INTERNATIONAL BASE METALS LIMITED

2014

ANNUAL REPORT

ABN 73 100 373 635

IBML LOGO EXPLAINED

The IBML logo is based on alchemical symbols for metals that are part of the exploration focus for the company. The symbols are stacked in a three-dimensional structure to convey stability and solid outcomes.

Copper

Lead

Nickel

Zinc

Table of Contents

Corporate Directory

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

Directors

Mr Frank Macdonald Bethune	Managing Director
Dr Alasdair James Macdonald	Non-executive Chairman (resigned 3 October 2013)
Dr Kenneth John Maiden	Executive Director and Interim Chairman (appointed Interim Chairman 3 October 2013)
Mr Zhehong Luo	Non-executive Director
Mr Rui Liu	Non-executive Director
Mr Alan John Humphris	Non-executive Director
Mr Jinhua Wang	Non-executive Director
Mr Qiang Chen	Alternate Non-executive Director to Mr Zhehong Luo
Mr Aidong Yang	Alternate Non-executive Director to Mr Rui Liu
Dr John Zhao	Alternate Non-executive Director to Mr Jinhua Wang (appointed 28 October 2013, resigned 17 September 2014)

Company Secretary

Mr John Stone

Registered Office and Principal Place of Business

Suite 60, Level 6, Tower Building
Chatswood Village
47-53 Neridah Street
Chatswood NSW 2067
Telephone: + 61 2 8223 3777
Fax: + 61 2 8223 3799
Internet: www.ibml.com.au

Auditors

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Bankers

Bankwest
17 Castlereagh Street
Sydney NSW 2000

Share Registry

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

Financial Advisors

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

Solicitors

Gadens Lawyers
77 Castlereagh Street
Sydney NSW 2000

Norton Rose Australia
Level 39, BankWest Tower
108 St Georges Terrace
Perth WA 6000

Chairman's Letter

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the Company's Annual Report for the year ended 30 June 2014.

During the second half of 2013, the Company's Chairman, Dr A James Macdonald, resigned after five years in the position. James has been a very active Chairman, who steered the Company through the difficult times following the global financial crisis. The Board thanked James warmly for his contribution to the Company's development. In due course, the Board intends to appoint a new Chairman; in the meantime, I continue as Interim Chairman. I thank all the directors, and their alternates, for their firm guidance of the Company and for their support for me as Interim Chairman.

The Company's main asset is the Omitiomire copper deposit in Namibia. We are planning a two-phase process to bring Omitiomire into production. During the year, we completed a Definitive Feasibility Study for the first-phase, a modest-sized copper mining and processing operation based on a portion of the near-surface oxide and mixed oxide-sulphide copper resource. The study showed that a projected development and mining operation should expect to yield attractive financial returns. The IBML Directors have agreed to proceed towards development of the first phase project. The Namibian Ministry of Mines and Energy has recently advised us that it is prepared to grant our application for a Mining Licence covering the project area.

IBML emphasises sound corporate governance and aims to be a good 'corporate citizen'. Whilst our vision for the Company is to be a successful and sustainable exploration and mining company, we also acknowledge our legal, ethical and social responsibilities. In particular, we aim to enhance Namibian participation in the Company, to provide employment and career development opportunities for Namibians and to participate in community and educational programs in Namibia.

The main vehicle for our activities in Namibia is our 100% owned subsidiary company, Craton Mining and Exploration (Pty) Ltd ('Craton'). During the year, we continued the process of creating a Craton board comprising more independent directors and which better reflects the composition of Namibian society. During the second half of 2013, Mr Elia Shikongo, a highly-regarded lawyer, accepted the position of Chairman of Craton. More recently, Mr Purvance Heuer, an experienced chartered accountant, also joined the Craton board as a non-executive Director. We welcome them both.

As part of the re-structuring, three Executive Directors of Craton, Mr André Genis, Mr Karl Hartmann and Mrs Sigrid Hartmann, resigned from the Craton board. Mrs Hartmann continues as Company Secretary of Craton. We thank them all for their outstanding contributions to the success of Craton and the Company.

As part of our social responsibilities, IBML funds The Craton Foundation which, in turn, assists the communities in which Craton operates. In order to stretch the Foundation's reach and impact, the Foundation also seeks partners for its social initiatives. Three independent trustees of the Foundation decide upon the initiatives. For more information, see www.cratonfoundation.com.

Shareholders continue to express concern about the absence of an active market for the Company's shares. The Board retains the view that a premature share market listing of IBML is not in the best interests of the Company. Market timing and the stage of development of the Company are important factors that must be taken into account when considering a possible initial public offering and listing. We can assure you that this matter is kept under constant review.

(Dr) Ken Maiden
Interim Chairman

Managing Director's Letter

Dear Shareholder

We will not compromise our health and safety, nor that of others. Unfortunately a lost-time accident occurred on 20 May, 2014 when a drill rig operator lacerated his finger. He was back at work after one day. All drill rig operators were given refresher training. We believe that all injuries are preventable and safety remains an ongoing effort.

The highlight of the year was that we completed a feasibility study for Phase 1 of our Omitiomire Copper Project in Namibia. During September 2014 Craton Mining and Exploration (Pty) Ltd received notification from the Namibian Ministry of Mines and Energy that the Ministry is prepared to grant Craton's application for a Mining Licence for Phase 1 of the project. Thank you to the Ministry of Mines and Energy, our Craton directors, IBML directors, staff in Sydney, contractors, consultants and most importantly, the team in Namibia.

Our intention is to develop the project in two phases:

- Phase 1: Develop a modest mine and processing plant to treat the near surface ore at Omitiomire.
- Phase 2: Focus the Company's exploration effort on increasing the copper resource at, and within trucking distance of, Omitiomire. The aim is to develop the larger Omitiomire project once it can be shown to be an attractive investment.

Several elements need to be put in place before we can commence construction of Phase 1:

- Addressing the conditions placed upon the grant of the Mining Licence;
- Securing environmental approvals for project development;
- Securing long-term land access;
- Securing power supply for the mine; and
- Raising capital for project development.

In order to prepare ourselves for the transition from explorer to a project developer and copper producer, we increased our management capacity with the following key appointments in Namibia:

- Mr Norman Green – GM Omitiomire Oxide Project
- Ms Hendrina Kaavela – Accountant
- Ms Afra Kavandje – Receptionist

We welcome Norman, Hendrina and Afra to our team.

The next phase in the development of IBML/Craton will be an exciting one where we will all need to work together. I am grateful for the excellent support from our employees, consultants, contractors, suppliers and investors. Change always comes with challenges and obstacles. Your continued support is essential to the success of our growth ambitions.

We have a joint ambition – to become a world-class mining company by working together to make sound decisions, getting things done effectively and delivering high quality results. In spite of adversity and problems, we will persevere to find solutions and deliver on our promises.

Yours sincerely,

Frank Bethune
Managing Director
30 September 2014

Corporate Strategy

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

Our Vision

To be a successful and sustainable exploration and mining company

Our Mission

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

Our Values

- Health and safety
- Care and respect
- Teamwork and accountability
- A forward-looking approach

Our Strategy

In order to achieve our mission, the Board of Directors adopted the following strategy and goals:

- The 2016 goal is to have one operating mine and at least one advanced exploration project;
- The 2021 goal is to be a significant mining and exploration company with its focus in southern Africa;
- We will consider off-take agreements for the commodities we produce but would limit such off-take to the percentage investment held;
- Joint venture (JV) arrangements will be encouraged for both exploration and mining activities; and
- We will seek to retain at least 30% interest in any southern African JV.

Short Term Plan

The aim remains to increase the value of IBML by:

- Developing a small oxide copper mining and processing operation at Omitiomire;
- Expanding the copper resource within trucking distance of Omitiomire;
- Successfully exploring on our other tenements.

The three main short term objectives have been identified as:

- Obtain a Mining Licence for the Omitiomire oxide copper project;
- Obtain the required environmental clearance for project development;
- Secure long-term surface access to the farm Omitiomire.

Review of Operations

Introduction

Craton Mining and Exploration (Pty) Ltd

IBML's main business is to discover and/or acquire, and then develop, mineral resources in Namibia. The Company's assets in Namibia are held by Craton Mining and Exploration Pty Ltd ('Craton'), a wholly-owned Namibian-registered subsidiary company, which is based in the Namibian capital, Windhoek.

