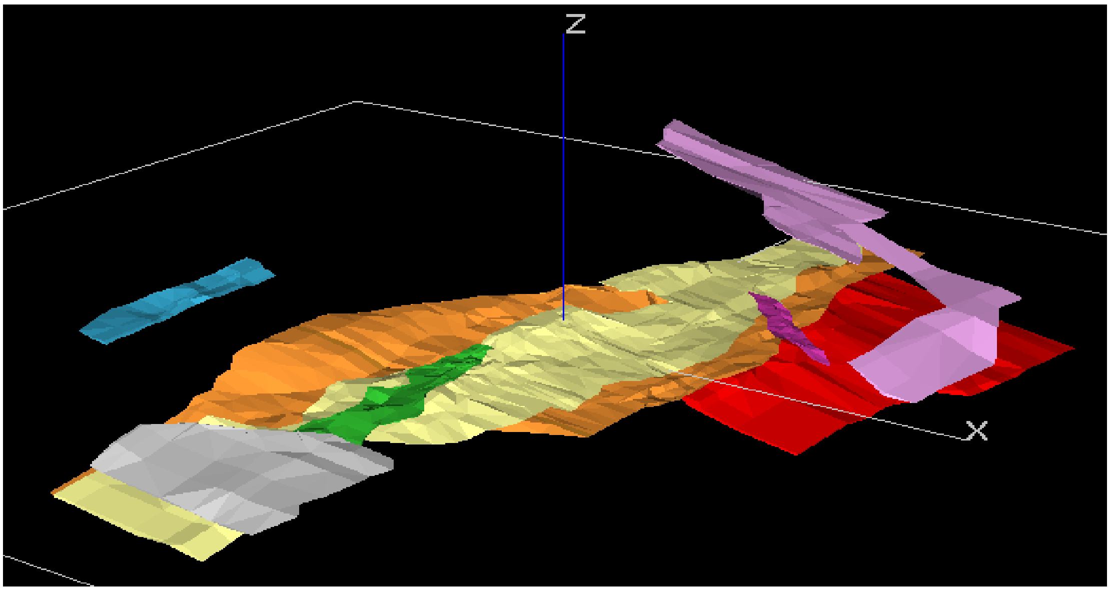

Figure 3. Isometric view of the 2012 resource wireframes. The model identifies eight lenses: A (yellow); B (orange); C (red); Central (green); Kaya (grey); Mamba (blue); Bruce (pink) and Bruce Terrace (purple). Almost half the resource tonnage is within the B Lens

The following drill section (Figure 4) shows the emerging structural model. Note that this is a simplified representation, as the copper lenses grade into one another to some extent. Drilling to date has shown that the A Lens and B Lens terminate down dip; the C Lens remains open.

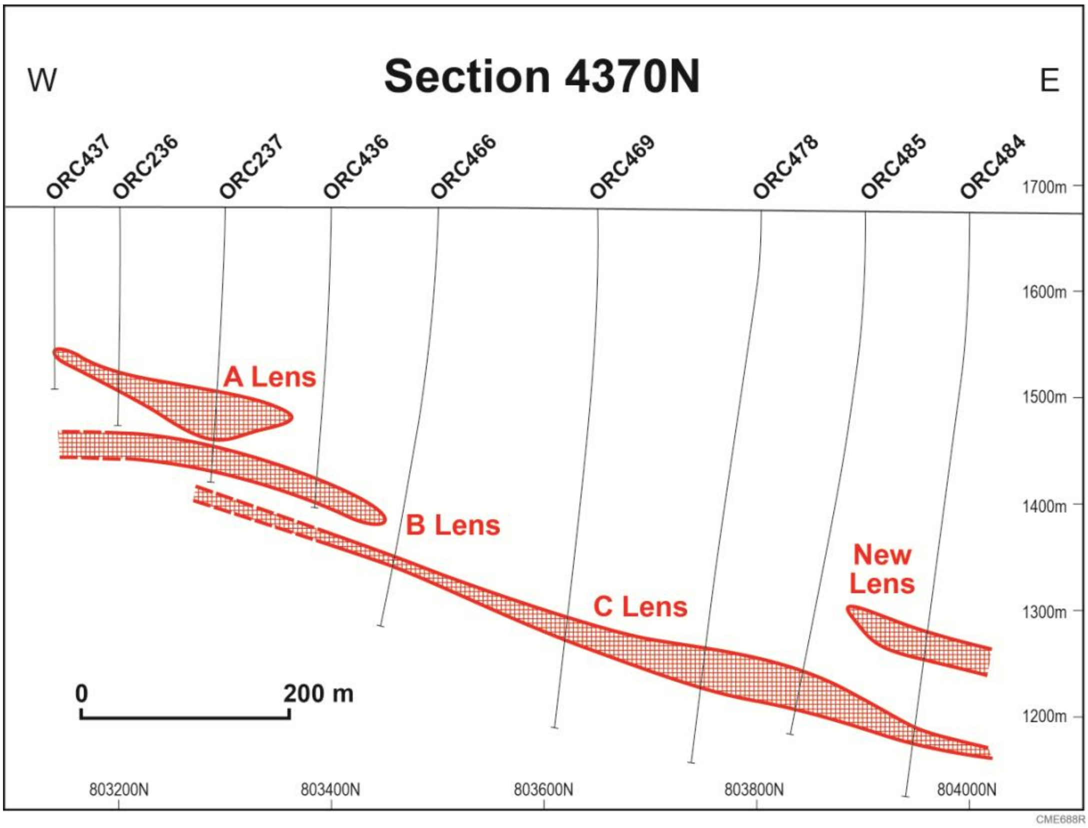

Figure 4. Section 4370N

The northern extent of the deposit has not yet been determined. At the current stage of drilling, the B and C Lenses remain open-ended down plunge to the north.

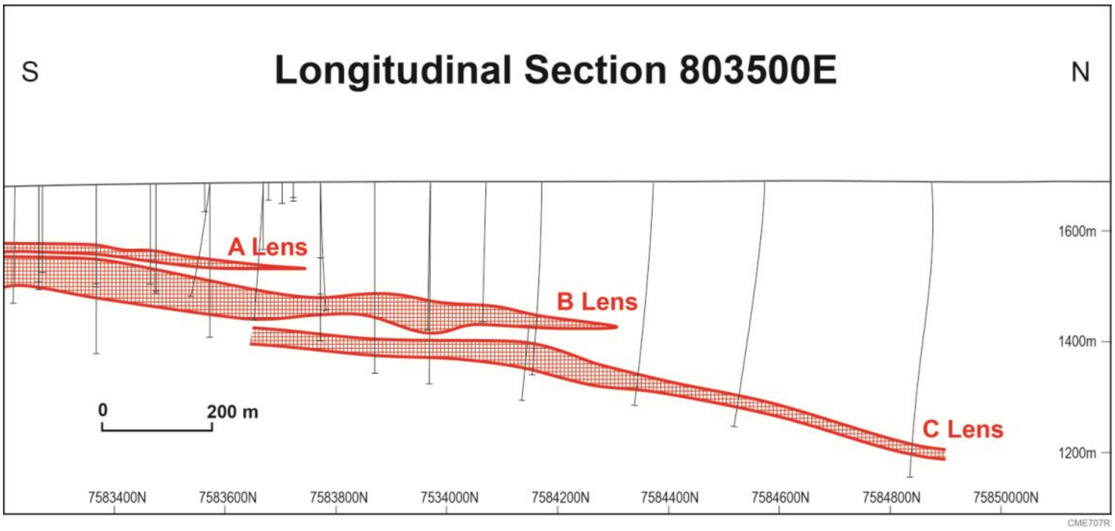

Figure 5. Longitudinal Section 3500E

Drilling and Resource Estimation

Since the C Lens had not been recognised at the time of the PFS (mid-2010), no C Lens ore was incorporated into the PFS pit design. The discovery of the C Lens and several infill drill holes completed during 2010 were considered to be sufficient additional data for an updated resource estimation. This was completed in October 2011.

The October 2011 Resource was based largely on drilling carried out prior to recognition of the C Lens. Much of that was shallow reverse circulation ('RC') drilling which improved the confidence of the resource, but was not deep enough to have intersected the C Lens beneath the A and B Lenses. Several widely-spaced drill holes identified the C Lens and down-plunge extensions of the B Lens as resource potential.

Subsequent to the October 2011 resource estimate, drilling has had the following objectives:

- To expand the resource below the October 2011 Resource by means of diamond tails on previous shallow RC holes;
- To continue widely-spaced drilling at depth to the north and northeast, to determine the extent of the deposit (i.e. resource potential);
- To test known shallow satellite copper mineralisation.

Since the drilling programme commenced in June 2011, a total of 23,661m has been completed.

The drilling has continued to intersect good copper mineralisation, especially within the C Lens beneath the PFS pit. A revised resource estimate was completed in mid-August 2012 (see Table 1). This shows an overall increase in the resource, of which 70% complies with the Joint Ore Reserves Committee ('JORC') Indicated Resource category. Because of the wide drill hole spacing in the deeper drill intersections in the northern and north-eastern portions of the deposit, most (85%) of the C Lens remains in the "Resource Potential" category; with infill drilling, much of this is expected to fall into the JORC-compliant resource.

Approximately 13% of the resource is oxide or mixed oxide-sulphide material (less than 70% sulphide copper).

	Indicated + Inferred Resource*			Resource + Potential		
Cut-off grade	Resource	Grade	Metal	Resource + Potential	Grade	Metal
(% Cu)	(Mt)	(% Cu)	(tonnes)	(Mt)	(% Cu)	(tonnes)
0.1	193	0.43	825,000	301	0.45	1,367,000
0.2	168	0.47	784,000	269	0.49	1,315,000
0.25	136	0.53	712,000	230	0.53	1,228,000
0.3	117	0.57	661,000	203	0.57	1,155,000
0.4	86	0.65	552,000	151	0.64	973,000

Table 1. Summary resource estimate by Carrie Nicholls, Senior Resource Geologist, Bloy Resource Evaluation, August 2012 (Note: tonnages have been rounded)

**70% of resource in Indicated category*

RC drilling at the Mamba target (formerly Omitiomire West) showed encouraging results. An initial interpretation, based on follow-up drilling, outlines a small folded north-trending lens, with additional erratic copper above and below the lens.

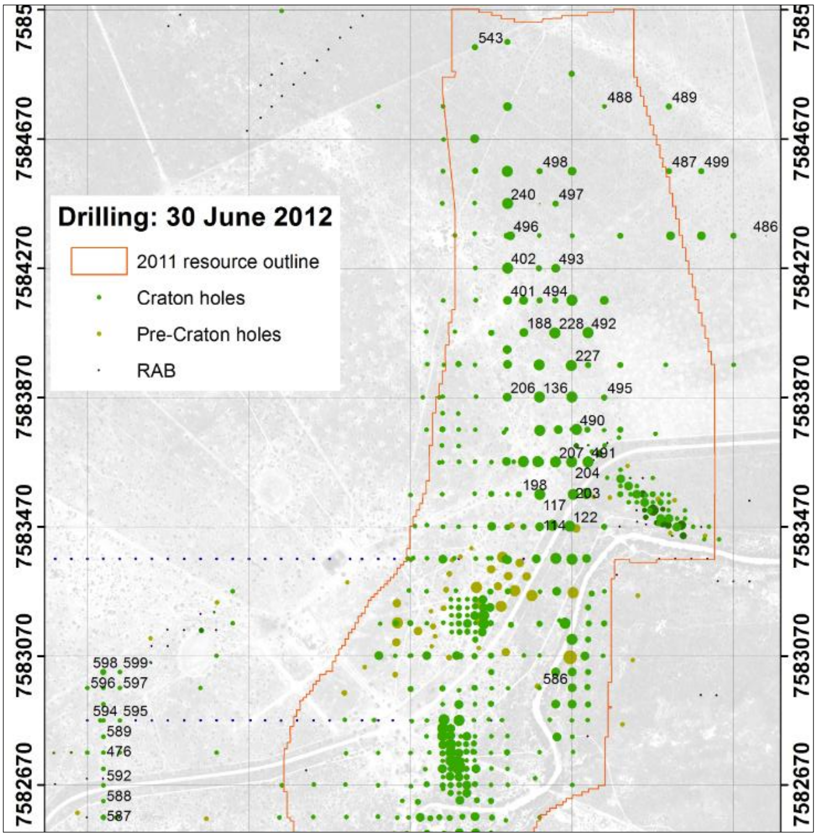

Figure 6. Drill hole plan. Holes completed during 2012 are numbered. Symbol size is proportional to the thickness x grade intersected. The three clusters of closely-spaced holes are the near-surface oxide copper zones. The south-western cluster of holes targeted the Mamba Lens

Initial Oxide Copper Mining

Craton is considering a Phase 1 oxide copper mining and beneficiation operation at Omitiomire. The oxide plant needs to be a profitable stand-alone operation, using known shallow resources. For this purpose, the following studies have been completed or are in progress:

- Closely-spaced drilling on three zones of near-surface oxide copper (Figure 6);
- Preliminary pit designs of the three zones of shallow oxide copper;
- Grade control resource estimation within the three pits;
- "Order of magnitude" metallurgical and plant design studies;
- Social and Environmental Impact Assessment ("SEIA");
- High level profitability estimates.

The three shallow pits contain a small resource of 1.9 Mt at 0.87% Cu (0.2% cut-off), including 1.0 Mt at 1.18% Cu (0.75% cut-off). The total waste is 3.3 Mt, with a stripping ratio of 1:1.8. The pit designs have not yet been optimised to include the latest resource outlines.

A beneficiation process of crush – screen – dense medium separation ('DMS') – mill – sulphide float – solvent extraction – electrowinning ('SX/EW') is being investigated. The plant would have a capacity to treat 360,000 tonnes of ore per annum and is expected to recover 90% of sulphides and 74% of oxides, for annual production of 1000 tonnes of copper-in-concentrate and 2300 tonnes of cathode copper.

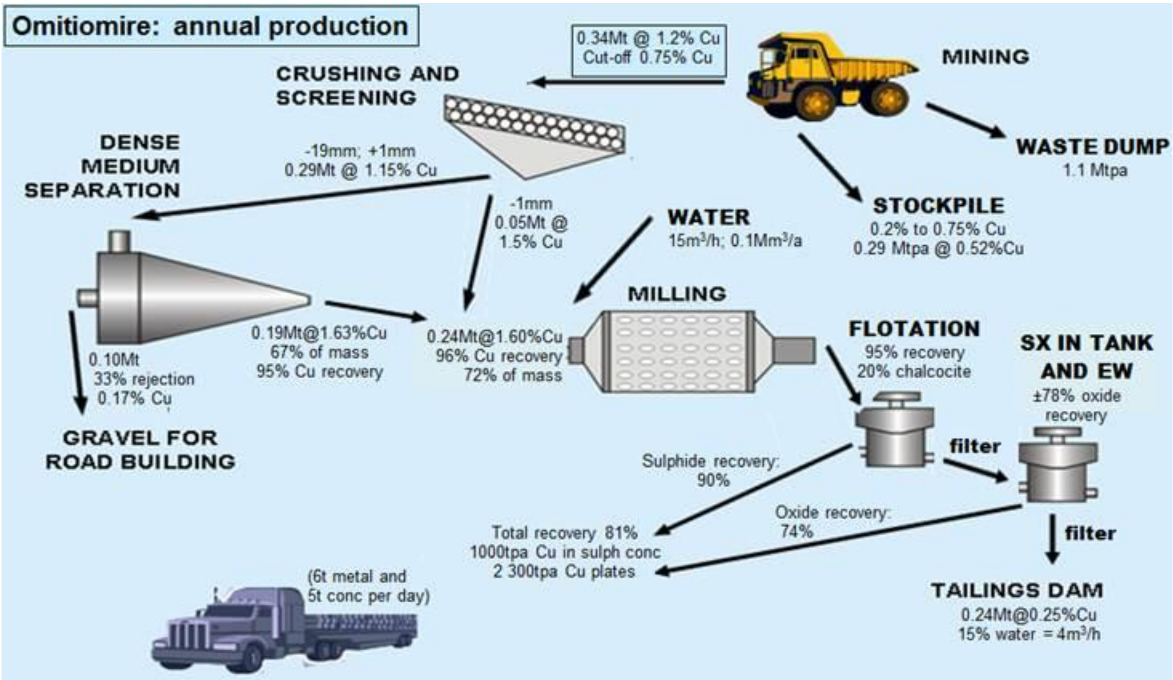

Figure 7. Processing flow sheet envisaged for a Phase 1 oxide copper operation

Craton has commenced excavation of a small pit to extract a bulk sample of ore (Photo 2) for metallurgical testing.