The Company's major asset is the Omitiomire Copper Project. An application for a Mining Licence (ML 183) was lodged with the Namibian Ministry of Mines and Energy ('MME') in December 2013. The Mining Licence application covers the Omitiomire copper deposit and a surrounding area required for associated infrastructure. The Namibian Ministry of Mines and Energy notified Craton that the Ministry is prepared to grant Carton's application for a mining Licence.

Craton holds eight Exclusive Prospecting Licences ('EPLs'), covering around 5,500 square kilometres ('km^2'). These tenements are clustered into project areas as shown in the accompanying map.

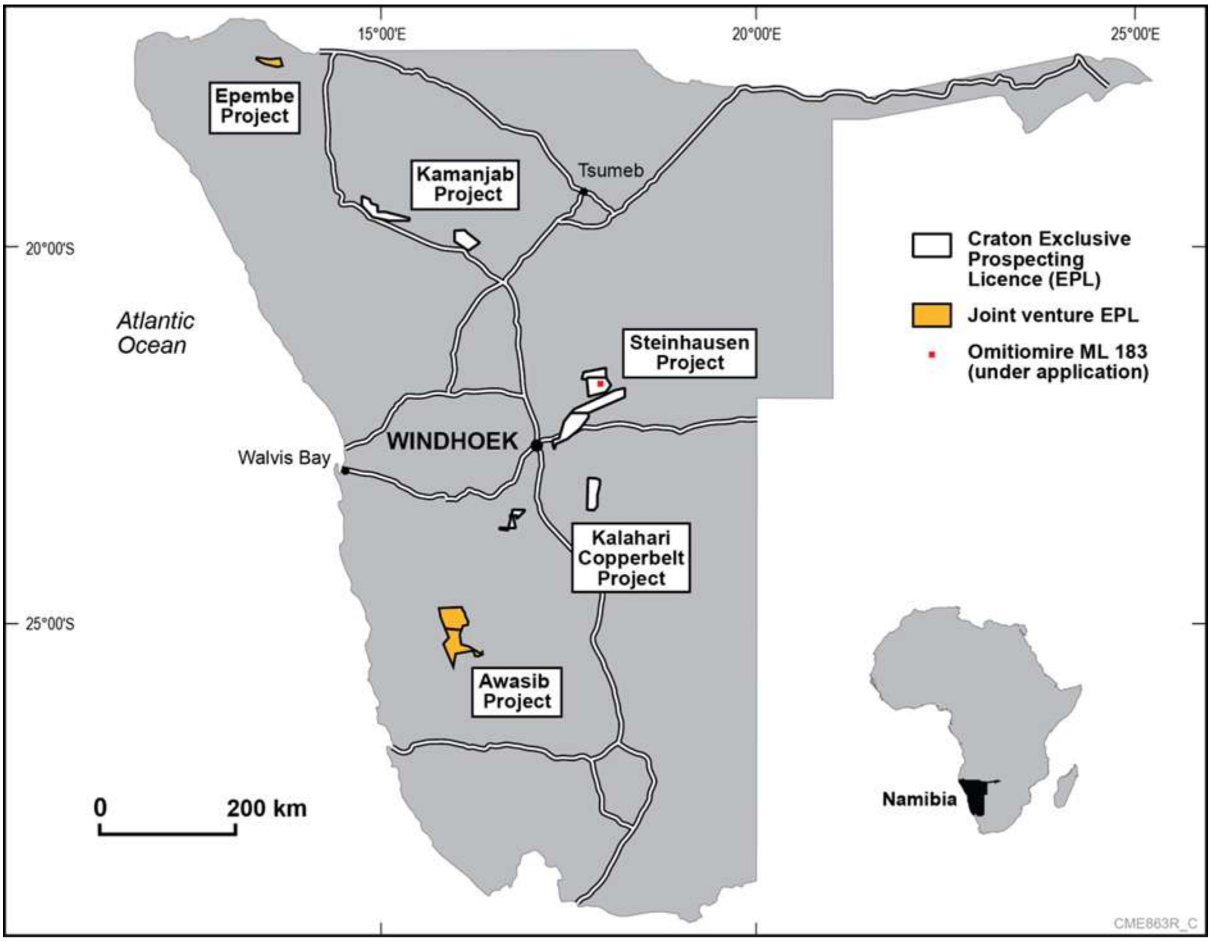


Figure 1. IBML's projects in Namibia

An EPL is a three year licence, issued by the MME, to cover an area of up to 1,000 km^2. It gives exclusive exploration rights to the land and may be renewed twice for two-year periods (if progress is shown). Further approvals are subject to discretionary powers of the Minister. The grant of an EPL carries with it the right to be granted a Mining Licence if the holder can demonstrate the environmental, financial and technical ability to develop and operate a mine.

Tandem Resources Pty Ltd

IBML, through a wholly-owned Australian-registered company, Tandem Resources Pty Ltd, has earned a 31% interest in Tandem JV Company Pty Ltd. The Epembe tantalum-niobium project is the main asset of the JV. IBML decided on 25 March 2014 not to proceed to Phase 2 exploration as envisaged in the JV agreement.

Australian Projects

IBML also has a number of mineral exploration projects in Australia. These projects are held in wholly owned subsidiary companies:

- AuriCula Mines Pty Ltd: Focussed on the Cobar district of New South Wales;
- Endolithic Resources Pty Ltd: Focussed on the Mount Isa district of Queensland.

A third subsidiary, Maranoa Resources Pty Ltd, focussed on the Maranoa district of Queensland, divested its last remaining exploration permit in early FY2014.

Omitiomire Oxide Copper Project, Namibia

Background

The Omitiomire Project is located in central Namibia, 140 km by road northeast of Windhoek, in semi-arid savannah-type grazing land.

Omitiomire project area

Geology

Drilling has defined a copper resource within a number of stacked, parallel tabular bodies which dip at a shallow angle (Figure 2).

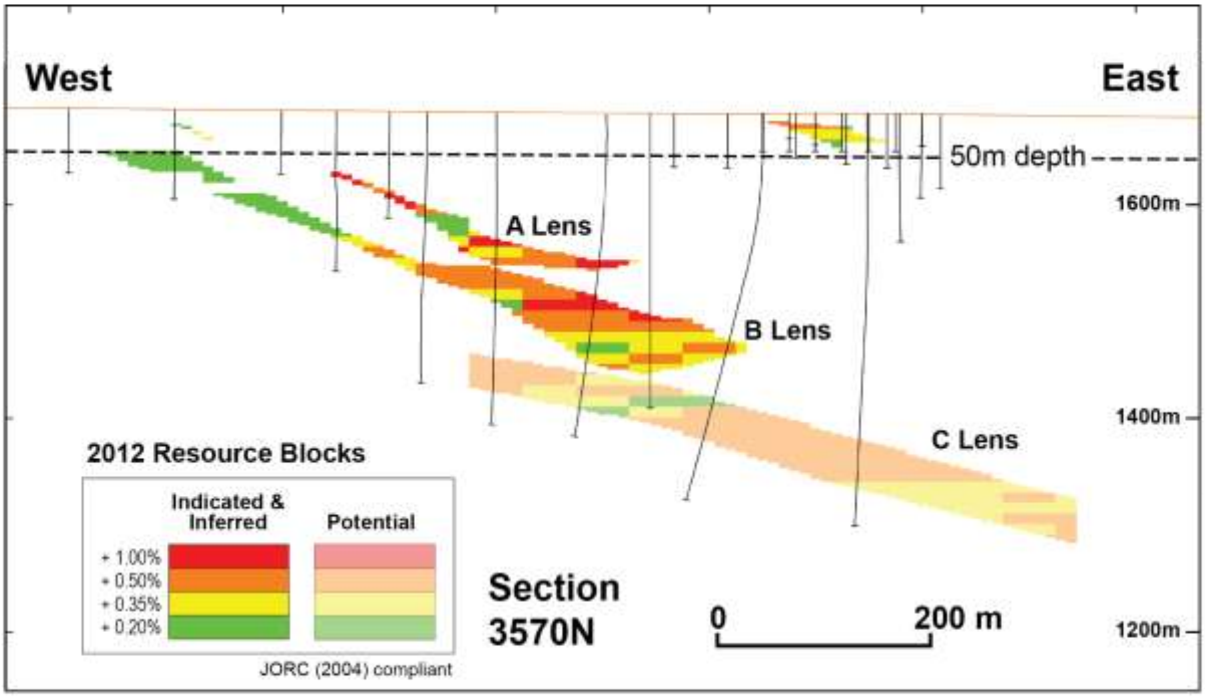
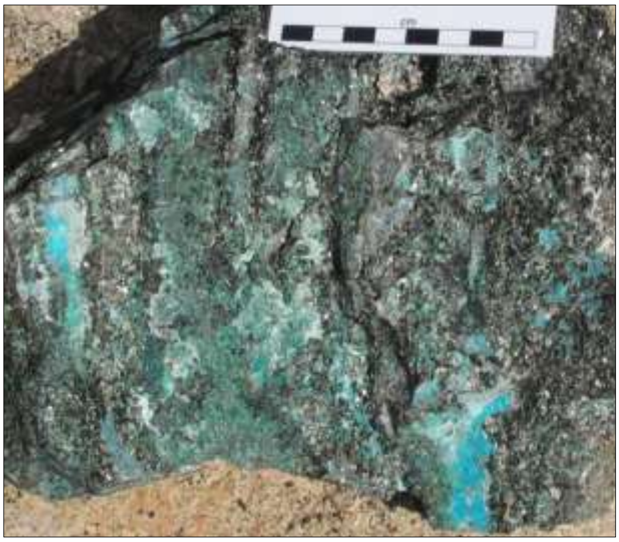


Figure 2. Drill section showing stacked ore lenses and the 50m depth limit of the Phase 1 Oxide Copper Project. [Note: The resource blocks shown are from the 2012 resource estimation]

The deposit forms sub-outcrop, beneath shallow sand cover, over several hundred metres. At depth, drilling has shown a strike length of over 3,500 metres ('m'). The deposit is about 10m thick near surface but thickens to the east, where some drill holes have intersected over 100m of copper mineralisation.

At a 0.25% copper ('Cu') cut-off grade, the resource estimation (Bloy 2014) shows a total resource of 137 million tonnes ('Mt') at 0.54% Cu (741,000 tonnes copper metal).

Copper occurs mainly as the mineral chalcocite (copper sulphide Cu_2S), hosted by dark amphibole-biotite rich (mafic) rock types. Barren white to light grey quartz-feldspar rich (felsic) gneiss dominates in the hanging wall and is also inter-banded with mafic layers in the copper-bearing zone.



The deposit is oxidised to 20m depth and partly oxidised to 40m depth. Oxide copper is dominantly in the mineral malachite (a green copper carbonate mineral) with subordinate chrysocolla (a blue hydrated copper silicate mineral) and minor tenorite (a black copper oxide mineral). Primary chalcocite increases at depth.

Development Proposal

IBML has planned a two-stage approach to bring Omitiomire into production:

Phase 1: The initial project is based on near-surface oxide and mixed oxide-sulphide copper. Oxide copper constitutes about 15% of the total Omitiomire resource but only a portion of this will be accessed in the proposed Phase 1 operation. Craton has completed a Definitive Feasibility Study ('DFS') for a 40,000 tonnes per month ('tpm') project.

Phase 2: In the future, Craton expects to be able to develop a larger project based on the deeper sulphide copper resource at Omitiomire plus other copper resources which might be discovered within trucking distance of Omitiomire. This project will require a separate DFS.

Oxide Copper Feasibility Study

Resource

The base case for the study considered an initial three pits, with a combined resource of 3.14 Mt at 0.60% Cu (as oxide) plus 0.33% Cu (as sulphide). In addition, there is upside potential for a further 3.17 Mt at 0.82% Cu at shallow depth.

Mine Planning

Perth-based Cube Consulting developed a life-of-mine open pit plan (Figure 3). The plan requires diversion of the MR53 public road.

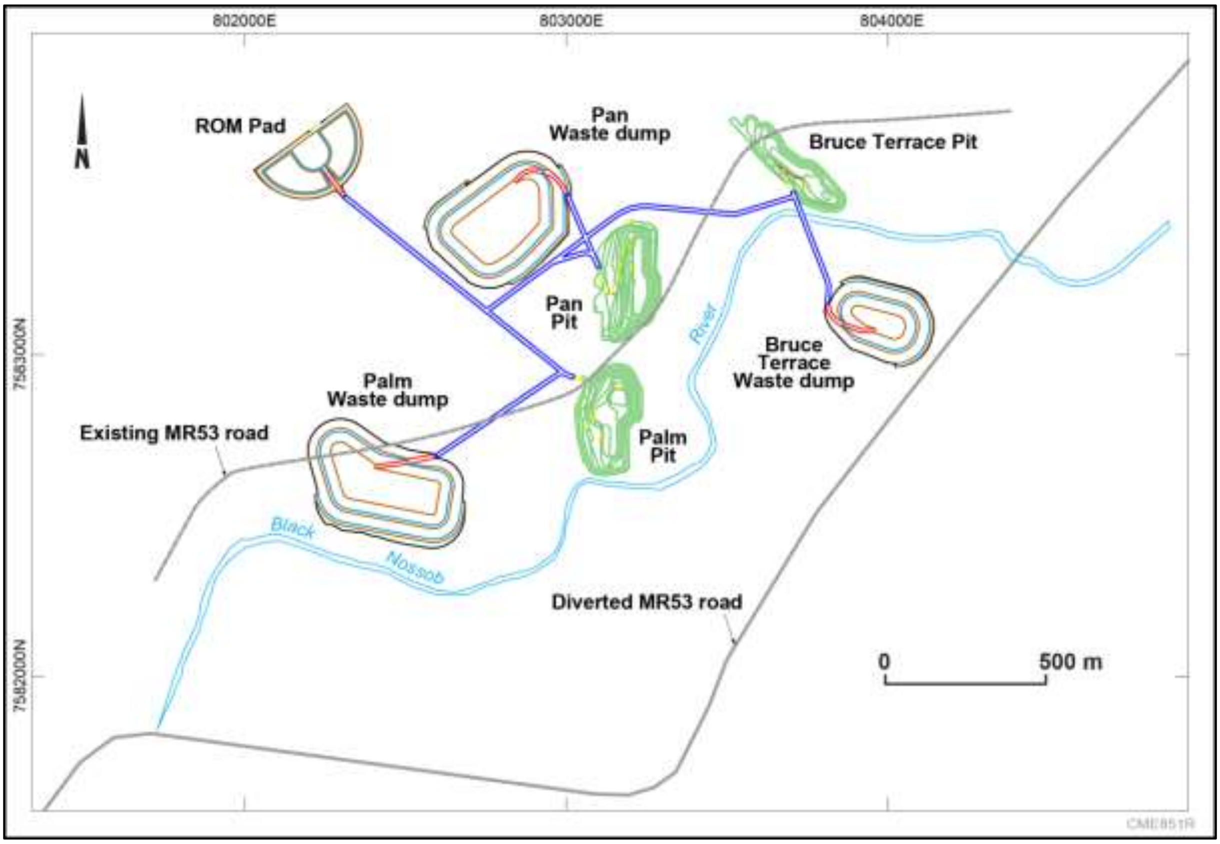


Figure 3. Base case mine plan

The base case resource will be mined out within less than five years. The plan is to process, initially, high grade ore. Lower grade material will be stockpiled for processing later in the life of the project. The proposed processing throughput of 40,000 tpm is limited by the availability of groundwater.

Senior Geologist, Frik Badenhorst, at work in Borealis field camp

Ore Processing

Oxide copper ore will be processed via acid leach – solvent extraction – electro-winning (SX/EW) to produce cathode copper (at least 99.9% Cu). The initial ore feed will be entirely oxide copper material but increasing amounts of chalcocite will be mined as mining progresses to greater depth. This will be processed via flotation to produce copper concentrate (Figure 4).