Optimisation of Sulphide Process Metallurgy

An "order of magnitude" study has considered two modifications to the PFS process flowsheet to assess their potential impact on capital expenditure ('capex') and operating expenditure ('opex'):

- Increased pre-concentration in order to reduce tonnages to the sulphide mill and flotation sections by adding spirals in the line between the crusher fines and the mill;
- Removal of the oxide plant from the main plant.

The study indicated that both modifications would materially improve both the capex and opex of the proposed operation.

Photo 2. Oxide copper (blue-green) exposed in the bulk sample pit

Social and Environmental Impact Assessment (SEIA)

Pump testing of various drill holes has demonstrated poor permeability in the main rock mass, but good permeability along selected fractures.

Progress on oxide copper environmental studies has been slackened until it is known whether Phase 1 oxide mining and processing is viable as a stand-alone operation.

Routine monitoring of groundwater, dust and the weather station is continuing.

Specialist field studies in progress are:

- biodiversity/ecology;
- soils and land capability;
- air quality;
- surface water run-off and water balance;
- hydrogeological modelling;
- visual impact, noise and traffic;
- socio-economic considerations;
- closure costing;
- public participation.

Draft progress reports on groundwater, water flow model, fauna, vegetation and soils have been received.

Omitiomire Regional Exploration (EPL 3589)

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

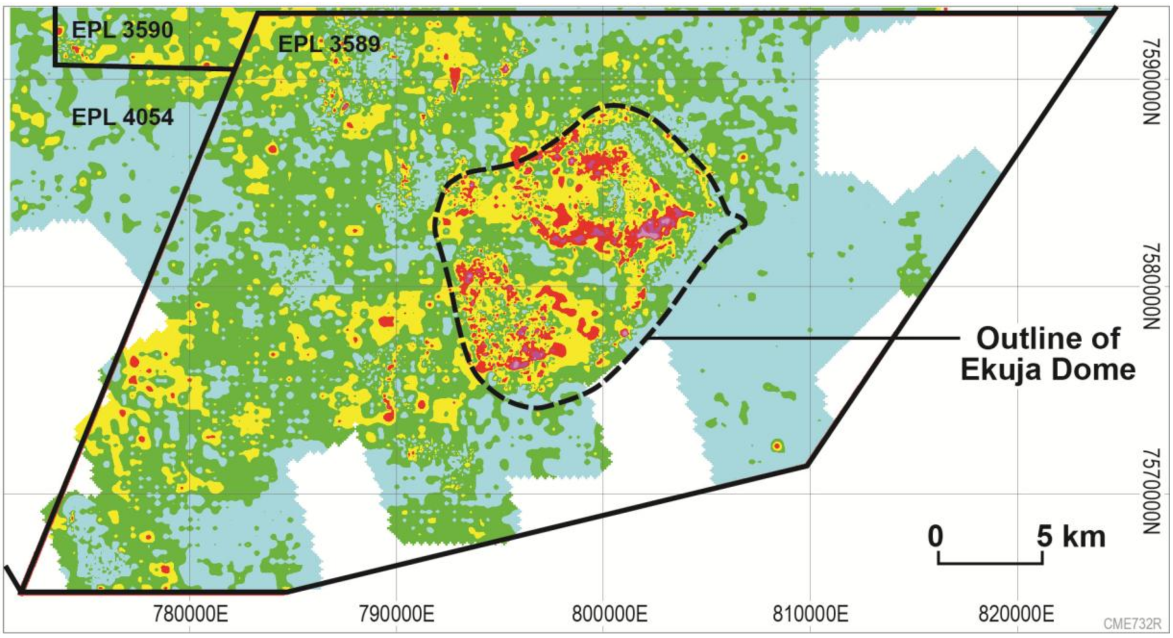

Figure 8. Soil geochemistry, EPL 3589. "Warm" colours show elevated copper-in-soil, extensively developed within the Ekuja Dome

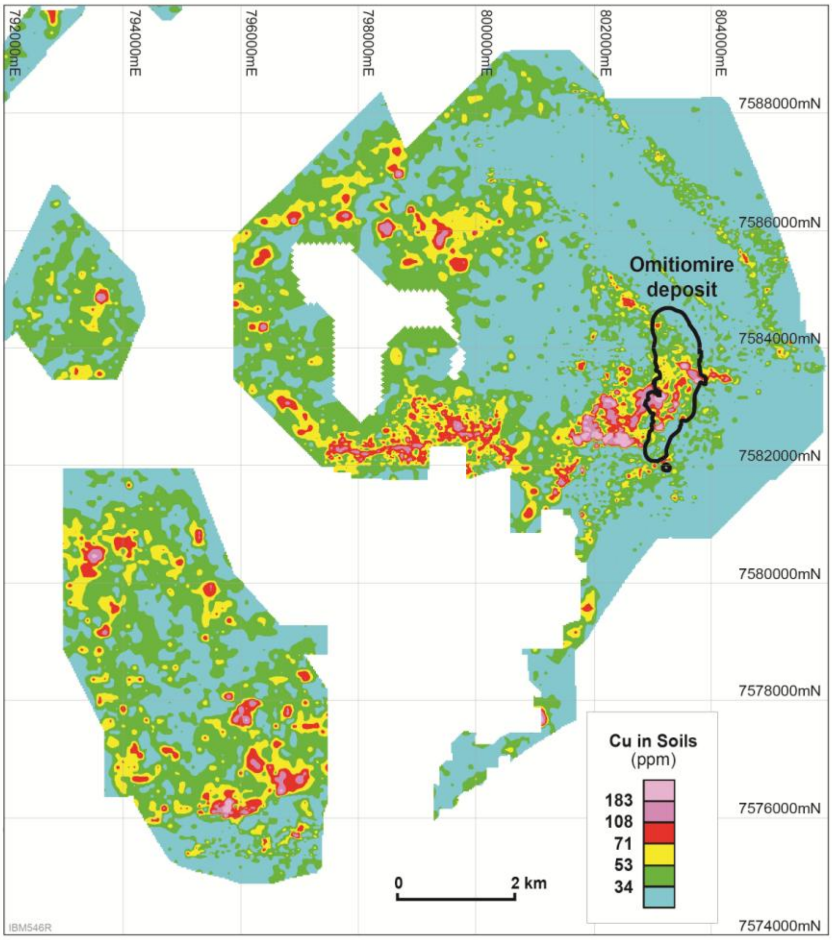

Figure 9. Detailed soil geochemistry of the Ekuja Dome, showing extensive copper anomalies within trucking distance of Omitiomire

At Borealis, in the south-western end of the Ekuja Dome, RC drilling showed Omitiomire-type copper mineralisation, with a best intersection of 23m at 0.19% Cu.

3. STEINHAUSEN PROJECT

Tenements

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

Licence number	Name	Area (km^2)	Expiry	Status
EPL 3589	Omitiomire	988	25/04/14	2nd renewal granted
EPL 3590	Oorlogsdeel	985	25/04/14	2nd renewal granted
EPL 4054	Hochfeld	763	26/04/13	1st 3-years granted
EPLA 4150	Seeis	981		Application
EPLA 4151	Karamba	960		Application
		Total = 3689		

Table 2. Omitiomire and Steinhausen Projects: Tenement summary

Geological Setting

The tenements cover a complex geological situation.

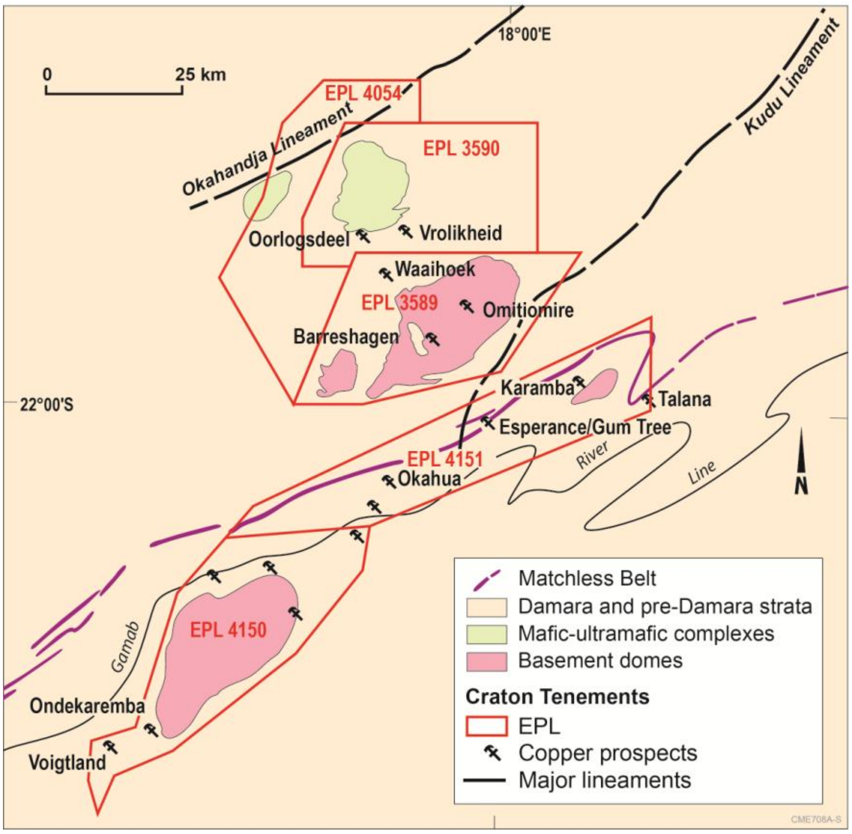

Figure 10. Simplified geological map of the Steinhausen Project area

The Ekuja Dome (within the Omitiomire project area, EPL 3589) is part of a nappe complex, formed during the Damaran Orogeny, when pre-Damara rock sequences and tectonic slices of Damara rocks were thrust southeastwards over the younger strata of the Damara Sequence. This nappe complex covers much of EPLs 3589, 3590 and 4054.

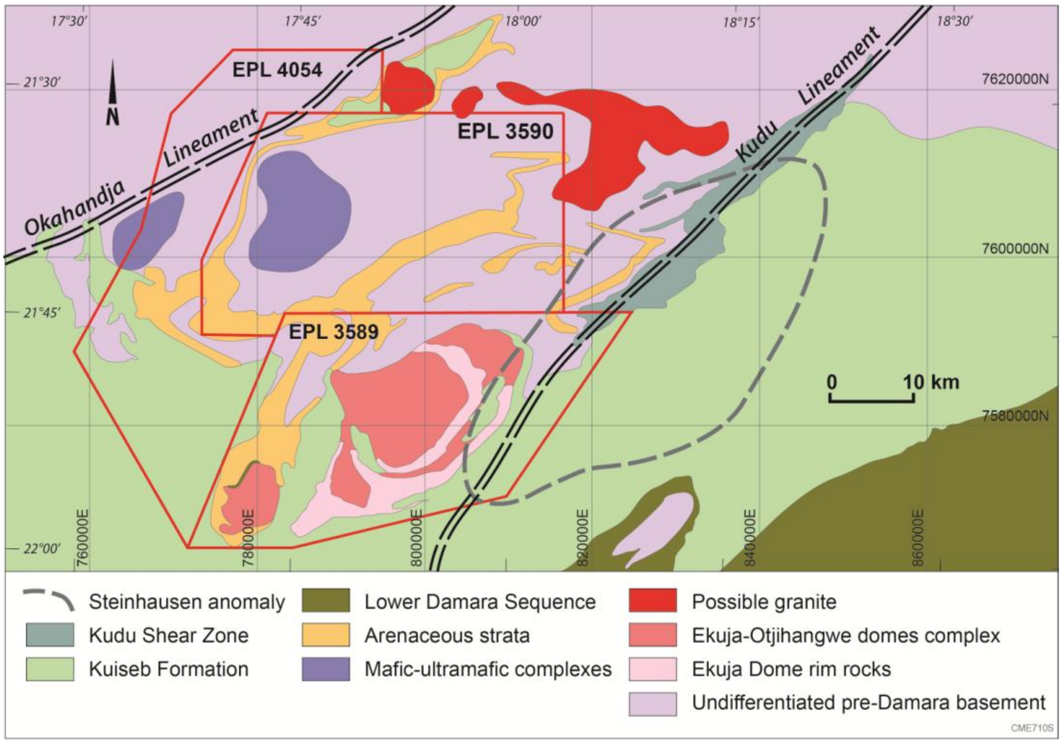

Figure 11. Geological interpretation of the northern portion of the Steinhausen Project area, showing the nappe complex

The two southern EPLs cover basement domes flanked by strata of the Damara Sequence.

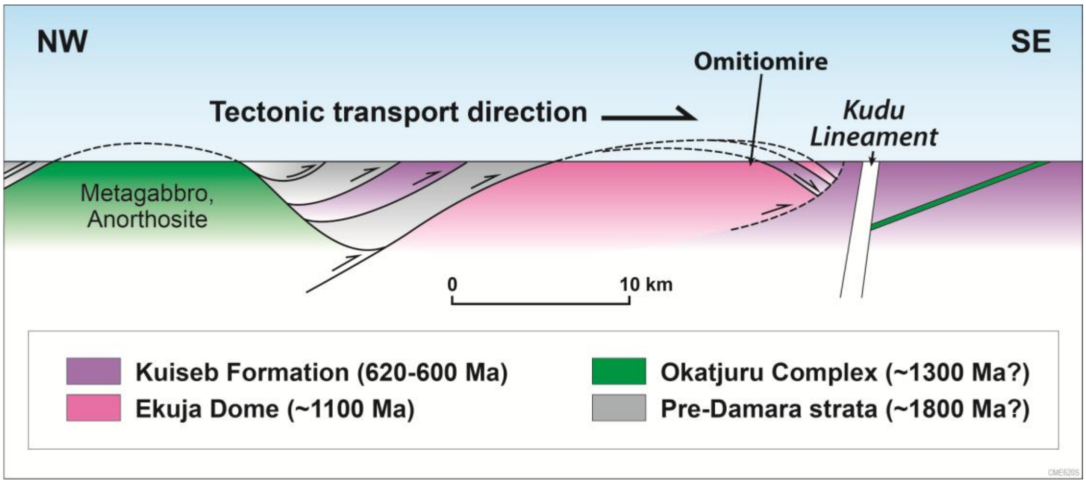

Figure 12. Geological interpretation sketch section through the northern portion of the Steinhausen Project area, showing the nappe complex. The green band at the right is the Matchless Amphibolite Belt

Mineral Deposit Styles

The rock sequence contains several known and potential mineral deposit styles:

Copper in pre-Damara strata: The pre-Damara strata contain several known copper occurrences which were explored by shallow percussion drilling during the 1970s. This drilling showed low grade copper (generally < 0.5% Cu) at shallow depth but was not followed up by more focussed exploration. In addition, a regionally-extensive unit of quartz-rich meta-sediments contains copper-zinc geochemical anomalies.

Metals in mafic-ultramafic complexes: By analogy with other mafic-ultramafic complexes, the two mafic-ultramafic complexes in the Steinhausen Project area (Figure 11) are considered to have potential for nickel-copper and titanium-vanadium concentrations.

Gold in sheeted quartz veins: By analogy with the Navachab gold deposit, currently in production to the west of Windhoek, there is potential for this style of deposit within the Damara Sequence in EPL 4054.

Copper in Damara strata: EPLAs 4150 and 4151 contain copper occurrences in lower Damara strata flanking basement highs. There has been little exploration of these prospects for many years.

Copper in the Matchless Belt: The Matchless Amphibolite Belt stretches for 400 km through central Namibia and contains clusters of 'Besshi-type' pyritic massive sulphide copper deposits along its length. Within EPLA 4151, there is 60 km strike of the Matchless Belt, containing several known copper occurrences which were subjected to limited shallow percussion drilling during the 1970s. That drilling intersected extensive low grade copper (generally < 0.5% Cu) at shallow depth but was not followed up by more focussed exploration.

Exploration Approach

The Steinhausen area (Photo 3), whilst containing significant potential for discovery of copper and other base metals, offers a difficult exploration environment, due to the complex geology, limited rock outcrop and numerous farms where negotiation of access agreements takes time.

Photo 3. Typical view of Steinhausen project area

Craton has previously commissioned an interpretation of airborne geophysical (magnetic and radiometric) data, which provided a template for assessment of follow-up detailed exploration. Extensive regional-scale soil geochemical surveys, with samples taken on a 400m x 400m grid, have identified target (Figure 13) areas which are being assessed, initially, with detailed geological mapping, ground magnetic surveys and detailed (100m x 100m grid) soil geochemistry.

Soil geochemical surveys have defined three priority targets (Figure 14) for follow-up exploration, including drilling.

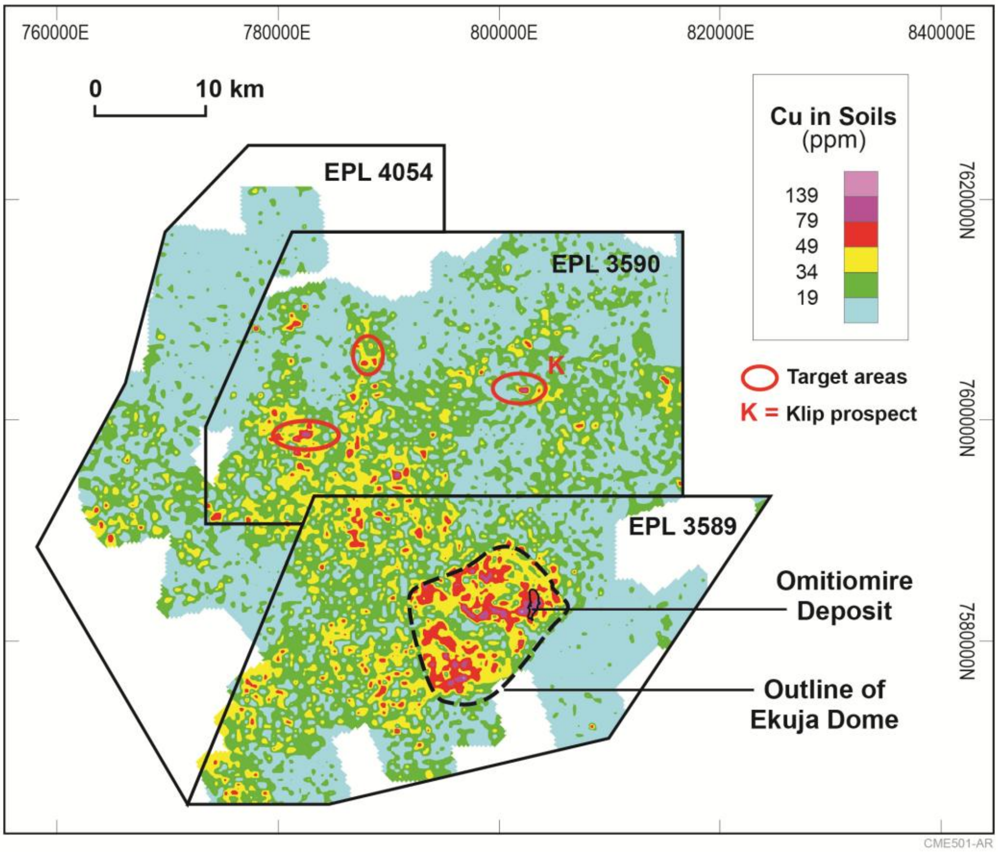

Figure 13. Steinhausen and Omitiomire copper-in-soil geochemistry

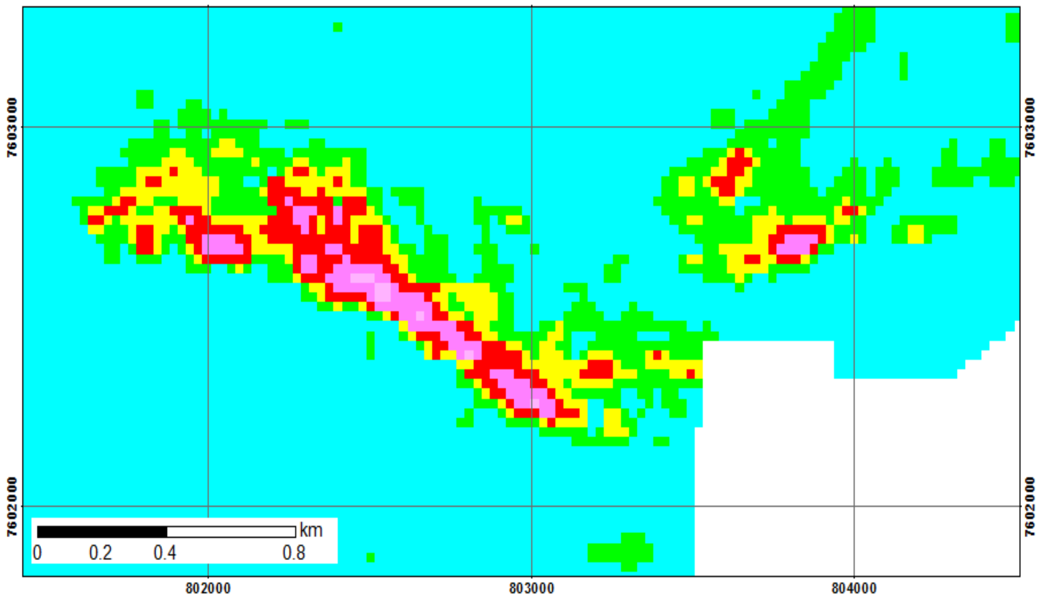

Figure 14. Detailed soil geochemistry of the Klip prospect.
Initial drilling is planned for late 2012

Summary of Exploration Status

- Copper in pre-Damara strata: The known copper occurrences show that there is good potential for discovery. Geochemical anomalies are being progressively followed up by detailed exploration.
- Metals in layered complexes: To date, no significant geochemical anomalies have been detected.
- Gold in sheeted quartz veins: A new exploration programme will be commencing soon.
- Copper in Damara strata: Known copper occurrences indicate significant discovery potential. The grant of EPLAs 4150 and 4151 will allow Craton to commence exploration.
- Massive sulphide copper in the Matchless Belt: Known copper occurrences indicate significant discovery potential for both primary (sulphide) and oxide copper. The grant of EPLA 4151 will allow Craton to commence exploration.

4. KALAHARI COPPERBELT PROJECT

Background

The Kalahari Copperbelt stretches discontinuously for 800 km from central Namibia to northern Botswana (Figure 15). The belt is of similar age and has similar styles of copper mineralisation as the Central African Copperbelt of Zambia and the Congo.

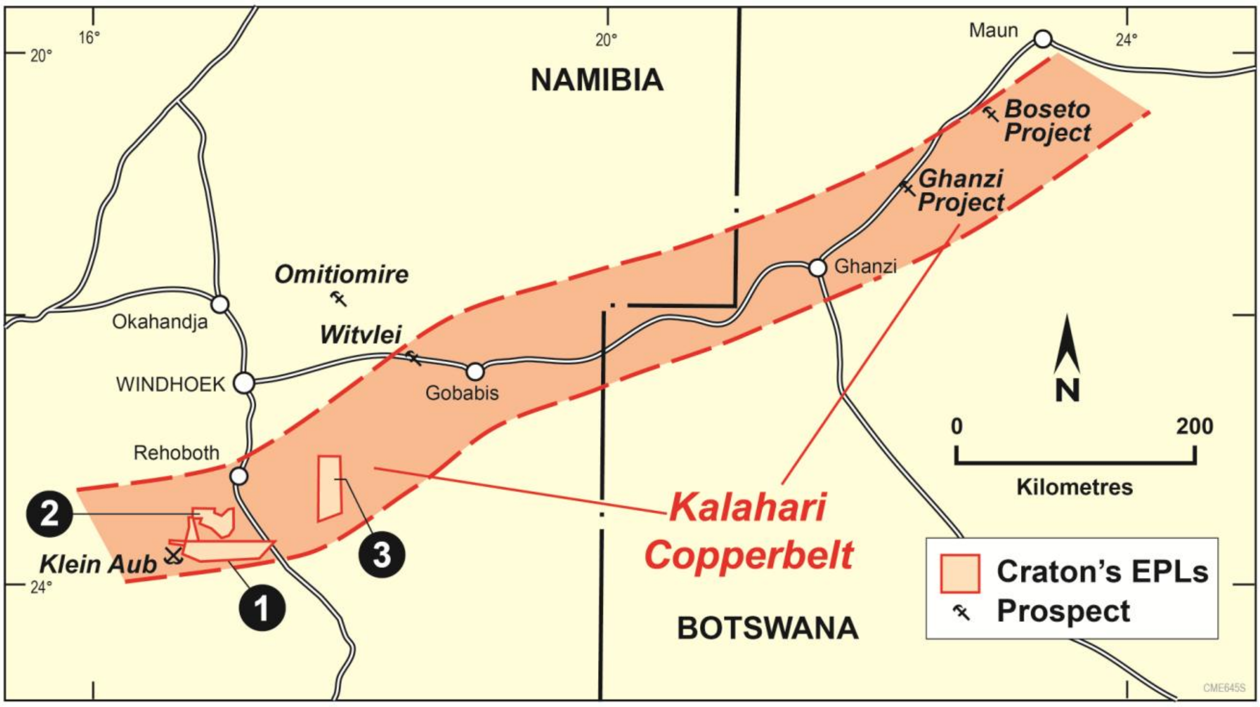

Figure 15. The Kalahari Copperbelt in Namibia and Botswana

Copper occurrences have been known in the Namibian sector of the belt for many years. The Klein Aub underground mine operated between 1966 and 1987, producing around 5.5 Mt at 2% Cu and 50 grams per tonne ("g/t") Ag. In the past several years, substantial copper-silver resources have been defined in the Botswana segment of the belt.

Craton has three granted EPLs (labelled 1, 2 and 3 in Figure 15) in the Namibian sector of the belt.

Licence number	Name	Area (km^2)	Expiry	Status
EPL 3584	Rehoboth South	733	25/04/2014	2nd 2-year renewal
EPL 4039	Nomeib	662	01/07/2013	1st 2-year renewal
EPL 4055	Sib	938	26/04/2013	Initial 3 years granted
		Total = 2333		

Table 3. Kalahari Copperbelt Project: Tenement summary

These tenements cover a range of geological settings and target styles (Figure 16):

- Basement rocks of the Rehoboth Complex contain numerous copper and gold occurrences in EPL 3584 and EPL 4039;
- EPL 3584 contains over 60 km strike length of the copper-bearing Kagas Member of the Klein Aub Formation;
- In EPL 4055, the Nosib Group contains sandstone-hosted copper at the Sib prospect.

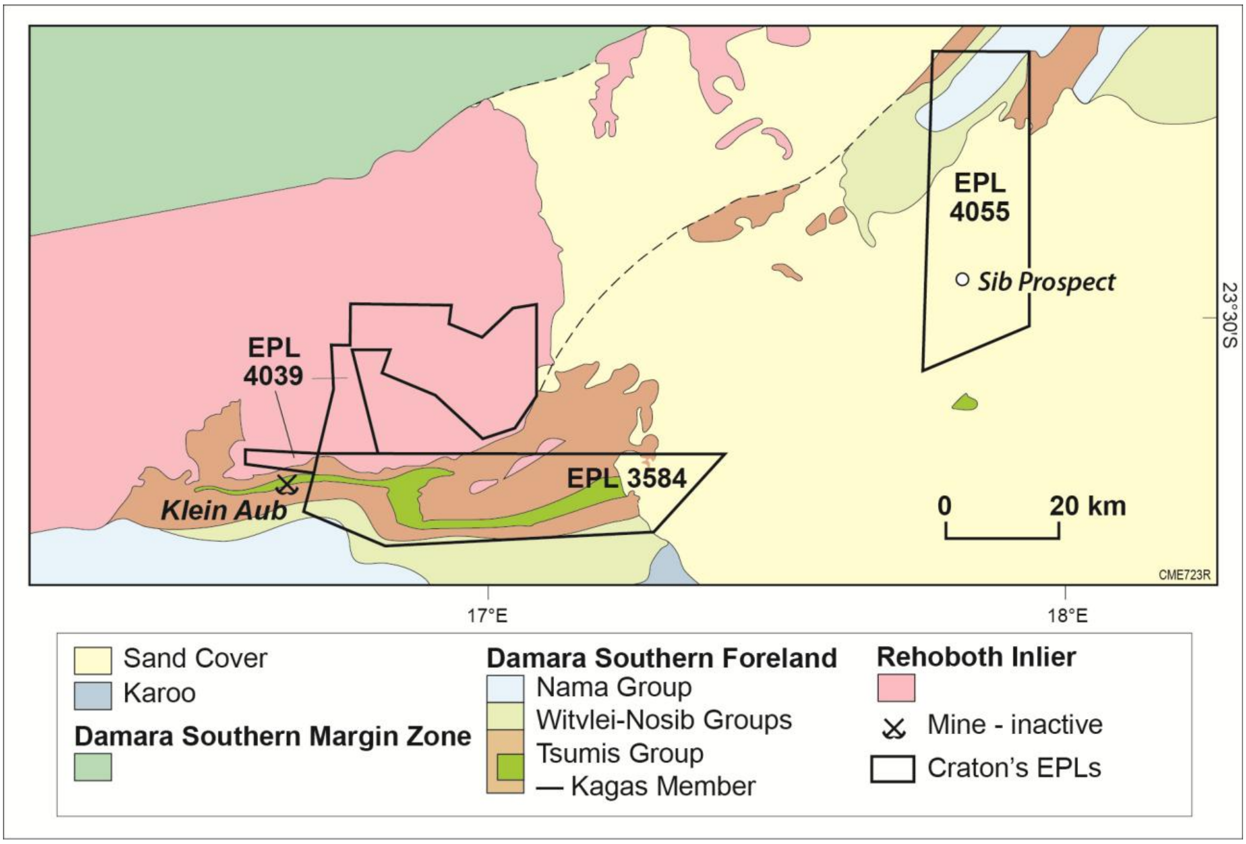

Figure 16. Craton's EPLs in the Kalahari Copperbelt

EPL 3584 Rehoboth South

Copper mineralisation in the Kagas Member occurs as veins, lenticles (Photo 4) and disseminations of chalcocite in slate and carbonate rocks.

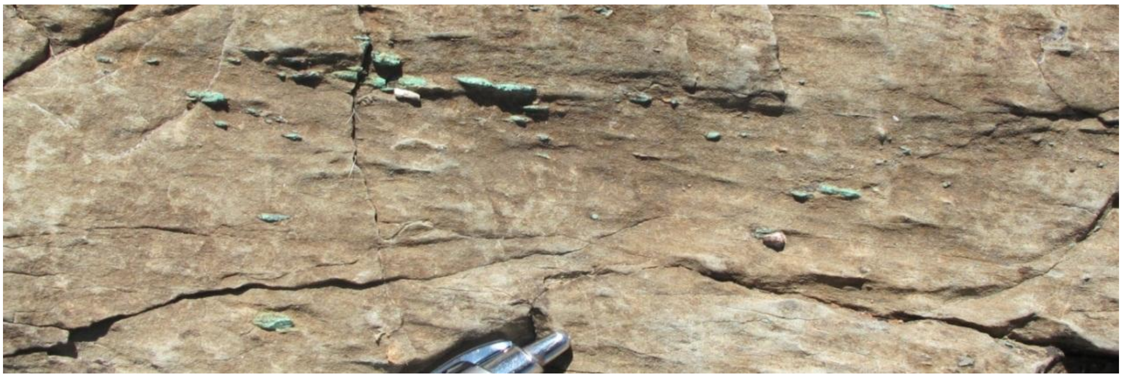

Photo 4. Chalcocite lenticles in carbonate, EPL 3584

During 2010-2011, Craton identified 20 prospects for follow-up (Figure 17). From these targets, Craton selected the Kroendorn (Anomalies 3 – 7) and Kalfrivier (Anomalies 17 – 19) areas for drill testing.