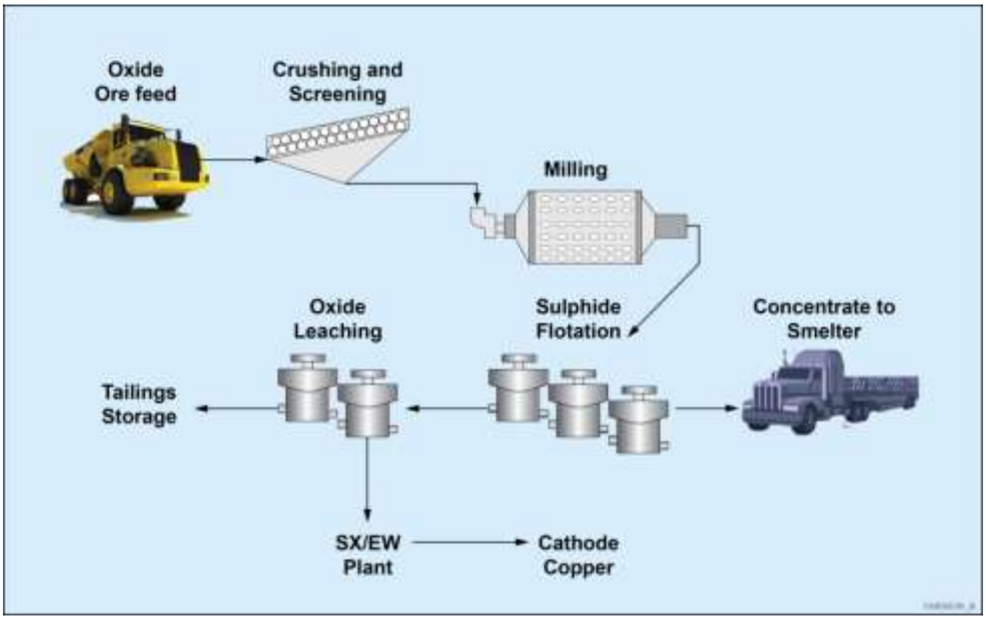


Figure 4. Proposed processing route

Site Layout and Infrastructure

The site plan (Figure 5) incorporates three small open-cut mines plus upside potential; waste dumps; haul roads; processing plant and tailings disposal; water bores; office and workshop facilities; and a village with accommodation and amenities.

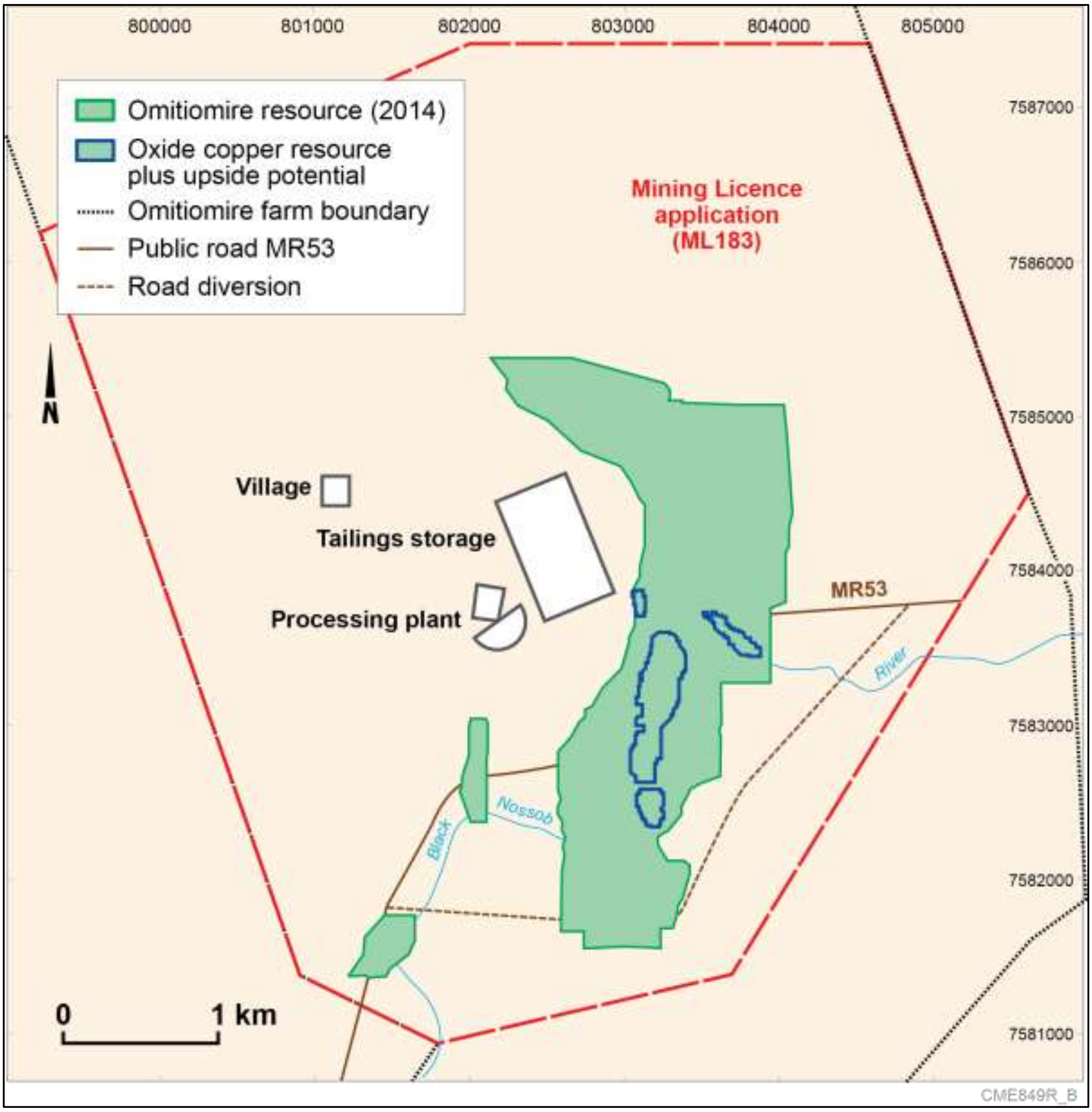


Figure 5. Site layout

In addition to the minor diversion of the MR53 road around the mine workings, the base case plan envisages upgrading of the MR53 public road from Windhoek (Figure 6).

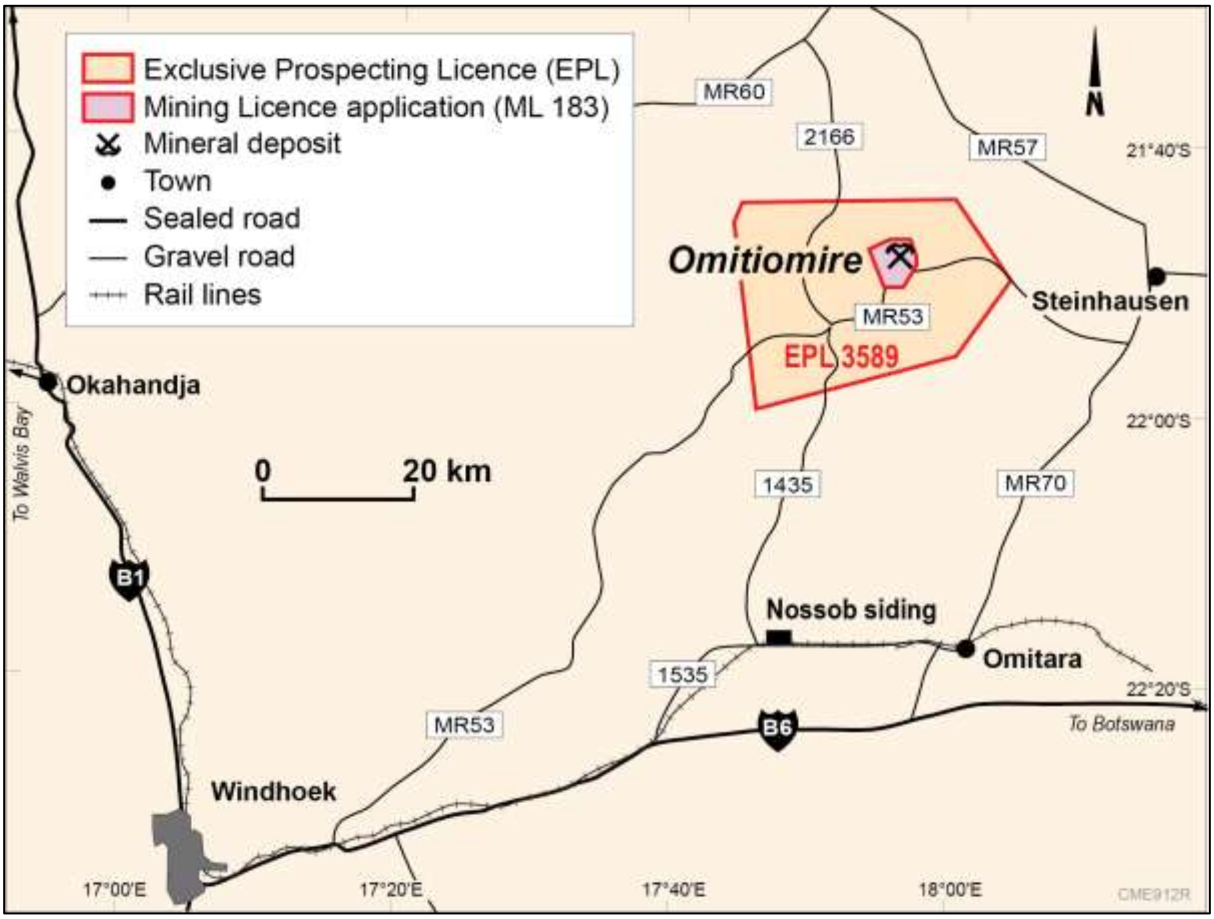


Figure 6. Road system

Social and Environmental Impact Assessment ('SEIA')

Specialist studies considered a range of impacts, including soils, biodiversity, air quality, surface and ground water, archaeology, noise, visual impact, traffic, social and economic. These have been incorporated into an SEIA report and an Environmental Management Plan.