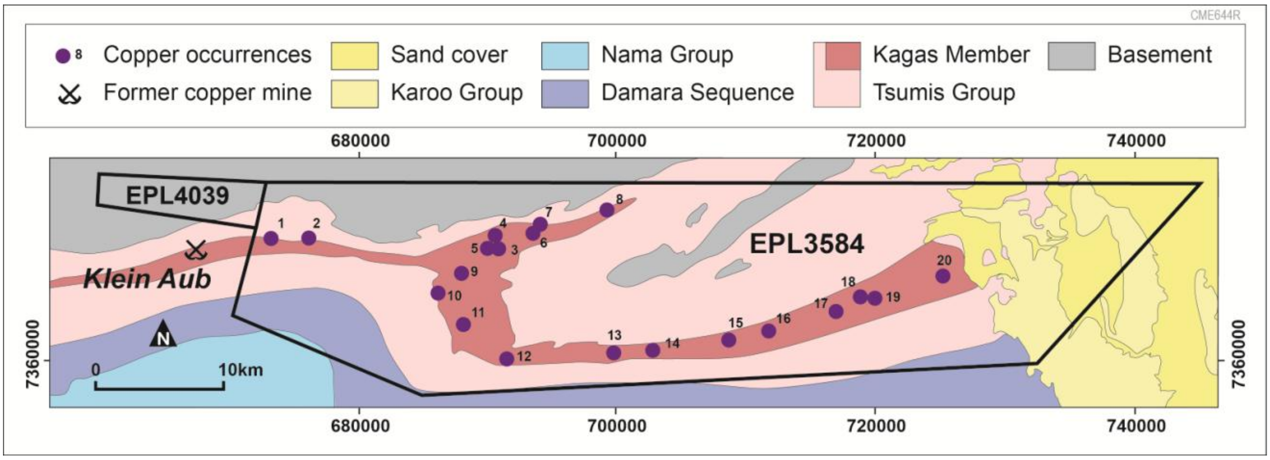

Figure 17. EPL 3584 showing identified targets

Craton drilled 45 shallow (20-40m depth) RC holes in traverses across the target areas. Shallowly-dipping (10^o - 40^o) copper-bearing beds were intersected in nearly every hole. However, analyses showed only narrow zones of low grade copper, with a best intersection of 3m at 0.65% Cu.

Following these disappointing results, the potential for discovery of shallow copper has been down-graded. Craton is considering how best to define and test deeper targets.

EPL 4039 (Nomeib)

EPL 4039 covers part of the Rehoboth Inlier, a complex geological entity which forms the basement rocks of the Kalahari Craton on which the Neoproterozoic Damara Sequence was deposited. Numerous small historic copper-gold workings, with mineralisation in veins and shear zones (Photo 5), indicate the potential for discovery of more substantial deposits. Targets have been defined from small-scale workings and geochemical anomalies. These are being followed up with detailed mapping, and soil geochemical and magnetic surveys, ahead of drilling planned for 2012-13.

Photo 5. Typical high-grade vein-type copper-gold mineralisation in the Rehoboth Inlier

EPL 4055 Sib

At the Sib prospect (Photo 6), copper mineralisation is exposed as two beds in a number of shallow prospecting trenches along several hundred metres of strike length. The project area presents a difficult exploration environment, where sand, gravel and calcrete obscure weathered bedrock. Previous drilling at the Sib prospect defined a small resource of oxide copper in sandstone.

IBML's exploration programme has involved detailed geological mapping and soil geochemical surveys aimed at delineating and prioritising targets for further work. During July-August 2012, Craton drilled 33 shallow RC holes, totalling 1275m, which identified a small deposit of oxide copper up to 15m thick, at shallow depth. Based on preliminary XRF analyses, the "resource potential" from this initial drilling programme is estimated at 1.1 Mt at 0.8% Cu and 20 ppm Ag.

Photo 6. Sib area

5. KAMANJAB PROJECT

Background

In northern Namibia, Craton has a strong tenement position in the emerging Kaoko Copperbelt, an under-explored trend which has close similarities to the Zambian Copperbelt - same age, similar rock sequence, similar styles of copper mineralisation.

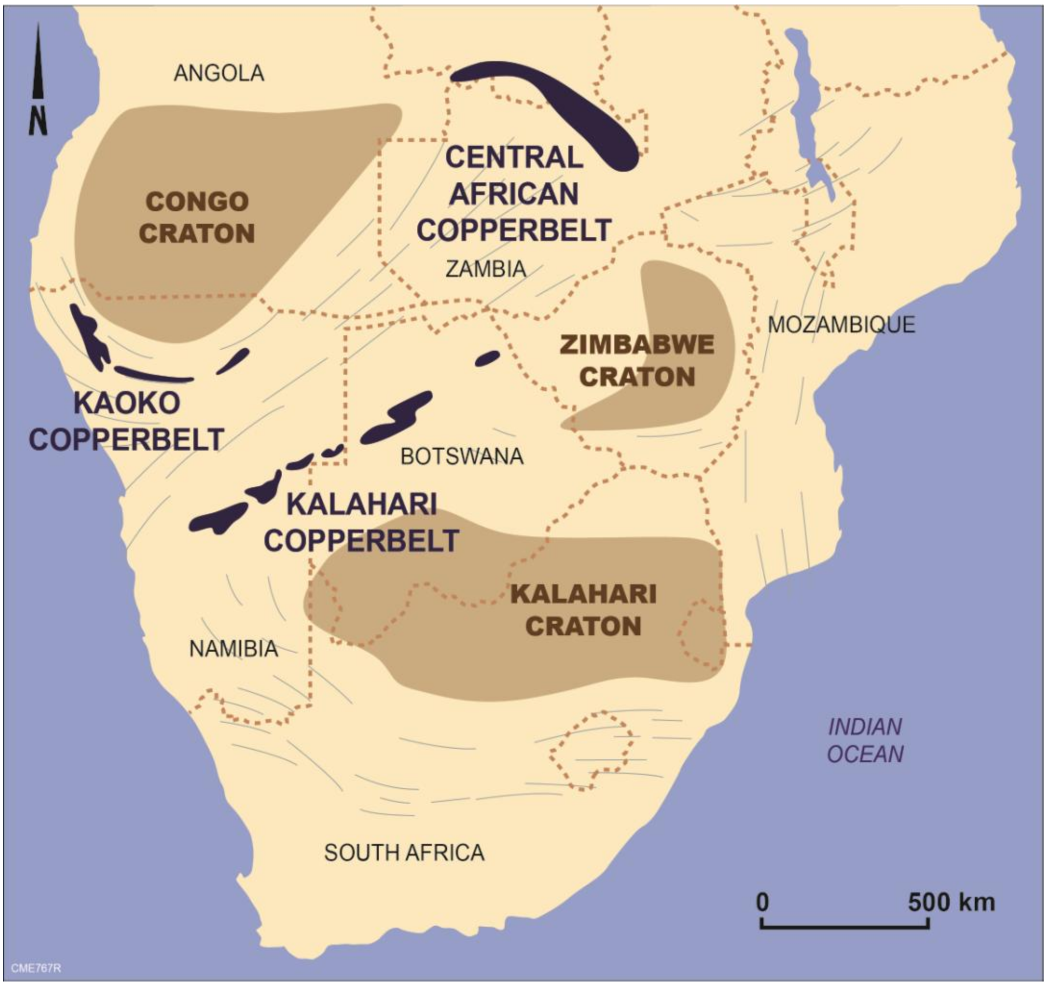

Figure 18. Major copper belts of southern and central Africa

Craton has two granted EPLs and another two which were offered for grant in August 2012.

Licence number	Name	Area (km^2)	Expiry	Status
EPL 3372	Kopermyn	399	12/12/2012	2nd renewal granted
EPL 4296	Tzaus	499		Offered for grant
EPL 4297	Vaalberg	787		Offered for grant
EPL 4431	Tzamin	938	24/06/2013	1st 3 years granted
		Total = 2623		

Table 4. Kamanjab Project: Tenement summary

Exploration Concept

Known copper mineralisation is hosted by strata low in the Neoproterozoic Damara Sequence - the basal Nosib Group and the lower part of the overlying Ombombo Subgroup of the Otavi Group. These units can be correlated with the Roan Group in the Zambian Copperbelt.

In the Zambian Copperbelt, copper deposits are located where the Roan Group onlaps onto basement highs of older rocks. A similar geological situation is evident at the Kopermyn deposit in Craton's EPL 3372 and the Tzamin prospect in EPL 4431.

Based on the situation at the Kopermyn deposit, the effects of rock weathering may be reflected in:

- a near-surface leached zone, depleted in copper; underlain by
- an oxide zone, partly depleted in copper; underlain by
- a supergene zone, in which copper may be enriched to +5%; then
- primary copper mineralisation.

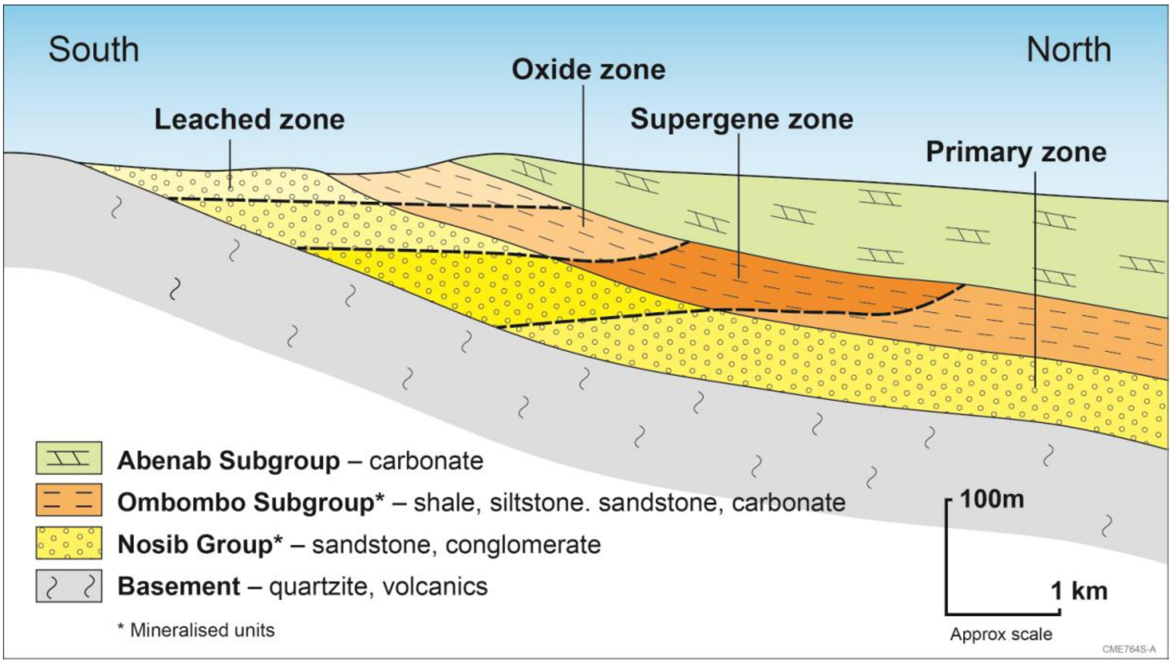

Figure 19. Exploration model for the Kaoko Copperbelt

Based on this exploration model, Craton has applied for a large strike length (of over 100 km) of favourable geology where the copper-bearing lower Damara strata onlap onto the Kamanjab Inlier basement high.

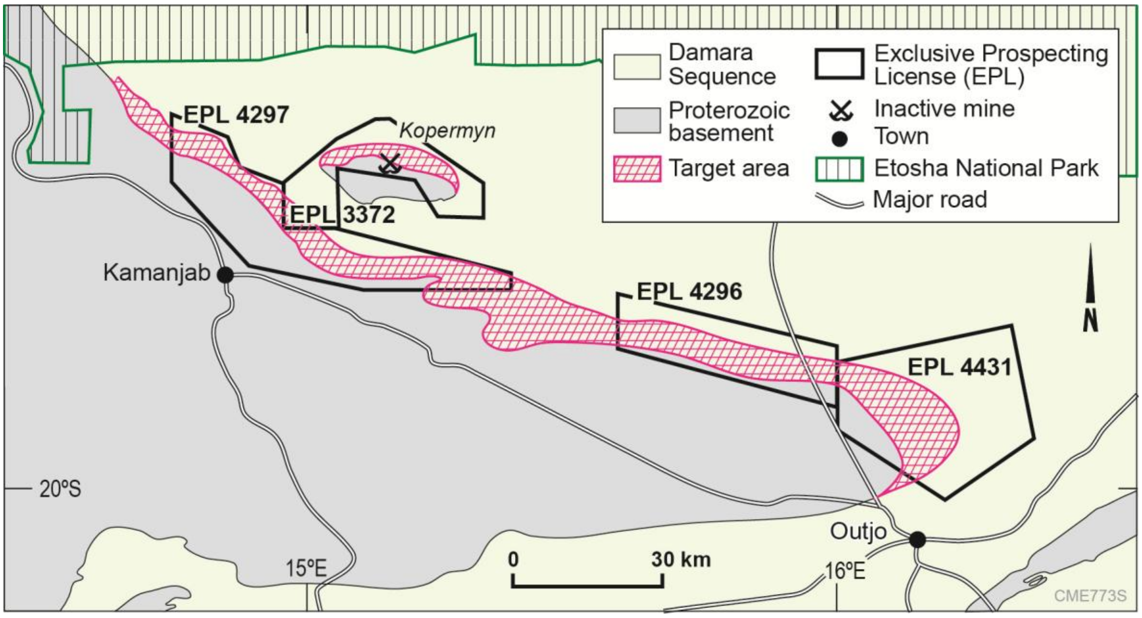

Figure 20. Kamanjab Project: Geological setting and tenements

EPL 3372 (Kopermyn)

Previous exploration by Craton identified copper mineralisation (Photo 7) over 10 km of strike to the west of the Kopermyn deposit. In 2010, shallow drilling down-dip from the surface copper occurrences intersected only low grade copper.

Photo 7. Surface copper occurrence (green staining), EPL 3372

During 2011-12, Craton tested the Peperboom magnetic target with 537m of RC drilling in four holes. The drill holes intersected abundant pyrite but no elevated base metal concentrations. No further work is planned for this target.

A soil geochemical survey in the southwestern corner of the tenement detected only low order anomalies and no further work is planned at this stage.

In early 2012, IBML reached a joint venture agreement with HPX TechCo to carry out an exploration programme consisting of geophysical surveys and interpretation, followed by drilling on targets (if warranted). A gradient array induced polarisation ('IP') survey and a follow-up 3-dimensional IP survey over a selected area have been carried out, using HPX's Typhoon system (Photo 8). This work identified a possible base metal target in the northern part of the EPL. Drill testing commenced in late August 2012.

EPL 4431 (Tzamin)

Earlier explorers identified a small copper resource at the Tzamin prospect. Previous soil geochemical sampling by Craton identified a copper-in-soil anomaly over 1000m in length, indicating potential extensions of the known deposit to the northwest and southeast. The anomaly is within Nosib Group sandstone but extends beneath younger carbonate strata.

During the 2011-12 year, Craton carried out additional regional-scale geological mapping and geochemical surveys, as well as a ground magnetic survey over the Tzamin prospect.

During 2012-13, Craton plans a short RC drilling programme on the Tzamin copper prospect and potential extensions to the northwest.

Photo 8. HPX 'Typhoon' I.P. system in operation in EPL3372

6. AUSTRALIAN PROJECTS

Maranoa Resources Pty Ltd

IBML, through its wholly-owned subsidiary Maranoa Resources Pty Ltd, holds Exploration Permit for Minerals ('EPM') 14260 (Darkwater), in the Maranoa district of southern Queensland. The Darkwater Igneous Complex has potential for nickel-copper deposits. In late 2011, an attempted electro-magnetic ('EM') survey failed, due to the rough terrain; followed by heavy flooding rains in the region. A new EM survey is planned to commence in September 2012.

AuriCula Mines Pty Ltd

IBML's wholly owned subsidiary AuriCula Mines Pty Ltd, has joint venture agreements with subsidiaries of Glencore International covering three Exploration Licences ('ELs') south of Cobar in New South Wales. The project areas have historic mine workings and are considered to have good potential for discovery of additional Cobar-style high grade copper ± gold "pipes". Exploration of the tenements is being conducted by the Glencore subsidiary, Cobar Management Pty Ltd (CMPL).

Endolithic Resources Pty Ltd

In the Mount Isa district of northwest Queensland, EPM 18306 (Gereta) (Photo 9) has been granted for a five-year period. The tenement has potential for fault-related and sandstone-hosted copper.

In the Georgetown district of North Queensland, EPM application 17091 (Lawnvale) is being processed.