Financial Assessment

The DFS financial model used the following assumptions:

- Exchange rate: US$1.00 = Namibian$ 9.889;
- Namibian$ inflation 5%, US$ inflation 1.5%;
- Discount Rate: Real 10%, Namibian$ Nominal: 15.5%, US$ Nominal 11.65%;
- Copper price US$3.30 /lb (Real);
- VAT 15%, royalty 3%, export levy 2%, tax rate 37.5%.

The DFS indicates that the project would be financially positive under the assumptions used for the study. The main sensitivities are copper price and exchange rate. The study team made a number of recommendations concerning financial and commercial aspects of the project, especially with regard to potential project upsides.

Current Status of the Project (as at end September 2014)

The DFS report was completed in October 2013 and the IBML Board supported the Craton Board recommendation to proceed towards development of the Project. The Company's main short term objectives have been identified as:

- Accepting the conditions attached to the Mining Licence for the Omitiomire oxide copper project;
- Obtain the required environmental clearance for project development;
- Secure long-term surface access to the farm Omitiomire;
- Securing power supply for the mine; and
- Securing additional capital to fund the initial development and operation of the project.

Mining Licence

The mining licence application (ML 183) lodged during December 2013 was assessed by the Namibian Ministry of Mines & Energy ('MME'). Craton received from MME notification dated 16 September 2014 of its preparedness to grant the Mining Licence.

Social & Environmental Impact Assessment ('SEIA')

The SEIA and Environmental Management Plan were presented at a public meeting. As a result of comments from a section of the farming community at that meeting, Craton carried out additional work and updated the SEIA report and Environmental Management Plan. The report and plan are being reviewed by the Namibian Ministry of Environment & Tourism ('MET'). To date, there have been no queries from MET on any aspects of the SEIA.

Long Term Surface Rights Access

Craton has made an offer to purchase the farm Omitiomire but has not yet secured agreement from the beneficiaries of the deceased estate.

EPCM Process

Submissions from three potential Engineering Procurement Construction and Management ('EPCM') contractors are being evaluated.

Project Development Team

A project Steering Committee has been established and a project development team is being put in place. A senior engineer, Mr Norman Green, has been appointed as General Manager for the Project.

Revised Oxide Copper Resource

Craton has carried out additional reverse circulation ('RC') drilling, at a spacing of 25m x 25m, within and around the three planned Phase 1 oxide copper pits. This drilling was designed to upgrade the resource to the Measured category, in accordance with the JORC (2012) Code.

The new Resource Estimate (Bloy, 2014) shows the combined resources for the Pan Pit and Palm Pit to be 99% within the Measured category; the Bruce Terrace resource is still categorised as Indicated. A revised Reserve Estimate for the planned pits is in preparation.

Note: JORC = Joint Ore Reserves Committee. The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of Minerals Exploration Results, Mineral Resources and Ore Reserves. The most recent revision of the Code was published in late 2012.

Craton Exploration Projects, Namibia

Namibian Tenements Summary

Craton currently holds eight Exclusive Prospecting Licences, totalling almost 5500 km^2, and one Mining Licence under application.

The Omitiomire Project was previously defined as comprising EPL 3589. With the establishment of the Omitiomire Oxide Copper Project, the Company now restricts the term "Omitiomire Project" to ML 183 (offered for grant, 16 September 2014) plus any associated infrastructure activity. For internal company use, EPL 3589 has been re-named "Ekuja" and becomes part of the Steinhausen Project.

During the 2013/14 financial year, Craton relinquished three tenements and three renewal applications were granted. The Table below summarises the tenement status at the end of the 2013/14 financial year.

Licence Code	Name	Area (km^2)	Expiry Date	Status
Omitiomire Project		29		
ML 183	Omitiomire	29	-	Application
Steinhausen Project		3071		
EPL 3589	Ekuja	735	2016-04-25	3rd renewal granted
EPL 3590	Oorlogsdeel	395	2016-04-25	3rd renewal granted
EPL 4150	Seeis	981	2015-10-25	1st 3 years granted
EPL 4151	Karamba	960	2015-10-25	1st 3 years granted
Kamanjab Project		1484		
EPL 4297	Vaalberg	787	2015-08-19	1st 3 years granted
EPL 4431	Tzamin	697	2015-06-24	1st renewal granted
Kalahari Copperbelt Project		933		
EPL 4039	Nomeib	295	2015-06-30	2nd renewal granted
EPL 4055	Sib	638	2015-04-26	1st renewal granted

Table 1. Craton's tenements

Omitiomire Project - ML183 (offered for grant, 16 September 2014)

Drilling Programme

Drilling on the farm Omitiomire continued during the year (Figure 7). The objectives were to:

- Provide a resource estimate which complies with the JORC (2012) guidelines;
- Provide Measured resources in the Phase 1 oxide copper pits; and
- Test satellite targets near the Omitiomire resource.

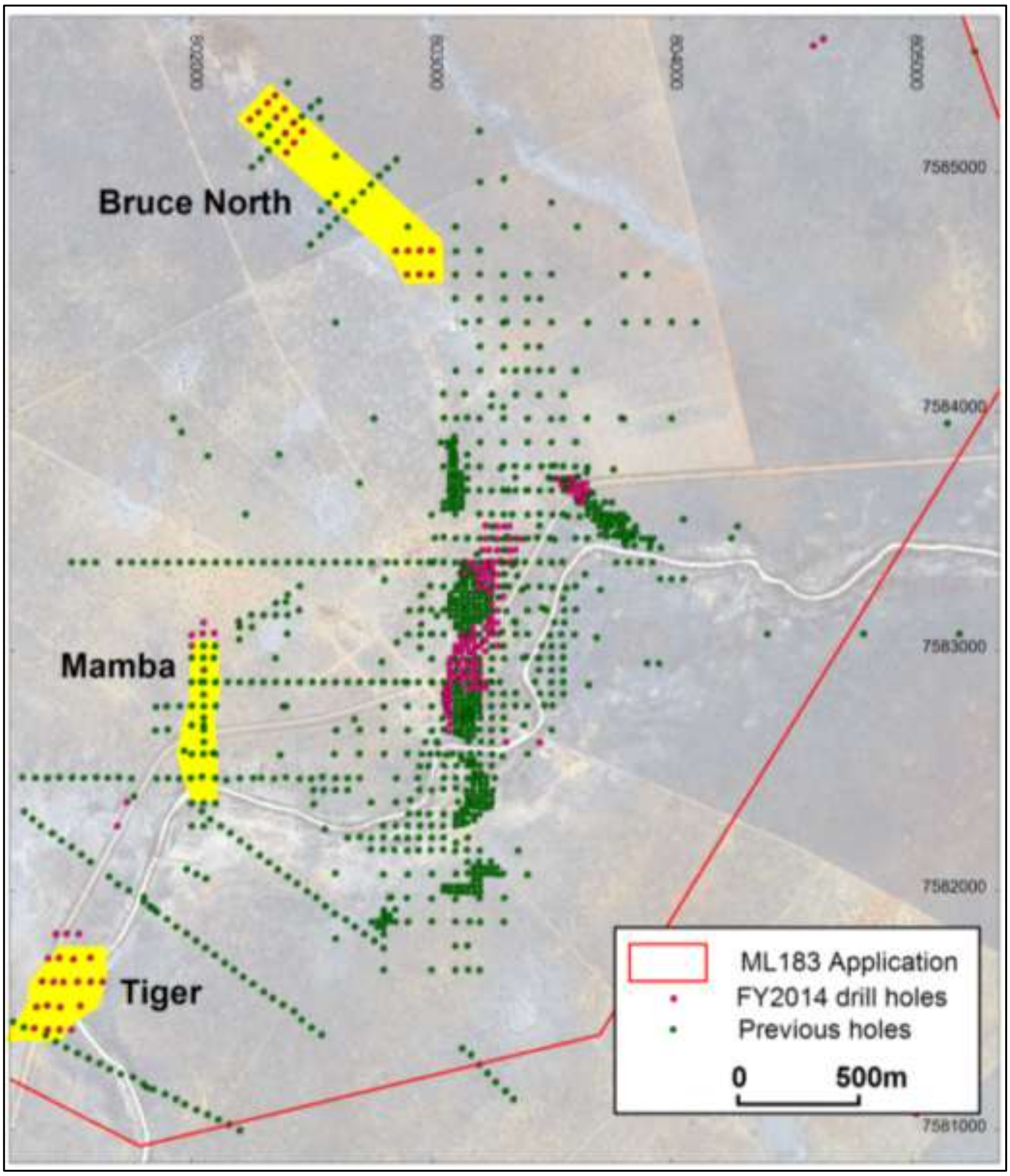


Figure 7. Omitiomire Project: Location of drill holes.
The yellow areas show satellite targets which have been drilled during FY2014

Resource Upgrade

In August 2014, Bloy Resource Evaluation ('Bloy') provided an updated resource estimate of 137 Mt at 0.54% Cu at a cut-off grade of 0.25% Cu. The resources are reported in accordance with the guidelines set out by the Joint Ore Reserves Committee (JORC, 2012). The Measured and Indicated categories constitute 71% of the deposit.