Tenement Summary

Tenement Number	Tenement Name	Application Date	Grant Date	Expiry Date	Area km² at 30.06.12
Cobar Project NSW - AuriCula Mines P/L					
EL 6223	Shuttleton	21.11.2003	05.04.2004	04.04.2012*	38
EL 6868**	Mt Hope South	21.03.2003	06.09.2007	06.09.2011*	51
EL 6907**	Mt Hope	21.03.2003	11.10.2007	11.10.2011*	135
Maranoa Project Southern Queensland – Maranoa Resources Pty Ltd					
EPM 14260	Darkwater	24.09.2003	13.04.2005	12.04.2013	155
Northern Queensland – Endolithic Resources Pty Ltd					
EPM 18306	Gereta	1.10.2009	25.05.2012	24.05.2017	202
EPMA 17091***	Lawnvale	3.12.2007			148

Table 5. Australian projects: Tenement summary

* *Renewal Lodged* ** *Tenement held by Actway Pty Ltd* *** *Application being processed*

Photo 9. View of part of Gereta project area, northwest Queensland

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.

Personnel, OH&S, Environment and Community

Our People

Occupational Health and Safety (OH&S)

IBML is committed to achieving the highest standards of safety and health for all its employees operating in the workplace. The IBML Health Safety and Management Program has benchmarks in place to achieve these goals.

The main elements of this Program are:

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

Our People

IBML ensures that training and assessment is provided for the tasks each employee is required to perform on an on-going basis. Training in field and office equipment, programs and procedures, as well as health and safety practices are available to all employees.

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.

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 state government departments are met within the required time frames.

Community

IBML takes seriously its relationships with the communities in which it operates. The landholder over whose ground operations are conducted are accorded respect and consideration by IBML personnel. A Code of Conduct is adhered to in regard to field work to ensure the highest standard of compliance is achieved.

Craton has held a series of meetings with local communities to explain its plans regarding the Omitiomire project. These meetings have been well received.

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 (Photo 10) 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.

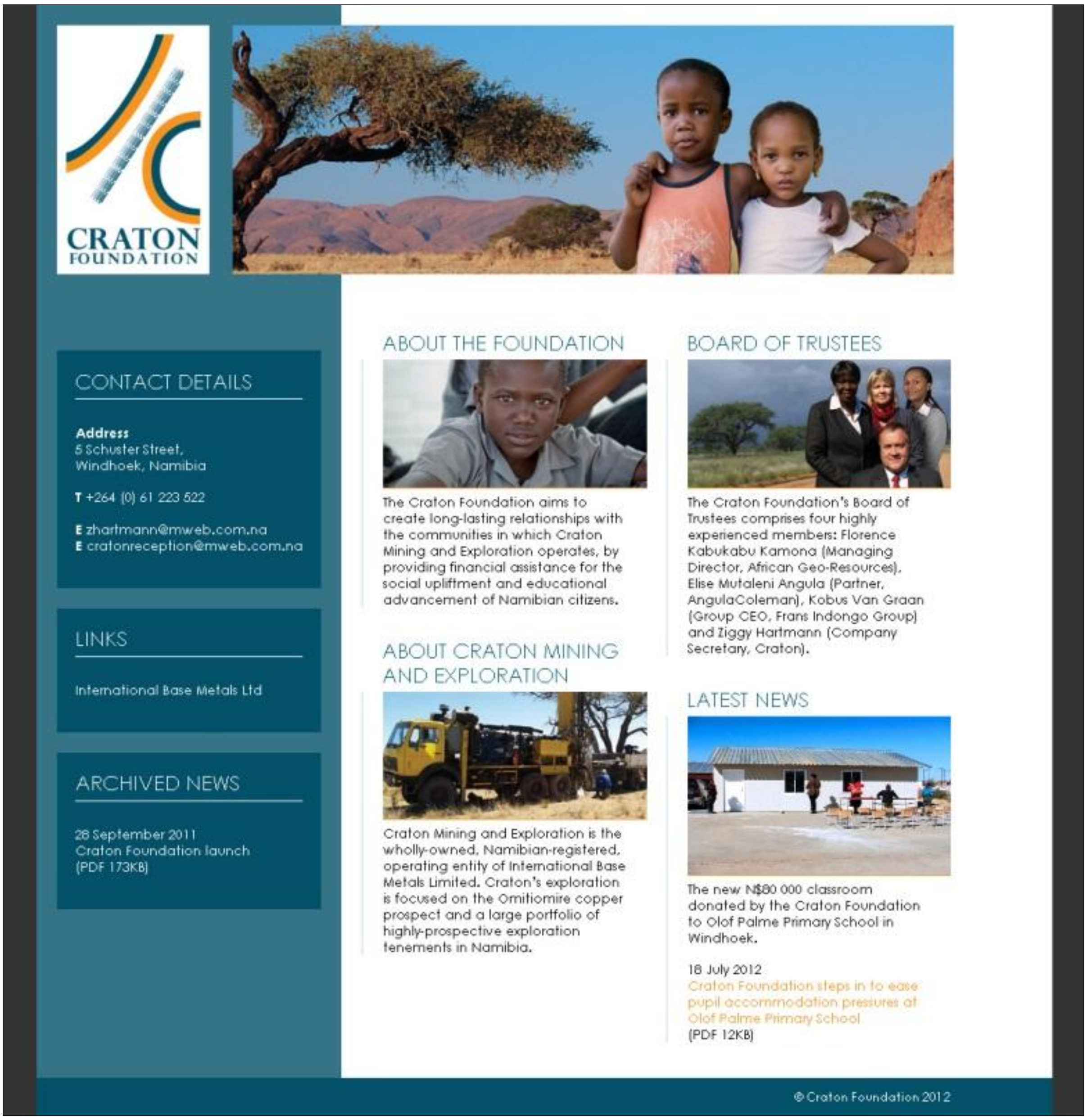

Photo 10. View the Craton Foundation Website for further information
http://www.cratonfoundation.com

IBML Investments

ZAMIA METALS LIMITED (IBML 5.49%)

As at 21 August 2012

Zamia Metals Limited ('Zamia'), (ASX: ZGM) has a substantial portfolio of Exploration Permits in the Clermont District of central Queensland. This district is a known gold province and Zamia's 13 tenements cover 1,300 km² including a number of promising gold occurrences and targets.

Zamia and its 100% owned subsidiary Zamia Resources Pty Limited signed in July 2012 an Option and Joint Venture Agreement with Gold Fields Australasia Pty Ltd to explore for gold and copper on Zamia's 9 exploration permits areas (EPMs). Under the Agreement Gold Fields can earn rights in two option periods by funding $10 million in exploration expenditure to earn up to a 70% joint venture interest in 3 EPMs out of the 9 EPMs which are the subject of the Agreement.

Zamia's discovery of the Anthony porphyry molybdenum (Mo) deposit in 2008 has also further highlighted the potential of the region. A maiden JORC resource was announced in April 2012. Ongoing drilling has expanded the resource substantially to an updated resource of 318 Mt ore at 390 ppm (0.039%) Mo in March 2012. The deposit is still open at depth and laterally.

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

COPPER RANGE LIMITED (IBML 0.28%)

As at 1 September 2012

Copper Range is an ASX-listed company (ASX: CRJ) focussing on mineral exploration for copper, uranium and gold in South Australia, phosphate mineralisation in the Northern Territory and an interest in an oil project in Madagascar.

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

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Glossary of Technical Terms

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

Intrusion	A mass of igneous rock which, while molten, was forced into or between other rocks
Layered complex	A composite body of mafic and ultramafic igneous rocks
Lineament	A large linear structure of uncertain origin
Mafic	Dark in colour. "Ultramafic" refers to very dark igneous rocks
Magnetic survey	A geophysical survey which measures variations in the Earth's magnetic field, caused by variations in the magnetic susceptibility of the rocks
Malachite	A basic copper carbonate mineral, formed in the oxide zone of copper deposits
Metamorphism	The processes by which rocks become mineralogically and texturally altered under the influence of heat and pressure
Mica	A group of soft and sheet-like minerals
Mineralisation	The processes by which ore minerals are emplaced into rocks
Mineralisation	Referring to bodies of metal-bearing rock, without connotation as to their economic potential
Mining Licence	A tenement, conferred by the Namibian government, which permits the holder to carry out mining operations
Oxide zone	The upper, weathered portion of a mineral deposit, wherein metal sulphide minerals have been converted ("oxidised") to metal oxide, sulphate, carbonate, etc minerals
Pre-feasibility study ('PFS')	A preliminary study of the commercial feasibility of a mining and processing operation
Quartz	A very common mineral composed of silicon and oxygen [SiO2]
Radiometric surveys	A geophysical survey which measures variations in the Earth's natural radioactivity
Recumbent	A style of folding in which a body of rock strata is bent back over itself
Reserve	An estimate of tonnage and grade of an ore body, based on detailed sampling and measurement. The categories Proven and Probable reflect the degree of uncertainty
Resource	An estimate of the tonnage and grade of a mineral deposit, but not implying that it can all be profitably mined. The categories Measured, Indicated and Inferred reflect the degree of uncertainty
Reverse circulation ('RC') drilling	A percussion drilling technique in which rock cuttings are recovered through the centre of hollow drill rods, thus minimising sample contamination
Rotary air blast ('RAB') drilling	A shallow percussion drilling technique
Sandstone	A common sedimentary rock made of cemented sand grains
Schist	A common metamorphic rock with parallel orientation of mica minerals
Sedimentary	Rocks formed at the Earth's surface by deposition of sediment
Sequence	A package of rock strata
Shear zone	A zone of strongly-deformed rock
Strike	The trend of a unit of strata
Strata	Superimposed layers of sedimentary rocks. Hence "stratigraphic"
Stratabound	Hosted by strata and usually broadly parallel to bedding
Tenements	A mining or mineral exploration title, conferred on the holder by government
Vein	A tabular or sheet-like mineral-filled fracture

Corporate Governance Statement

International Base Metals Limited is committed to good corporate governance and disclosure. Although the Company is not listed, it has decided in its disclosure policy to adopt the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations' (Second edition August 2007 with 2010 Amendments) for the entire 2012 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.ibml.com.au

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent Directors.	No	3
2.2	The chairperson should be an independent Director.	Yes	3
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	3
2.4	The Board should establish a nomination committee.	Yes	4
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	5
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	2-5
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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	No	7
3.3	Disclose in each annual report the measurable objective for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	7
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	No	7
3.5	Provide the information indicated in Guide to Reporting on Principle 3.	Yes	7
4.1	The Board should establish an Audit Committee.	Yes	8
4.2	The Audit Committee should be structured so that it:		
	❖ consists only of Non-executive Directors;	Yes	
	❖ consists of a majority of independent Directors;	No	8
	❖ is chaired by an independent chair who is not chair of the Board;	No	8
	❖ has at least three members.	Yes	8
4.3	The Audit Committee should have a formal charter.	Yes	8
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Yes	8
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	9

		Complied	Note
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
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	The Board should disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	12
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	11-12
8.1	Establish a Remuneration Committee.	Yes	13
8.3	Clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes	14
8.4	Provide the information indicated in Guide to reporting on Principle 8.	Yes	13-14

Notes

1. The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

   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;
   - monitoring progress in relation to the Company's diversity objectives and compliance with its diversity policy;
   - recommending to shareholders the appointment of the external Auditor as and when their appointment or re-appointment is required to be approved by them; and
   - meeting with the external Auditor, at their request, without management being present.

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

2. The Board reviews and approves proposed remuneration (including incentive awards, equity awards and service contracts). As part of this review the Board oversees an annual performance

evaluation of the executive team. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel. This duty will be undertaken by the Remuneration Committee.

3. Dr James Macdonald is an independent Director and Non-executive Chairman. Mr Frank Bethune is the Managing Director, Ken Maiden is an Executive Director while Non-executive Directors, Dr Jiniu Deng (and his alternate, Mr Qiang Chen) and Mr Alan Humphris are associated with one of the Company's major shareholders and therefore are not categorized as independent Directors. Mr Jinhua Wang is also not an independent being a Director of another major shareholder in the Company. 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 has a Nomination Committee and has adopted a Nomination Committee Charter. The Committee is chaired by Mr Qiang Chen and with Dr James Macdonald and Mr Alan Humphris as members,

5. During the reporting period the Nomination Committee conducted a review of the role of the Board, assessed the performance of the Board over the previous 12 months and examined ways of enabling the Board to perform its duties more effectively.

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

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

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

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

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

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

7. While the company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals, no decision has been made by the Board at this time to formulate a diversity policy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of International Base Metals Limited ('IBML') and the entities it controlled at the end of or during the year ended 30 June 2012.

Directors

The names of the Directors in office at any time during, or since the end of, the year and continue in office at the date of this report unless otherwise stated:

Dr Alasdair James Macdonald

Non-executive Chairman

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

Mr Frank Bethune

Managing Director

Qualifications:	BSc (Engineering-Mining) and, subsequently, an MSc (Engineering - Mineral Economics) from the University of the Witwatersrand in Johannesburg.
Experience:	Surface Mining Manager for AngloGold Ashanti Australia from 2006 to 2010, based in Perth, WA. Prior to this, Frank was Mine Manager at Sunrise Dam, also in WA. From 1997 to 2004, Frank was General Manager at AngloGold's Navachab Mine in Namibia and a Director of AngloGold Namibia (Pty) Ltd. From 1991 to 1997, Frank was employed by Anglovaal Limited, as Senior Mining Engineer in the head office (Johannesburg), as Head of Department Mining and Mine Planning (Lavino underground chrome mine) and Manager Iron Ore (Beeshoek mine), in South Africa. Frank was employed from 1989 to 1991 as a mining engineer by Rössing Uranium Limited, part of the Rio Tinto Group, in Namibia. From 1982 to 1989, Frank worked for Anglo American Corporation at the Western Deep Levels gold mine in South Africa. Frank brings essential skills sets to IBML, particularly in the fields of Mining Engineering and Management. In addition his several years of experience in Namibia, including his knowledge of and familiarity with key stakeholders in that country is of considerable benefit to the company.
Interest in shares and options:	Nil

Dr Kenneth John Maiden

Executive Director- Technical

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

Mr Alan John Humphris

Non-executive Director

Qualifications:	BSc, B Ec, LLM, FCPA
Experience:	Alan Humphris is an independent investment banker with more than 30 years experience in Australia as a corporate advisor. He was formerly Managing Director of Hambros Corporate Finance Limited and, earlier, he was an Executive Director of JP Morgan Australia Limited responsible for mergers and acquisitions and other corporate advisory services. He has gained wide investment banking experience in Australia and internationally, including in relation to China.
Special responsibilities:	Chairman of the Audit Committee and a Member of the Remuneration Committee and the Nomination Committee.
Interest in shares and options:	275,000 ordinary shares
Other current directorships:	Non-executive Chairman of Zamia Metals Limited and Non-executive Director of ASF Group Limited and of West Minerals Pty Ltd. (Non-executive Director of Rey Resources Limited until resignation effective on 30 September 2011).

Mr Jinhua Wang

Non-executive Director (appointed 9 August 2011)

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

Dr Jiniu Deng

Non-executive Director (resigned 24 July 2012)

Qualifications: Doctorate degree from the Chinese University of Geosciences

Experience: Dr Jiniu Deng is a well-known professorial senior engineer with a doctorate degree from the Chinese University of Geosciences and post-doctoral from the Central South University of China. Dr Deng is Chairman of Qinghai West Resources Co. Ltd and Director of Qinghai West Rare & Precious Metals Co. Ltd. His exploration successes have included the discovery of lead-zinc in the Xitieshan deposit, nickel in the Hami Tulaergen deposit of Xinjiang province, and copper and lead-zinc in the Huogeqi deposit of Inner Mongolia. Dr Deng has been honoured with numerous scientific and business awards in China.

Dr Deng brings to the Board extensive geological, mining and business experience.

Interest in shares and options: 375,000 ordinary shares and 2,000,000 options

Other current Directorships: Nil

Mr Zhehong Luo

Non-executive Director (appointed 24 July 2012)

Qualifications: BSc (University of Warwick, UK)

Experience: Executive Director of Hangzhou Hongcheng Real Estate Co. Ltd. from 2005 during this period the company built a high-grade office building, reaching a height of 150 metres. Since 2009 he has been Chairman and Managing Director of Qinghai West Resources Co. Ltd and Chairman of Qinghai West Rare & Precious Metals Co. Ltd. Under his leadership, these companies have achieved a good reputation and have great growth prospects.