Resource class	Million tonnes (Mt)	Grade (% Cu)	Contained metal ('000 t)
Measured	4.4	0.85	38
Indicated	93.4	0.52	486
Inferred	39.1	0.56	217
Total	136.9	0.54	741

Table 2. Omitiomire resource at a cut-off grade of 0.25% Cu (Bloy, 2014).
Note: The resource figures are not constrained within any form of resource limiting pit shell

In addition, Bloy reported Exploration Target material, also at a cut-off grade of 0.25% Cu, in the range 76 – 155 Mt for 430,000 – 650,000t of metal grading between 0.4 and 0.6% Cu. The Exploration Target includes a small contribution from the Mamba and Tiger satellite deposits. Caution: Exploration Target material remains conceptual in nature and might or might not be realised in the future.

The technical information relating to the Omitiomire resource has been summarised from a report, dated 31 August 2014, provided to Craton by Ms Carrie Nicholls and Mr Michael Rohwer of Bloy Resource Evaluation. Both Ms Nicholls and Mr Rohwer are Members of the Australasian Institute of Mining and Metallurgy ('AusIMM') and have sufficient experience to qualify as Competent Persons as defined in the September 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Nicholls and Mr Rohwer consent to the inclusion of the information in the form and context in which it appears. Their full report has been placed on the IBML website.

Steinhausen Project

Tenements

The Steinhausen Project consists of four granted EPLs (Figure 8), three of them in close proximity to the Omitiomire Project and containing copper targets potentially within trucking distance of the planned Omitiomire processing plant.

Exploration Manager, Karl Hartmann, in the field, Steinhausen area, June 2014

EPL 3589 and EPL 3590 expired on 24 April 2014 and were renewed by the MME for two years with reductions in area but with no additional conditions attached.

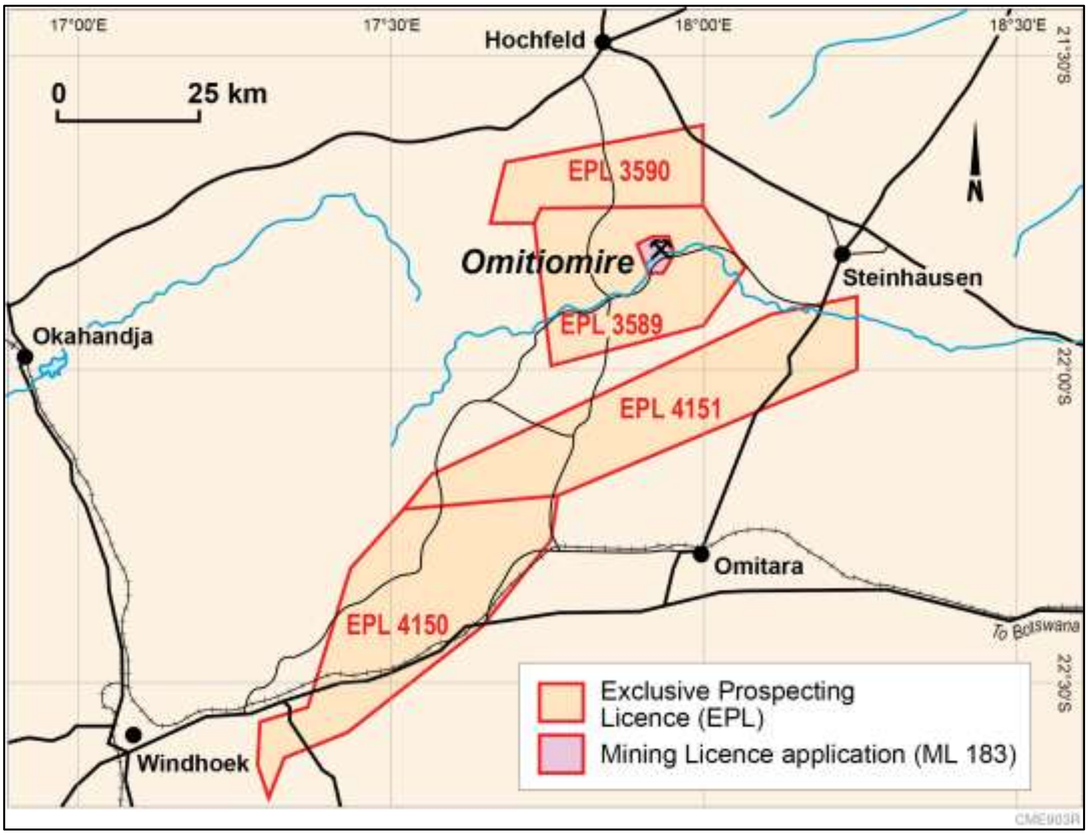


Figure 8. Craton's Steinhausen Project tenements

Geological Setting and Target Deposit Styles

The tenements cover several Mesoproterozoic-age basement inliers (domes) (Figure 9). In EPL 3589, the Ekuja Dome hosts the Omitiomire deposit and other known copper occurrences. Surrounding the domes and occupying the remainder of the area are metamorphosed sedimentary rocks of the Neoproterozoic-age Damara Sequence.

Drilling at Omieve, June 2014

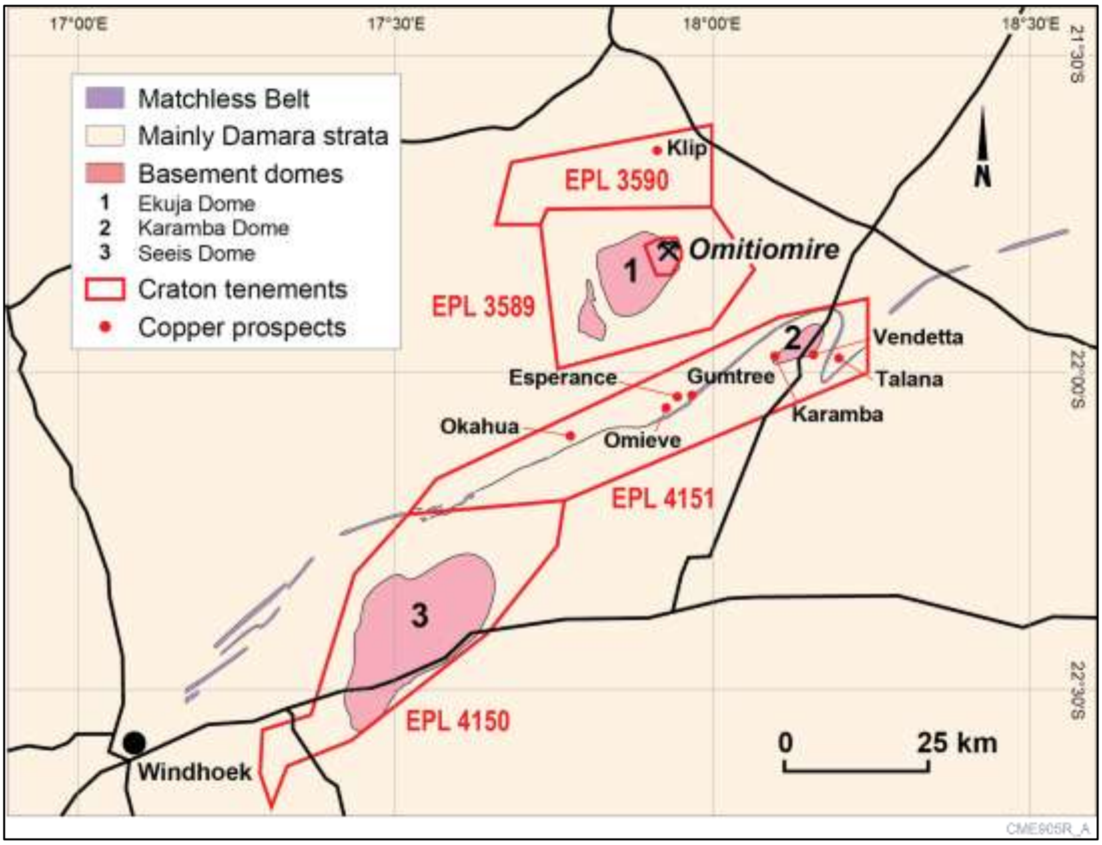


Figure 9. Outline geological map showing known copper occurrences

The tenements contain several known and potential target deposit styles:

<u>Copper in Basement Domes</u>

The Omitiomire deposit is hosted by metamorphic rocks of the Ekuja Dome. Soil geochemical surveys in EPL 3589 show that the Ekuja Dome is regionally anomalous in copper. Recent soil geochemical surveys by Craton have shown elevated copper-in-soil in the Karamba Dome (in EPL 4151) and the Seeis Dome (in EPL 4150) (Figures 9 and 10).

<u>Copper in the Matchless Belt</u>

EPL 4151 contains about 60 km of strike of the Matchless Belt, a distinctive unit of amphibolite, magnetite quartzite and altered meta-sedimentary rocks, which stretches for 400 km through central Namibia and hosts numerous known copper deposits and occurrences. Whilst most deposits of this style are small bodies, there are some more substantial deposits, notably Otjihase, Matchless and Ongombo. Several known prospects of this style within EPL 4151 indicate excellent discovery potential.

<u>Copper in Other Damara Strata</u>

In EPL 3590, low grade copper, hosted by amphibolite and calc-silicate schist, is known from previous (mainly 1970s) shallow exploration drilling.

In EPLs 4150 and 4151, previous shallow drilling also intersected copper at several prospects. Recent geochemical surveys have indicated additional targets to be tested.

<u>Nickel in Mafic Igneous Rocks</u>

The project area contains several mafic and ultramafic igneous intrusive bodies, notably the Omieve Mountain mafic igneous body in EPL 4151. Sampling by Craton shows elevated concentrations of nickel (in places over 1% Ni). Craton will conduct further exploration for nickel and platinum group elements.

Exploration Approach

The Steinhausen area, 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 commercial farms where negotiation of access agreements takes time.

Craton has previously commissioned an interpretation of airborne magnetic, radiometric and electro-magnetic ('EM') data, which provided a template for assessment of follow-up detailed exploration.

Regional-scale soil geochemical surveys (400m x 400m sample spacing) are used to identify target areas which are being assessed, initially, with detailed geological mapping, ground magnetic surveys and detailed (100m x 100m and, in places, 50m x 50m grid) soil geochemistry (Figure 10). Selected targets are then tested with RC drilling.

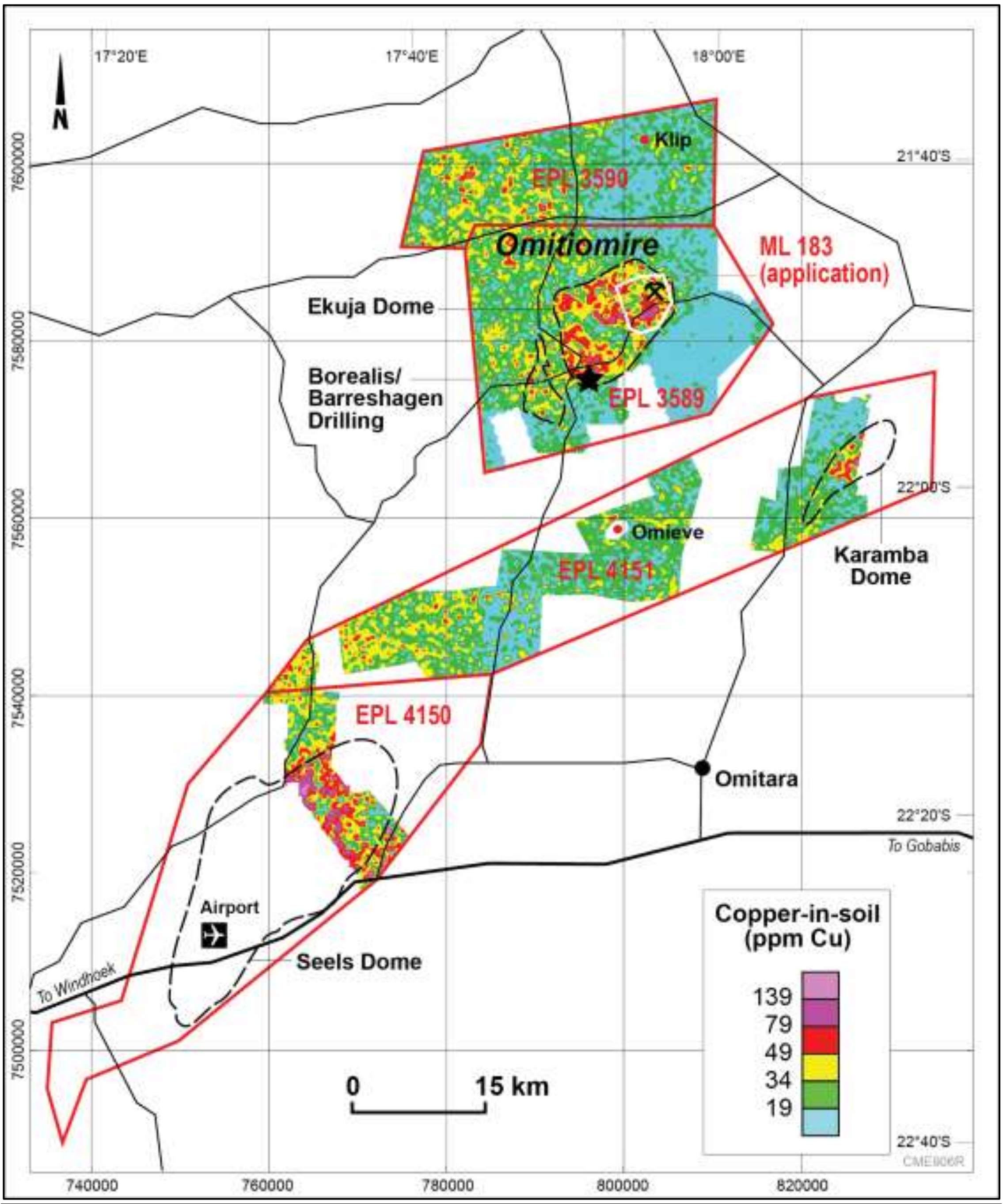


Figure 10. Steinhausen Project: Copper-in-soil geochemistry.
"Warm" colours indicate elevated copper-in-soil

EPL 3589 Ekuja (formerly named "Omitiomire")