Interest in shares and options: Nil

Other current Directorships: Nil

Mr Qiang Chen

Alternate Director to Dr Jiniu Deng (to 24 July 2012), Alternate Director to Zhehong Luo (from 24 July 2012)

Qualifications: BSc, MSc (Mining Engineer)

Experience: Mr Chen is Managing Director of West Minerals Pty Ltd, one of the Company's largest shareholders. Mr Chen, a resident of Perth, has extensive experience in international commodities trading and private equity investment. In the 1990's he was the Marketing Manager of China Metallurgical Import and Export Corporation.

Special responsibilities: Chairman of the Nomination Committee and a Member of the Remuneration Committee and the Audit Committee.

Interest in shares and options: Nil

Other current Directorships: Non-executive Director of Zamia Metals Limited

Company Secretary

Mr John Stone B Econ

Experience: John has over 30 years' experience in the Australian and international corporate markets. He has been a Director and Company Secretary for private and public listed companies.

Interest in shares: 828,125 ordinary shares and 300,000 options

Chief Financial Officer

Mr Barry F Neal B Econ

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

Directors' meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director while they were a Director. During the financial year 6 Board meetings were held, 2 Audit Committee meetings and 3 Remuneration Committee meetings.

	Full meetings of Directors		Meetings of Committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Dr Alasdair James Macdonald	6	6	2	2	-	-	2	2
Mr Frank Bethune	6	6	-	-	-	-	-	-
Dr Kenneth Maiden	6	6	-	-	-	-	-	-
Dr Jiniu Deng	-	-	-	-	-	-	-	-
Mr Alan Humphris	6	6	2	2	-	-	2	2
Mr Jinhua Wang	5	-						
Mr Qiang Chen as alternate for Dr Deng	6	6	2	2	-	-	2	2

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

Principal activities

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

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

Dividends

No dividends have been declared in the 2012 financial year (2011: no dividend declared).

Review of operations and activities

Financial

For the financial year ended 30 June 2012, the consolidated entity's net loss after taxation was $5,326,325 (2011:$4,507,464). Exploration expenditure on Australian and Namibian tenements in the 2012 financial year was $3,270,622 (2011:$2,344,397) and was fully expensed, rather than capitalised, with the exception being joint venture exploration expenditure. The Directors believe that expensing, rather than capitalising exploration expenditure is more relevant to understanding the Company's financial position and complies fully with AASB 6 and is cash flow neutral.

Exploration Activities

A review of the Group's exploration activities in Namibia and Australia is set out on pages 7-28.

Capital raising activities

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

Azure Capital was appointed on 29 November 2012 to approach potential strategic investors, with a view to one of these parties becoming a significant shareholder ("Cornerstone Investor") in IBML.

The following capital raising subscriptions were undertaken during the financial year:

a) Subscription at 12 cents per share:
   - On 10 August 2011, a share placement of 16,666,667 shares at $0.12 cents per share was made to a major shareholder following receipt of allotment monies of $2 million and following Board approval on 10 August 2011.

b) Subscription at 15 cents per share:
   - On 8 September 2011, a share placement of 53,380 shares at $0.15 cents per share raising $8,007 was made to an investor following Board approval on 24 August 2011.

c) Subscription at 20 cents per share plus options. On 16 November 2011 the Board approved the issue of 15 million ordinary shares at 20 cents per share to raise A$3 million for which subscription agreements had been signed with a number of existing and new shareholders. The shares were to be issued at $0.20 cents per share with one Option to acquire an ordinary share to be issued with each share and exercisable at $0.25 cents per Option and having an expiry date of two years after date of issue.
   - On 21 November 2011: $450,000
   - On 3 February 2012: $1 million
   - On 8 March 2012: $1.05 million
   - On 17 April 2012: $0.5 million

d) Subscription at 22 cents per share. On 16 November 2011 the Board approved a further subscription at or above the price of the previous subscription. A subscription for up to $5.0 million at $0.22 per share was made available on 30 January 2012.
   - Two investors took up a total of $650k on 8 February 2012, the funds having been received on 14 February 2012 and the shares issued on that day.
   - On 21 June 2012 a subscription agreement was signed with an existing shareholder to take up the balance of the $5.0 million subscription and to subscribe for 19,772,723 shares at $0.22 with subscription monies received and shares issued on 28 September 2012.

The Directors have now decided that the Company should remain unlisted in the short term and seek to raise sufficient capital from a cornerstone investor to compete a DFS study for the Omitiomire project.
Net cash raised during the financial year was $5.545 million.

As at 30 June 2012 the number of issued ordinary shares was 374,010,818 (2011:339,336,226). There are 32,000,000 unquoted options of which 2,500,000 can be exercised up until 3 October 2013, 7,500,000 up until 30 November 2013, and 22,000,000 up until 20 December 2012.

Significant changes in state of affairs

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

Likely developments and expected results of operations

Additional comments on likely and expected results of operations of the Group are included in this annual report under the 'Review of operations' on page 7-28.

After balance date events

On 20 July 2012 a Letter of Intent was signed with a potential cornerstone investor which provides for an exclusive period to complete due diligence and which includes strict confidentiality requirements.

On 12 September 2012 an Investment and Farm-in Heads of Agreement was signed with African Mining Capital Pty Limited. IBML has made an investment in African Mining Capital Pty Limited and IBML has secured an option to earn into a majority stake in the Epembe Project in Namibia. The detailed terms are confidential as agreed by the parties to the agreement.

On 28 September 2012 subscription monies of $4,350,000 were received from an existing shareholder pursuant to a subscription agreement signed on 21 June 2012 and 19,772,723 ordinary shares were issued at $0.22 per share.

Environmental regulations

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

Remuneration Report – Audited

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

Dr Alasdair James Macdonald	Non-executive Chairman	
Mr Frank Bethune	Managing Director	
Dr Kenneth John Maiden	Executive Director	
Mr Alan Humphris	Non-executive Director	
Mr Jinhua Wang	Non-executive Director	Appointed 9 August 2011
Mr Qiang Chen	Alternate to Dr Jiniu Deng	Resigned 21 June 2012
	Alternate to Zhehong Luo	Appointed 21 June 2012
Dr Jiniu Deng	Non-executive Director	Resigned 21 June 2012
Mr Zhehong Luo	Non-executive Director	Appointed 21 June 2012
Mr John Stone	Company Secretary	
Mr Barry F Neal	Chief Financial Officer	
Mr Karl Hartmann	Director and Exploration Manager, Craton Mining and Exploration (Pty) Ltd	
Mrs Sigrid Hartmann	Director, Craton Mining and Exploration (Pty) Ltd	

Remuneration Policy

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

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

Details of remuneration

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

Remuneration – Key management personnel of the Group 2012

	Short-term benefits *	Post-employment benefits	Share-based payments			
	Cash, salary and fees $	Super-annuation $	Equity $	Options $	Termination benefit $	Total $
***Executive* Directors**						
Mr Frank Bethune, Managing Director	393,295	30,574	71,512	-	-	495,381
Dr Kenneth Maiden*	168,023	8,438	-	-	-	176,461
	561,318	39,012	71,512	-	-	671,842
Non-executive Directors						
Dr Alasdair James Macdonald, Chairman	40,000	-	-	-	-	40,000
Dr Jiniu Deng	30,000	-	-	-	-	30,000
Mr Alan Humphris	35,000	3,150	-	-	-	38,150
	105,000	3,150	-	-	-	108,150
Other Key Management Personnel						
Mr John Stone, Company Secretary	39,580	-	-	-	-	39,580
Mr Barry F Neal, Chief Financial Officer*	29,860	-	-	-	-	29,860
Mr Karl Hartmann, Director and Exploration Manager +	196,841	-	-	-	-	196,841
Mrs Sigrid Hartmann, Director/Company Secretary +	84,739	-	-	-	-	84,739
	351,020	-	-	-	-	351,020
Total Key Management Remuneration	**1,017,338**	**42,162**	71,512	**-**	**-**	**1,131,012**

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

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

No cash or non-cash remuneration, including share based payments, was paid to Mr Jinhua Wang, Mr Qiang Chen and Mr Zhehong Luo during the year ended 30 June 2012 (2011:Nil).

Remuneration – Key management personnel of the Group 2011

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

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

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

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

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

Service Contracts

Remuneration and other terms of employment for the Managing Director Mr Frank Bethune (appointed 3 August 2010), Executive Director Dr Ken Maiden and Mr Karl Hartmann, Exploration Manager of the Company's fully owned subsidiary Craton Mining and Exploration (Pty) Ltd are formalised in service agreements. The major provisions of the agreements are set out below:-

Name	Term of agreement	Base fees	Termination Benefit
Mr Frank Bethune, Managing Director	From 3 August 2012	From 3 August 2012 $341,250 p.a. plus superannuation; and If he remains employed on 3 August 2012 to receive 375,000 rights to ordinary shares in the company to be issued for no consideration plus a cash bonus of $56,200 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 of $25,000, a $30,000 cash bonus, and the issue of 100,000 ordinary shares at no consideration. In the event that the Company secures a cornerstone investor who provides no less than $10 million capital before 19 June 2016, payment of an incentive bonus of $50,000 plus a further $5,000 for each $1 million above $10million. If the cornerstone investor provides $20 million or more the incentive bonus is $126,262.50 linked to a formulae to increase this if such investment is above 20 cents per share.	12 months salary and superannuation plus leave entitlements

Name	Term of agreement	Base fees	Termination Benefit
Dr Ken Maiden, Executive Director and Chief Geologist	From 1 February 2012	On appointment $225,000 p.a plus superannuation with a review by the Board subsequent to listing on the ASX. At each annual review salary to be increased by a minimum of 5%	3 months salary and superannuation plus leave entitlements. Termination benefit to be reviewed upon the company securing equity from a cornerstone investor of not less than $20m or upon listing on the ASX.
Mr Karl Hartmann, Exploration Manager Craton Mining and Exploration (Pty) Ltd	From 1 April 2011 with extension on 16 August 2012 to 31 August 2013 but may be extended beyond this date on terms agreeable to both parties	US$16,625 per month as from 31 August 2012. Subject to rates review at the same time as Craton employee salaries are reviewed.	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

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.

Voting and comments made at the Company's 2011 Annual General Meeting

The Company received more than 98% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT

Shares under option

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

Grant date	Expiry date	Exercise Price	Number of options
20 Dec 07	20 Dec 12	$0.20	22,000,000
02 Oct 08	03 Oct 13	$0.30	2,500,000
21 Nov 11	30 Nov 13	$0.25	1,125,000
03 Feb 12	30 Nov 13	$0.25	2,500,000
08 Mar 12	30 Nov 13	$0.25	2,625,000
17 Apr 12	30 Nov 13	$0.25	1,250,000
			32,000,000

Shares Issued on Exercise of

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 Directors, the 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 of 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.

No such services were provided to the Company during the reporting period.

Auditor's Independence declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and is set out on page 47 of the financial report.

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

Sydney, 4 October 2012

Auditor’s Independence Declaration

Grant Thornton

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ACN 130 913 594

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Auditor’s Independence Declaration
To the Directors of International Base Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of International Base Metals Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner - Audit & Assurance

Sydney, 4 October 2012

Grant Thornton

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

We have audited the accompanying financial report of International Base Metals Limited (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to 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 Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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 2012 and of its performance for the year ended on that date; and

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

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 43 to 45 of the directors' report for the year ended 30 June 2012. 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 on the remuneration report

In our opinion, the remuneration report of International Base Metals for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner - Audit & Assurance

Sydney, 4 October 2012

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 2012 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 43 to 45 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2012, 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

4 October 2012

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	30 June 2012 $	30 June 2011 $
Revenue	**4**	255,513	918,517
Other income	**5**	92,376	25,245
Expenditure			
Administrative expenses		(753,664)	(993,332)
Exploration expenditure		(3,270,622)	(2,344,397)
Depreciation and amortisation expense	**6**	(39,589)	(76,658)
Consultants' expense		(194,625)	(123,165)
Financial and legal costs		(139,693)	(617,883)
Occupancy expenses		(305,974)	(459,460)
Contribution to the Craton Foundation		(30,143)	(41,427)
Employee benefits expense		(868,392)	(794,904)
Share based payment		(71,512)	-
Loss before income tax		(5,326,325)	(4,507,464)
Income tax	**7**	-	-
Loss for the year		**(5,326,325)**	**(4,507,464)**
Other Comprehensive Income			
Changes in the fair value of available-for-sale financial assets		(722,813)	312,340
Exchange differences on translation of foreign currency	**17**	(27,358)	(10,751)
Total Other Comprehensive Income		**(750,171)**	**301,589**
Total Comprehensive (loss) for the year		**(6,076,496)**	**(4,205,875)**
Basic and diluted loss per Share	**28**	($0.01)	($0.01)

The accompanying notes form part of the financial statements

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	30 June 2012 $	30 June 2011 $
Current Assets			
Cash and cash equivalents	**8**	2,231,369	2,127,202
Trade and other receivables	**9**	192,318	243,981
Other current assets	**10**	200,804	-
Total Current Assets		**2,624,491**	**2,371,183**
Non-current Assets			
Available-for-sale financial assets	**11**	440,222	1,163,035
Plant and equipment	**12**	107,249	120,338
Other assets	**13**	-	160,325
Total Non-current Assets		**547,471**	**1,443,698**
Total Assets		**3,171,962**	**3,814,881**
Current Liabilities			
Trade and other payables	**14**	572,291	770,159
Short-term provisions	**15**	80,967	66,541
Total Current Liabilities		**653,258**	**836,700**
Total Liabilities		**653,258**	**836,700**
Net Assets		**2,518,704**	**2,978,181**
Equity			
Contributed equity	**16**	34,037,612	28,492,105
Reserves	**17**	(488,637)	190,022
Accumulated losses		(31,030,271)	(25,703,946)
Total Equity		**2,518,704**	**2,978,181**

The accompanying notes form part of the financial statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2012

Consolidated Group

	Share Capital $	Accumulated Losses $	Other Reserves $	Total Equity $
Balance at 1 July 2010	**24,300,293**	**(21,196,482)**	**(111,567)**	**2,992,244**
Total comprehensive (loss)/income for the year	-	(4,507,464)	301,589	(4,205,875)
Transactions with owners in their capacity as owners				
Shares issued during the year	4,100,000	-	-	4,100,000
Share issue costs	(40,000)	-	-	(40,000)
Share based payments	131,812	-	-	131,812
	4,191,812	-	-	(4,191,812)
Balance at 30 June 2011	**28,492,105**	**(25,703,946)**	**190,022**	**2,978,181**
Balance at 1 July 2011	**28,492,105**	**(25,703,946)**	**190,022**	**2,978,181**
Total comprehensive (loss)/income for the year	-	(5,326,325)	(750,171)	(6,076,496)
Transactions with owners in their capacity as owners				
Shares issued during the year	5,658,007	-	-	5,658,007
Share issue costs	(112,500)	-	-	(112,500)
Share based payments	-	-	71,512	71,512
	5,545,507	-	71,512	5,617,019
Balance at 30 June 2012	**34,037,612**	**(31,030,271)**	**(488,637)**	**2,518,704**

The accompanying notes form part of the financial statements

Consolidated Statement of Changes Cash Flows

For the Year Ended 30 June 2012

	Note	30 June 2012 $	30 June 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST collected on sales		201,800	868,510
JV funds received		213,674	
Payments to suppliers and employees		(2,736,463)	(2,651,119)
Payments for exploration expenditure		(3,471,425)	(2,344,397)
Interest received		118,509	142,594
Net cash (outflow) from operating activities	**27**	**(5,673,905)**	**(3,984,412)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(28,475)	(43,053)
Proceeds from the sale of office equipment		32,380	-
Proceeds from the sale of available-for-sale financial assets		68,335	-
Security deposit recouped		160,325	-
Net cash inflow (outflow) from investing activities		**232,565**	**(43,053)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,658,007	4,100,000
Cost of capital raising		(112,500)	(40,000)
Net inflow from financing activities		**5,545,507**	**4,060,000**
Net increase in cash held		104,167	32,535
Cash at the beginning of the financial year		2,127,202	2,094,667
Cash at the end of the financial year	**8**	**2,231,369**	**2,127,202**

The accompanying notes form part of the financial statements

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in a need to disclosure any additional related party transactions or required the restatement of comparative information in note 40, nor has the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project required a change in disclosures in relation to commitments.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, modified where applicable by the measurement at fair value of selected financial assets and financial liabilities.

(iv) Critical accounting estimates

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

(b) Financial report prepared on a going concern basis

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 $5.545 million;

b) The Group had $2,231,369 million in cash at 30 June 2012;

c) A subscription agreement has been signed with an existing shareholder to take up shares in the Company with a total value of $4,350,000 with subscription monies to be received in September 2012;

d) The Group has budgeted for the period from 1 July 2012 to 30 June 2014 for gross expenditure of $69.9 million plus equity investment in other companies of $8 million, and projected net capital raising of $66.9 million including the $4.35 million disclosed in (c) above.

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2012 and the results of all subsidiaries for the year then ended. International Base Metals Limited and its subsidiary together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

(d) Segment reporting

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balance

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

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

(iii) Group companies

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition

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

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

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

(g) Income tax

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

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

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

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

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

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

(h) Exploration and development expenditure

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

(i) Impairment of assets

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

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

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets

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.

(m) Plant and equipment

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

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

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

Depreciation

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

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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 29.

Options are also issued to investors as an incentive with options tied to share placements.

The fair value of options or shares granted under the Plan is recognised as an 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

(v) 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.

(w) 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 – Share-based payments

Options issued to shareholders during the reporting period in connection with a share placement have been deemed an equity transaction and not share-based payments governed by AASB 2.

The fair value of bonus shares to be issued to a Director as per his contract of employment has been determined on the basis of the share price of the most recent share placement in relation to the date of his contract and have been expensed over the vesting period.

Impairment of other receivables

The Directors have reviewed outstanding debtors as at 30 June 2011 and have formed the opinion that not all debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables should be made in the accounts of the parent of $3,296,512 being debts owing by subsidiaries to the parent entity. Refer to Note 18(b).

Key judgements – Income tax

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key judgements – exploration expenses

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

The HPX joint venture expenditure on exploration has been capitalised until such time as it is agreed by the JV party that the project is viable. At that time both the capitalized exploration costs and the JV liability will be transferred to the JV books. (Refer Note 25 (b)).

(x) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

(i) AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

(ii) AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it.

This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments introduce a presumption that an investment property is recovered entirely through sale.

The amendments are not expected to significantly impact the Group.

(iii) AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint Ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

(iv) AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

(v) AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- for an offer that may be withdrawn – when the employee accepts;
- for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

(x) Parent entity financial information

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

Investments in subsidiaries

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

NOTE 2: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

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

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

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

	Consolidated Group	
	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	2,231,369	2,127,202
Trade and other receivables	192,318	243,981
Deposits	-	160,325
Available-for-sale financial assets	440,222	1,163,035
	2,863,909	3,694,543
Financial liabilities		
Trade and other payables	572,291	770,159

(a) Market Risk

(i) Foreign exchange risk

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

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

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

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

	30 June 12 N$	30 June 11 N$
Cash at bank	2,495,356	965,579
Other receivables	1,601,833	344,674
Loan from related party – parent entity	(122,393,460)	(81,829,410)
Payables	(1,125,075)	(3,142,352)
	(119,421,346)	(83,661,509)

Group sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the Namibian dollar (N$) with all other variables held constant, the Group's net profit before tax would have been $1,579,365 lower/$1,292,208 higher (2011: $1,284,651 lower/$1,051,078 higher) than the previous year.

(ii) Price risk

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

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

Price risk sensitivity

The analysis of the available for sale assets (investments in equity securities) is based upon the change in the S&P/ASX Metals and Mining Index which has decreased by 32.49% (2011: increase 18.95%) over the financial year

	Impact on other components of equity 2012	2011
S&P/ASX Metals and Mining Index – decrease 32.49% (2011: increase 18.95%)	344,964	(151,152)

(iii) Interest rate risk

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

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

The Group's interest rate risk arises from cash equivalents with variable interest rates. The average interest rate applicable during the reporting period was 3.32% (2011:3%).

Group sensitivity

At 30 June 2012 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 $593 higher/lower (2011: $713 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.

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

Trade and other receivables

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

Financial assets past due but not impaired

As the Group and Parent Entity are only involved in mineral exploration and are not trading, there are no financial assets past due and there is no management of credit risk through performing an aging analysis as required by AASB 7. For this reason an ageing 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	
	2012 $	**2011 $**
Cash and cash equivalents		
AA Standard & Poor's	1,934,344	1,993,761
BBB+ Standard & Poor's	1,471	2,131
BBB+ Fitch Rating	295,554	131,310
	2,231,369	2,127,202
Other receivables		
Counterparts without external credit rating		
Group 1*	1,657	170,161

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

(c) Liquidity risk

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

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

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

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

As at 30 June 2012	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	572,291	-	-	572,291	572,291
Total financial liabilities	572,291	-	-	572,291	572,291

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

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(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 (i.e. term receivables, held-to-maturity assets and loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group

		2012		2011	
	Footnote	**Carrying Value**	**Net Fair Value**	**Carrying Value**	**Net Fair Value**
		$	**$**	**$**	**$**
Financial assets					
Cash and cash equivalents	(i)	2,231,369	2,231,369	2,127,202	2,127,202
Trade and other receivables	(i)	192,318	192,318	243,981	243,981
Available-for-sale financial assets at fair value:					
- listed investments	(ii)	440,222	440,222	1,163,035	1,163,035
Security deposits	(i)	-	-	160,325	160,325
Total Financial assets		2,863,909	2,863,909	3,694,543	3,694,543
Financial liabilities					
Trade and other payables	(i)	572,291	572,291	770,159	770,159
Total Financial liabilities		572,291	572,291	770,159	770,159

(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	**Level 1**	**Level 2**	**Level 3**	**Total**
2012	**$**	**$**	**$**	**$**
Financial assets				
Available-for-sale financial assets:				
- Listed investments	440,222	-	-	440,222

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

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

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

NOTE 3: SEGMENT INFORMATION

(a) Description of segments

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

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

(b) Segment performance

	2012 Australia $	2012 Namibia $	2012 Total $	2011 Australia $	2011 Namibia $	2011 Total $
REVENUE						
External services	100,079	-	100,079	244,273	529,982	774,255
Other revenue (including finance revenue)	1,003,186	7,925	1,011,111	1,015,609	7,485	1,023,094
Total segment revenue	1,103,265	7,925	1,111,190	1,259,882	537,467	1,797,349
Reconciliation of segment revenue to group revenue						
Inter-segment elimination**	(855,677)	-	(855,677)	(878,832)	-	(878,832)
Total group revenue	247,588	7,925	255,513	381,050	537,467	918,517

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

** Represents interest charged by Australia to Namibia

MAJOR CUSTOMERS

Australian revenue from external sales of $100,079 (2011:$244,273) was for service fees from a single customer and other Australian revenue was interest earned. Namibian revenue $7,925 (2011:$529,982) in the reporting year was interest earned and an insurance claim and in the prior year was for a contribution towards exploration costs by a Joint Venture partner previously taken up as a liability and now recognised as income on termination of the Joint Venture. These revenues amount to 100% of the Group's revenues from external customers.

NET (LOSS) BEFORE TAX

	2012 Australia $	2012 Namibia $	2012 Total $	2011 Australia $	2011 Namibia $	2011 Total $
Net (loss) Before Tax *	(6,127,212)	(4,324,892)	(10,452,104)	(853,818)	(2,897,704)	(3,751,522)
Reconciliation of segment net loss before tax to group net loss before tax						
Inter-segment eliminations* *	4,270,103	855,676	5,125,779	(1,634,774)	878,832	(755,942)
Operating Net Loss before tax	(1,857,109)	(3,469,216)	(5,326,325)	(2,488,592)	(2,018,872)	(4,507,464)

* Australian net loss includes $266,536 on exploration expenditure in Australia (2011:$269,481).

** 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.

NOTE 3: SEGMENT INFORMATION (continued)

(c) Segment assets

	2012 Australia $	2012 Namibia $	2012 Total $	2011 Australia $	2011 Namibia $	2011 Total $
Segment assets current*	1,936,001	688,489	2,624,490	2,190,109	181,074	2,371,183
Segment assets non-current**	5,949,779	106,320	6,056,099	6,851,422	100,904	6,952,326
Inter-segment eliminations***	(5,508,615)	(12)	(5,508,627)	(5,508,614)	(14)	(5,508,628)
Total group assets	2,377,165	794,797	3,171,962	3,532,917	281,964	3,814,881

* Australian current assets are cash and receivables; Namibian current assets are cash, receivables and prepayments.

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

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

Eliminations in segment assets include loans from the Parent to the controlled entities of $16,516,568 (2011:$13,220,057) which has been contrared against the impairment of these loans.

(d) Segment liabilities

	Australia $	Namibia $	Total $	Australia $	Namibia $	Total $
Segment liabilities*	2,391,092	14,778,734	17,169,826	2,313,838	11,742,919	14,056,757
Reconciliation of segment liabilities to group liabilities						
Inter-segment eliminations**	(1,948,519)	(14,568,049)	(16,516,568)	(1,911,404)	(11,308,653)	(13,220,057)
Total group liabilities	422,573	210,685	653,258	402,434	434,266	836,700

* Australian liabilities include payables, loans extended to subsidiaries and a joint venture liability

** Eliminations in segment liabilities include loans from the Parent to the controlled entities of $16,516,568 (2011:$13,220,057).

NOTE 4: REVENUE

	Consolidated Group 2012 $	2011 $
From continuing operations		
Service revenue		
Administration service fees	88,534	244,273
Technical service fee	11,545	-
Contribution by JV partner for exploration	-	529,982
	100,079	774,255
Other revenue		
Interest received – other entities	118,508	142,594
Rent Income – related party	31,240	-
Other revenue	5,686	1,668
	155,434	144,262
TOTAL REVENUE	255,513	918,517

NOTE 5: OTHER INCOME

Net gain on disposal of plant and equipment	24,041	3,625
Profit on sale of available-for-sale financial assets	68,335	-
Foreign currency gain	-	21,620
	92,376	25,245

NOTE 6: EXPENSES

	Consolidated Group 2012 $	2011 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Office equipment	469	3,342
Furniture & fitting	8,937	18,967
Plant and Equipment	9,562	10,672
Computer software and equipment	5,337	31,272
Motor vehicles	15,284	12,405
Total Deprecation	39,589	76,658
Superannuation	49,410	48,094
Total rental expense relating to operating leases	305,974	356,200
Share based payment	71,512	-

NOTE 7: INCOME TAX

	2012	2011
(a) Income tax expense		
Current tax	-	-
Deferred tax	(2,174,922)	(1,749,710)
Deferred tax assets not recognised	2,174,922	1,749,710
	-	-
(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	(1,597,898)	(1,352,239)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
- Share based payments expensed	21,454	(39,544)
- Other allowable items	(60,701)	(57,225)
- Provisions and accruals	3,434	10,328
Difference in overseas tax rates	(324,367)	(217,328)
Previously unrecognised tax losses now recouped to reduce current tax expense	-	-
Investment revaluation relating to other comprehensive income	(216,844)	(93,702)
Tax losses not recognised	2,174,922	1,749,710
Income tax benefit attributable to operating loss	-	-
(c) Unrecognised temporary differences		
Deferred tax assets (at 30%)		
Carry forward tax losses	11,087,572	8,912,652
Temporary differences	225,419	47,115
	11,312,991	8,959,767

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: CASH AND CASH EQUIVALENTS

	2012	2011
Cash at bank and in hand	2,231,369	2,127,202

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:

	2012	2011
Cash at bank and in hand	2,231,369	2,127,202

Interest rate exposure

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

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated Group 2012 $	2011 $
Trade receivable	1,658	170,161
Other receivables	190,660	73,820
Total Trade and other receivables	**192,318**	**243,981**

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 10: CURRENT ASSETS – OTHER CURRENT ASSETS

Joint Venture exploration expenditure by subsidiary under JV agreement (Note 25(b))	200,804	-

NOTE 11: NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

Shares in listed entities at fair value	440,222	1,163,035

Fair value

Shares in listed entities have been valued at market value based on closing bid price on 30 June 2012 resulting in an decrease in the Available-for-sale investments revaluation reserve of $722,813 (2011: $312,340 increase).

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 management intends to hold them fo the medium to long term.

NOTE 12: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Office Equipment $	Furniture & Fittings $	Plant & Equipment $	Motor Vehicles $	Computer & Software $	Total $
At 30 June 2010						
Cost or fair value	18,382	80,019	53,082	57,320	213,189	421,992
Accumulated depreciation	(15,257)	(46,768)	(7,166)	(6,934)	(184,004)	(260,129)
Net book value	**3,125**	**33,251**	**45,916**	**50,386**	**29,185**	**161,863**
Year ended 30 June 2011						
Opening Net book value	3,125	33,251	45,916	50,386	29,185	161,863
Additions	1,002	-	8,414	23,433	10,204	43,053
Foreign exchange loss on conversion	10	-	(3,814)	(4,153)	37	(7,920)
Depreciation charge	(3,342)	(18,967)	(10,672)	(12,405)	(31,272)	(76,658)
Closing Net book value	**795**	**14,284**	**39,844**	**57,261**	**8,154**	**120,338**
At 30 June 2011						
Cost or fair value	19,384	80,019	56,506	75,366	218,452	449,727
Accumulated depreciation	(18,589)	(65,735)	(16,662)	(18,105)	(210,298)	(329,389)
Net book value	**795**	**14,284**	**39,844**	**57,261**	**8,154**	**120,338**
Year ended 30 June 2012						
Opening Net book value	795	14,284	39,844	57,261	8,154	120,338
Additions	771	1,208	6,105	22,209	16,673	46,966
Disposal	-	(5,477)	-	(689)	(2,407)	(8,573)
Foreign exchange loss on conversion	(100)	8	(5,058)	(6,501)	(242)	(11,893)
Depreciation charge	(469)	(8,937)	(9,562)	(15,284)	(5,337)	(39,589)
Closing Net book value	**997**	**1,086**	**31,329**	**56,996**	**16,841**	**107,249**
At 30 June 2011						
Cost or fair value	1,393	1,208	54,772	87,125	22,565	167,063
Accumulated depreciation	(396)	(122)	(23,443)	(30,129)	(5,724)	(59,814)
Net book value	**997**	**1,086**	**31,329**	**56,996**	**16,841**	**107,249**

NOTE 13: NON-CURRENT ASSETS-OTHER CURRENT ASSETS

	Consolidated 2012	2011
Security deposits	-	160,325

NOTE 14: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	132,363	169,071
Sundry payable and accrued expenses	226,554	601,088
Joint venture liability	213,374	-
	572,291	770,159

NOTE 15: CURRENT LIABILITIES – SHORT TERM PROVISIONS

	2012	2011
Employee benefits	80,967	66,541

NOTE 16: CONTRIBUTED EQUITY

	2012 No of Shares	2011 No of Shares
Fully paid ordinary shares 374,010,818 (FY2011:339,336,226)	374,010,817	339,336,226
1 (FY2011: 1) fully paid "A" class preference share	1	1
	374,010,818	339,336,227

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 June 2009	Balance	238,926,234		17,362,960
27 July 2009	Share placement	6,250,000	0.08	500,000
27 August 2009	Option exercise	31,250,000	0.08	2,500,000
31 August 2009	Share based payment	687,500	0.08	55,000
22 September 2009	Share based payment	416,662	0.08	33,333
01 October 2009	Share based payment	48,000	0.08	3,840
16 December 2009	Share based payment	45,750	0.08	3,660
24 December 2009	Share placement	8,333,333	0.12	1,000,000
30 December 2009	Share placement	16,666,666	0.12	2,000,000
30 June 2010	Share placement	6,666,667	0.15	1,000,000
	Less transaction costs arising on shares issued	-	-	(158,500)
		309,290,812	-	24,300,293
02 July 2010	Share placement	6,666,667	0.15	1,000,000
02 August 2010	Share based payment	500,000	0.15	75,000
29 October 2010	Share placement	13,333,333	0.15	2,000,000
09 November 2010	Share based payment	378,747	0.15	56,812
30 June 2011	Share placement	9,166,667	0.12	1,100,000
	Less transaction costs arising on shares issued	-	-	(40,000)
		339,336,226		28,492,105
10 August 2011	Share placement	16,666,667	0.12	2,000,000
08 September 2011	Share placement	53,380	0.15	8,007
21 November 2010	Share placement	2,250,000	0.20	450,000
03 February 2012	Share placement	5,000,000	0.20	1,000,000
08 February 2012	Share placement	2,954,544	0.22	650,000
08 March 2012	Share placement	5,250,000	0.20	1,050,000
17 April 2012	Share placement	2,500,000	0.20	500,000
	Less transaction costs arising on shares issued	-	-	(112,500)
		374,010,817		34,037,612

NOTE 16: CONTRIBUTED EQUITY (continued)

(b) Options

During the year the following options over ordinary shares were issued to shareholders at an exercise price of 10 cents and expiring two years from date of issue:-

21-Nov-11	Options issued with a placement of shares	1,125,000
03-Feb-12	Options issued with a placement of shares	2,500,000
08-Mar-12	Options issued with a placement of shares	2,625,000
17-Apr-12	Options issued with a placement of shares	1,250,000
		7,500,000

(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 2012 there were 374,010,817 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 17: RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated 2012 $	2011 $
Available-for-sale investments revaluation reserve	5,747	728,560
Share-based payments reserve	717,536	646,024
Foreign currency translation reserve	(1,211,920)	(1,184,562)
	(488,637)	190,022
Movements		
Available-for-sale investments revaluation reserve		
Balance at beginning of financial year	728,560	416,220
Revaluation	(722,813)	312,340
Balance at end of financial year	5,747	728,560
Share-based payments Reserve		
Balance at beginning of financial year	646,024	646,024
Share based payments	71,512	-
Balance at end of financial year	717,536	646,024
Foreign Exchange Translation Reserve		
Balance at beginning of financial year	(1,184,562)	(1,173,811)
Currency translation differences arising during the year	(27,358)	(10,751)
Balance at end of financial year	(1,211,920)	(1,184,562)

(b) Accumulated losses

Movements in retained losses were as follows:

	2012 $	2011 $
Balance 1 July	(25,703,946)	(21,196,482)
Net (loss) attributable to members of the Company	(5,326,325)	(4,507,464)
Balance 30 June	(31,030,271)	(25,703,946)

(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 and shares issued to employees and shareholders. This reserve will be reversed against share capital when the options are converted into shares by the employee.

NOTE 18: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	Parent Entity 2012 $	2010 $
Current assets	1,924,104	2,337,444
Total assets	7,873,883	9,028,542
Current liabilities	442,548	402,455
Total liabilities	442,548	402,455
Shareholders' equity		
Contributed equity	34,037,612	28,492,105
Share-based payments reserve	717,536	646,024
Available-for-sale investments revaluation	5,747	728,560
Retained losses	(27,329,560)	(21,240,592)
Total equity	**(7,431,335)**	8,626,097
Loss for the year	(6,088,968)	(838,050)
Total Comprehensive Income	**(6,839,140)**	**(525,710)**
Loans by parent to controlled entities		
Amounts owing by controlled entities	16,516,568	13,220,057
Provision for impairment of receivables	(16,516,568)	(13,220,057)
	-	-

(a) Impaired receivables and receivables past due

At 30 June 2012 $16,516,568(2011: $13,220,057) owing by controlled entities was impaired with $3,296,512 provided for in 2012 (2011: $2,081,344). 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 $16,516,568 (2011: $13,220,057) 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 $16,516,568, the carrying amount is assumed to approximate the fair value of the loans to controlled entities. $3,296,512 was provisioned in the current financing reporting period and the balance in previous financial years. Information about the Group's exposure to credit and interest risk is provided in Note 2.

NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Key management personnel compensation

	Consolidated 2012 $	2011 $
Short-term employee benefits	1,017,338	912,731
Post-employment benefits	42,162	29,852
Share-based payments – shares	71,512	6,862
	1,131,012	949,445

Details of key management personnel remuneration are included in the remuneration report on page 43-44.

NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(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.

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2012	Balance at start of the year	Received during the year as share based payments	Other changes during the year	Balance at the end of the year
Dr James Macdonald, Chairman	795,409	-	-	795,409
Dr Kenneth Maiden, Executive Director	11,168,557	-	-	11,168,557
Dr Jiniu Deng	375,000	-	-	375,000
Alan Humphris	275,000	-	-	275,000
John Stone	828,125		-	828,125
Karl Hartmann	1,862,179		-	1,862,179
Sigrid Hartmann	280,416	-	-	280,416
	15,584,686	-	-	15,584,686

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

(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.

2012 Key management option holding unchanged from 2011

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

NOTE 20: REMUNERATION OF AUDITORS

	2012 $	2011 $
Auditor to the parent company		
Audit and review of financial statements		
Grant Thornton auditors	32,000	-
Other auditors	16,341	52,000
Other services:		
- Investigating accountants report – Other auditors	-	74,259
Other auditors of subsidiaries		
Auditing or reviewing the financial report of subsidiaries	11,290	19,269
Other services	1,391	-
	61,022	145,528

NOTE 21: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

NOTE 22: COMMITMENTS

(a) Non-cancellable operating leases

The Sydney Head Office lease expired on 30 April 2012 and was not renewed. The Company now shares premises with Zamia Metals Limited and has entered into a service agreement with this company for the use of premises and facilities. (refer to (b) below).

The Namibian subsidiary leases various offices and storage facilities under non-cancellable operating leases expiring within one year. On renewal the terms of the leases are re-negotiated.

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

	2012 $	2011 $
- Payable not later than one year	46,500	323,948
- Longer than 1 year and not longer than five years	-	32,252
Minimum lease payments	46,500	356,200

(b) Service agreement

The Company has entered into an administrative service agreement with Zamia Metals Limited whereby Zamia Metals Limited provides equipment, premises, office services plus the services of its personnel to International Base Metals Limited for a fixed terms of thirty-six months commencing on 1 March 2012. The monthly management fee payable by the Company under the agreement is $4,845 per month plus personnel services provided by Zamia Metals Ltd to International Base Metals Limited

(c) Exploration and Development

Exploration tenements granted in Australia, Namibia are issued with a minimum annual expenditure commitment. The total minimum expenditure on existing exploration tenements in the next financial year is $5.2 million although there is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms. (Minimum annual expenditure for tenements in Namibia is translated at the rate of 1A$=8N$)

As at 30 June 2012, $260,000 had been underspent on one Queensland tenement.

- Namibia Tenement Payable not later than one year	4,900,000
- Australia Tenement Payable not later than one year	300,000
	5,200,000

(d) Loans to Controlled entities

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up loans totalling $16,516,568 (2011: $13,220,057) 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 23: 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 24.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 19 and on pages 38-41 of the Directors' Report.

NOTE 23: RELATED PARTY TRANSACTIONS (continued)

	2012 $	2011 $
(d) **Related party transactions Craton Mining and Exploration (Pty) Ltd**		
Parent Entity		
International Base Metals Limited, incorporated in Australia Holding company		
Directors of Craton Mining and Exploration (Pty) Ltd		
Dr Kenneth John Maiden, Director		
Dr Alasdair James Macdonald, Director		
Sigrid Hartmann ,Director		
Karl Gerald Hartmann, Director		
Frank Macdonald Bethune Director		
Otto Shikongo, Non-executive Director		
Related party transactions		
Interest payable to the shareholder International Base Metals Limited	855,676	878,832
Loan from International Base Metals Limited	14,568,049	11,308,653
Compensation to Directors		
Sigrid Hartmann Executive Director	84,739	94,342
Otto Shikongo Non-executive Director	2,096	2,973
Exploration expenses incurred		
Hartmann Geoservices CC *	109,034	81,789

* *Hartmann Geoservices CC a Company owned by a Director, Karl Gerald Hartmann*

(e) Other transactions with related parties of Parent

The Company has an administrative services agreement with Zamia Metals Limited ("ZGM") whereby Zamia Metals Limited provides equipment, premises, office services plus the services of its personnel to International Base Metals Limited for a fixed terms of thirty-six months commencing on 1 March 2012. (Refer Note 22(b)).

This service agreement replaces a previous service agreeement between the two companies in which the Company provided equipment, premises and office services to ZGM and ZGM provided the services of its personnel to the Company. This agreement was terminated on 30 April 2012.

During the reporting period under the old service agreement the Parent Entity billed $149,822 in fees to ZGM for these services and recouped past due owing by Zamia Metals Limited to the Consolidated entity of $145,914.

Under the new service agreement Zamia Metals Limited billed $33,268 for service fees during the financial year.

Additionally the Company charged technical service fees performed by employee Ken Maiden to a subsidiary of Zamia Gold Limited.

Ken Maiden, Alan Humphris and Qiang Chen are also Directors of Zamia Metals Limited.

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

	2012 $	2011 $
Amounts recognised as revenue – service fees	88,534	244,273
Amounts recognised as revenue – technical service fees	11,545	-
Amounts recognised as expense - service fees	33,268	-
Amounts recognised as a non-current asset – sale of equipment	30,335	-
(f) Outstanding balances arising from sale of services		
Current receivables – service fees and expenses recouped	1,656	160,811

NOTE 24: SUBSIDIARIES

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

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest	
			2012	2011
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%	100%

Investment in Craton Mining and Exploration (Pty) Ltd

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

The Bank of Namibia prescribed ratio of foreign loans to equity capital, of three to one was exceeded during the reporting period, by an amount of N$2,155,290. The Directors are committed to rectify the situation within the next 12 months.

	N$	A$
Issued and paid-up capital of Craton Mining and Exploration (Pty) Ltd		
As at 1 July 2011	37,924,100	5,241,031
Foreign exchange conversion loss	-	(727,063)
Total paid-up capital 30 June 2012	37,924,100	4,513,968

NOTE 25: JOINT VENTURES

(a) Cobar/Actway Joint Venture

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

(b) HPX Joint Venture

On 9 January 2012 the Company signed a term sheet with HPX TechCo Inc (HPX) for a Farm-in and Joint Venture on exploration licence 3372 (Kopermyn) which licence is held by the Company's Namibian subsidiary Craton Mining and Exploration (Pty) Ltd (Craton).

The term sheet requires HPX to spend money or exploration on this tenement in order to earn an interest in a Joint Venture to be established when certain expenditure targets are reached by HPX.

During the reporting year HPX advanced a total of $213,249 to the Company and to Craton, and Craton spent $200,804 on exploration expenditure on the Joint Venture tenement.

At the date of this report a final agreement has not been signed.

NOTE 26: SUBSEQUENT EVENTS

On 20 July 2012 a letter of intent was signed with a potential cornerstone investor which provides for an exclusive period to complete due diligence and includes a non-disclosure clause.

On 12 September 2012 an Investment and Farm-in Heads of Agreement was signed with African Mining Capital Pty Limited to investment in the company. IBML had made an investment in African Mining Capital Pty Limited and IBML has secured an option to earn into a majority stake in the Epembe Project in Namibia. The detailed terms are confidential as agreed by the parties to the agreement.

On 28 September 2012 subscription monies of $4,350,000 were received as per the subscription agreement signed on 21 June 2012 and 19,772,723 ordinary shares were issued at $0.22.

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

	Consolidated Group	
	2012	**2011**
	$	**$**
Operating profit/(loss) after income tax	(5,326,325)	(4,507,464)
Non-cash items included in profit and loss:		
- depreciation and amortization	39,588	76,658
- share- based payment expense	71,512	-
- debts settled with share-based payments	-	131,812
Net (gain) on sale of available-for-sale financial assets	(68,335)	-
Net (gain) on sale of property, plant and equipment	(24,041)	
Net foreign exchange difference	(33,723)	(2,830)
Change in assets and liabilities		
(Increase)/ decrease in:		
- receivables	51,664	67,342
- prepayments	(200,804)	33,526
Increase/(decrease) in:		
- payables	(197,867)	183,333
- provisions	14,426	33,212
Net cash (outflow) from operating activities	**(5,673,905)**	**(3,984,411)**

NOTE 28: LOSS PER SHARE

	Consolidated Group	
	2012	**2011**
	Cent per Share	**Cents per Share**
Basic loss per share	(0.01)	(0.01)
Diluted loss per share	(0.01)	(0.01)

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:-

	2012	**2011**
	$	**$**
Loss (i)	(5,326,325)	(4,507,464)
	No.	**No**
Weighted average number of ordinary shares (ii)	360,860,726	325,530,760

(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 32,000,000 options outstanding at 30 June 2012 (2011:24,500,000) 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 29: 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.

(b) Share-based Payments

Options are issued to Directors and Key Management Personnel as part of their remuneration with options granted for no consideration. Options are also issued as an incentive to investors attached to share placements.

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.

The fair value of 375,000 bonus share to be issued to the Managing Director and payable on 3 August 2012 following shareholder approval has been expensed over the period from the start of his employment contract to the vesting date of the share bonus. The fair value of $71,512 has been calculated based on the most recent share placement price.

No options were issued to Directors and Key Management Personnel during the reporting year. There are 24,500 unexpired options issued to Key Management Personnel in the 2007 and 2008 financial years.

Set out below are all vested and unexpired options:

2012			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**
20 Dec 07	20 Dec 12	$0.20	22,000,000	-	-	22,000,000	22,000,000
02 Oct 08	03 Oct 13	$0.30	2,500,000	-	-	2,500,000	2,500,000
08 Mar 12	30 Nov 13	$0.25		2,625,000		2,625,000	2,625,000
17 Apr 11	30 Nov 13	$0.25		1,250,000		1,250,000	1,250,000
21 Nov 11	30 Nov 13	$0.25		1,125,000		1,125,000	1,125,000
03 Feb 12	30 Nov 13	$0.25		2,500,000		2,500,000	2,500,000
Weighted average exercise price			$0.21	$0.25		$0.22	

The weighted average remaining contractual life of share options outstanding at 30 June 2012 was 0.76 years (2011:1.56 years)

2011			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 2012							
20 Dec 07	20 Dec 12	$0.20	22,000,000	-	-	22,000,000	20 Dec 07
02 Oct 08	03 Oct 13	$0.30	2,500,000	-	-	2,500,000	02 Oct 08

Shareholder Information

Statement of issued securities as at 3 October 2012

There are 330 shareholders holding a total of 393,783,540 ordinary fully paid shares on issue by the Company.

The twenty largest shareholders between them hold 77.18% 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 issued securities as at 3 October 2012

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	133
	100,001 -	and over	188
Total holders			330

Substantial shareholdings as at 3 October 2012 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
West Minerals Pty Limited	118,326,491	30.05
Heilongjiang Heilong Resources Investment Co Ltd	25,022,723	6.35
Kings Resources Group Co Limited	22,500,000	5.71
China Kings Industry Pty Ltd	20,000,000	5.08

Shareholder Information

Top Twenty Shareholders as at 3 October 2012

Holder Name	Shares held	%
WEST MINERALS PTY LIMITED	118,326,491	30.049
HEILONGJIANG HEILONG RESOURCES INVESTMENT CO LTD	25,022,723	6.354
KINGS RESOURCES GROUP CO LTD	22,500,000	5.714
CHINA KINGS INDUSTRY PTY LTD	20,000,000	5.079
MANICA MINERALS LTD	15,000,000	3.809
BLACKMANS & ASSOCIATES PTY LTD	14,470,558	3.675
PEARL GLOBAL INVESTMENT LIMITED	13,333,333	3.386
MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN	10,521,751	2.672
GREAT SEA WAVE INVESTMENT PTY LTD	9,167,333	2.328
MACQUARIE BANK LTD	8,333,333	2.116
PERPETUAL CORPORATE TRUST LIMITED	8,333,333	2.116
MRS CORAL ESTELLE HARRIS & MR KERRY WILLIAM JOHN HARRIS	7,346,362	1.866
PEAK SUCCEED INVESTMENTS LIMITED	6,666,667	1.693
HUNAN CENTRAL SOUTH BIOHYDROMETALLURGY COMPANY LTD	6,250,000	1.587
GOLDVANCE PTY LTD	5,047,200	1.282
AUSTRALIAN GEOSCIENTISTS PTY LTD	2,932,500	0.745
FITEL NOMINEES LIMITED	2,856,667	0.725
SUN JIA DEVELOPMENT LIMITED	2,727,272	0.693
MONSLIT PTY LTD	2,600,000	0.660
MULATO NOMINEES PTY LTD	2,500,000	0.635
	303,935,523	77.183
Total Issued capital at 3 October 2012	**393,783,540**	

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