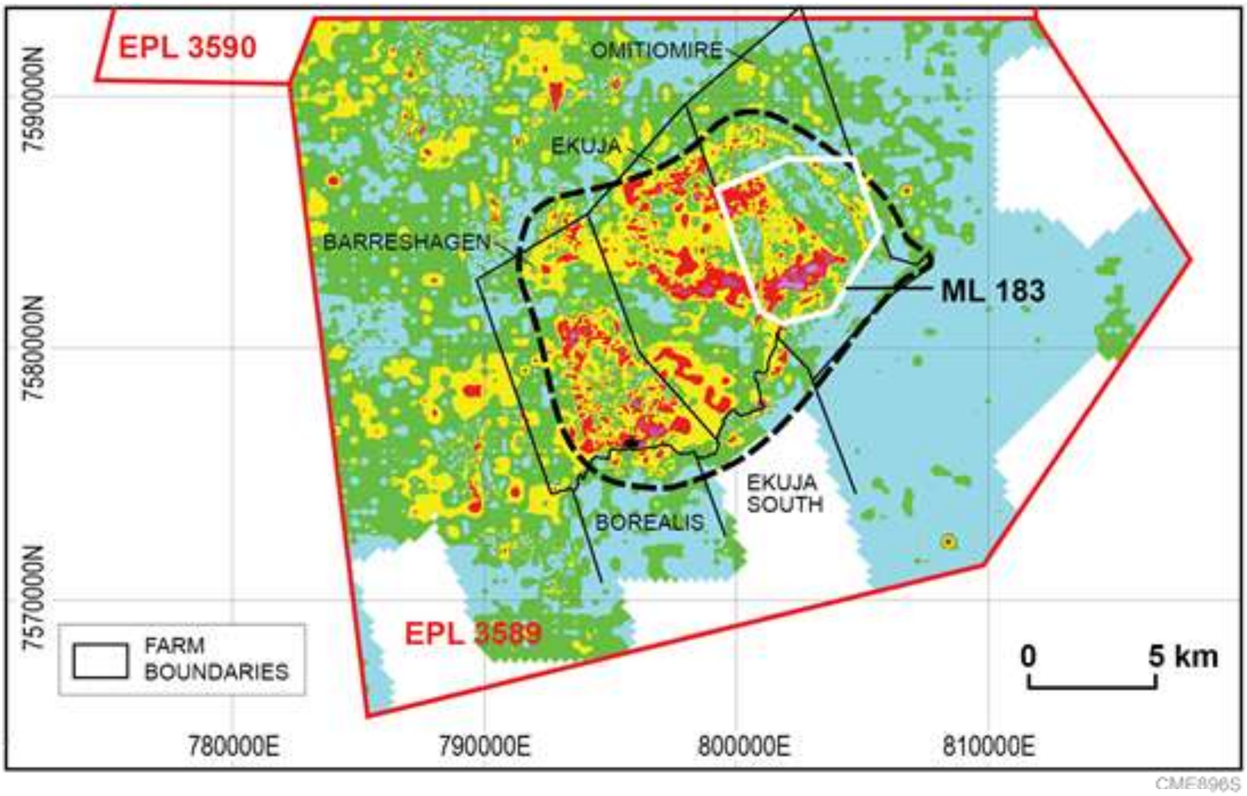


Figure 11. EPL 3589 showing the Ekuja Dome, copper-in-soil geochemistry and farm boundaries

An induced polarisation ('IP') survey, designed to detect the presence of metal sulphide concentrations, was completed on the farms Borealis and Barreshagen.

RC drilling tested targets on the farms Borealis and Barreshagen (Figures 10 and 11). Analyses include 4m at 0.73% Cu from 49m depth at Borealis and 27m at 0.41% Cu from 100m depth at Barreshagen. Further drilling is planned to follow up these intersections.

Craton is currently (August 2014) flying an EM survey, over parts of EPL3589 and EPL3590, to identify further exploration targets.

EPL3590 Oorlogsdeel

RC drilling at the Klip prospect produced some encouraging intersections, including 11m at 0.72% Cu and 17m at 0.57% Cu, both with minor zinc. The copper occurs as chalcopyrite associated with pyrite and pyrrhotite hosted by calc-silicate schist and amphibolite. Follow-up exploration is planned.

EPL 4150 Seeis

Soil geochemical surveys identified elevated copper within the Seeis Dome (Figure 10).

EPL 4151 Karamba

Soil geochemical surveys and a review of airborne magnetic imagery identified numerous targets for follow-up exploration.

RC drilling tested targets on the farm Omieve (Figure 10). The best intersection was 11m at 0.41% Cu (XRF analysis) from 35m depth.

Kalahari Copperbelt Project

Background

The Kalahari Copperbelt is a major trend of copper-bearing strata, stretching from central Namibia to northern Botswana. The Botswana segment of the belt contains several substantial copper deposits.

Since 2007, Craton has been exploring its exploration tenements in the belt, with a main focus on EPL 3584 which contains 80 km strike of strata which are stratigraphically equivalent to the copper-bearing strata in Botswana. Craton's exploration programmes included extensive soil and rock geochemistry, detailed geological mapping, detailed geophysical surveys and drilling on targets. However, this work failed to indicate potential for a significant deposit.

Consequently, the company relinquished EPL 3584 during the year and retains two tenements within the Kalahari Copperbelt Project (Figure 12).

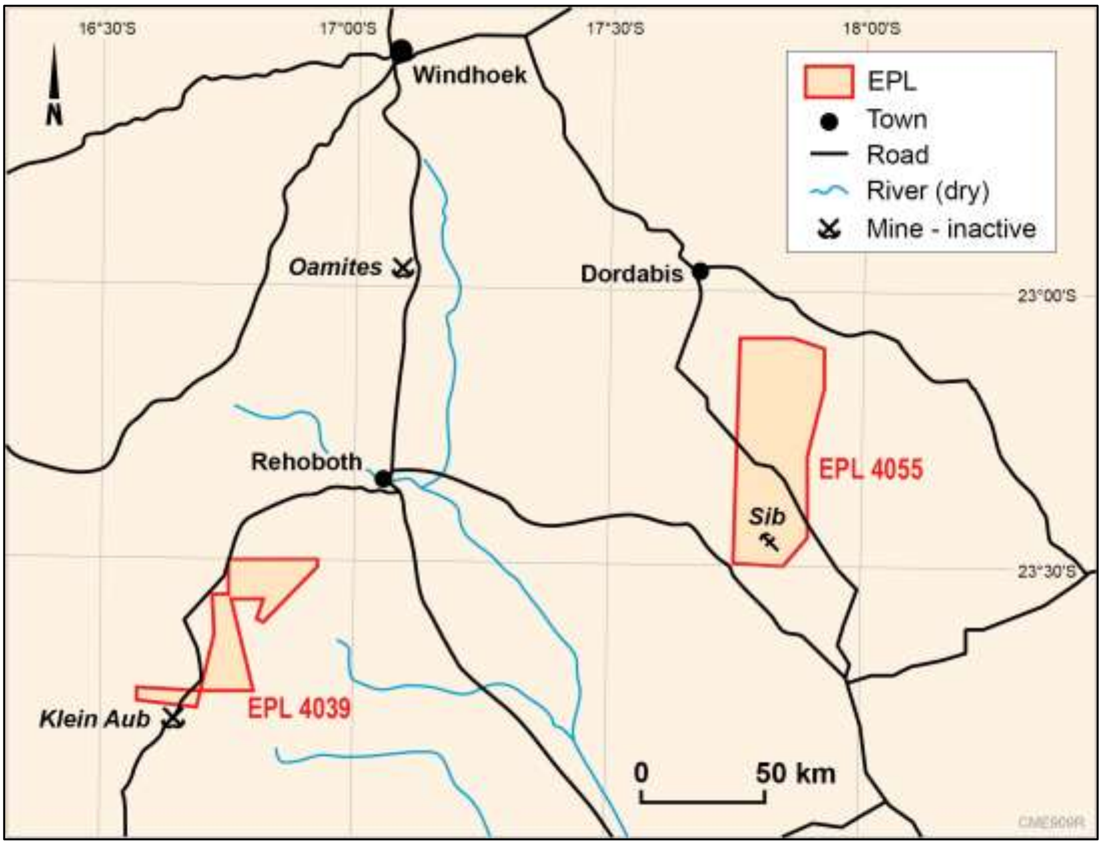


Figure 12. Craton's Kalahari Copperbelt Project tenements

EPL 4039 Nomeib

The Nomeib tenement contains small historic gold mines and prospects, and is considered to have potential for more significant gold deposits.

A bulk leach extractable gold ('BLEG') survey identified several target areas which were followed up by detailed soil geochemistry over four target areas.

An RC drilling programme was completed on the two prospects. Initial results include a best intersection of 9m at 1g/t Au. Additional drilling is planned for the FY2015 year.

EPL 4055 Sib

An "order of magnitude" study confirmed the likely commercial viability of a small-scale copper leach operation based on the identified resource at the Sib prospect.

Craton plans to follow up a number of subtle copper-in-soil geochemical anomalies.

Kamanjab Project

Background

For several years, Craton has been targeting copper hosted within the Damara Sequence. This work identified widespread low grade copper, including the small Tzamin deposit in EPL 4431, but no indication of the presence of a substantial deposit.

EPL 4297 Vaalberg also contains known zinc mineralisation in the basement rocks below the Damara Sequence. Review of the geology indicated similarities in the age and the host rock types to those which host the Century zinc deposit in Queensland. Accordingly, Craton re-oriented its exploration programme to assess the potential for zinc deposits.

Tenements

After a review of discovery potential, Craton relinquished EPL 4296 (Tzaus). The Company retains two tenements in the Kamanjab Project (Figure 13). EPL 4431 (Tzamin) was reduced in area during the year.

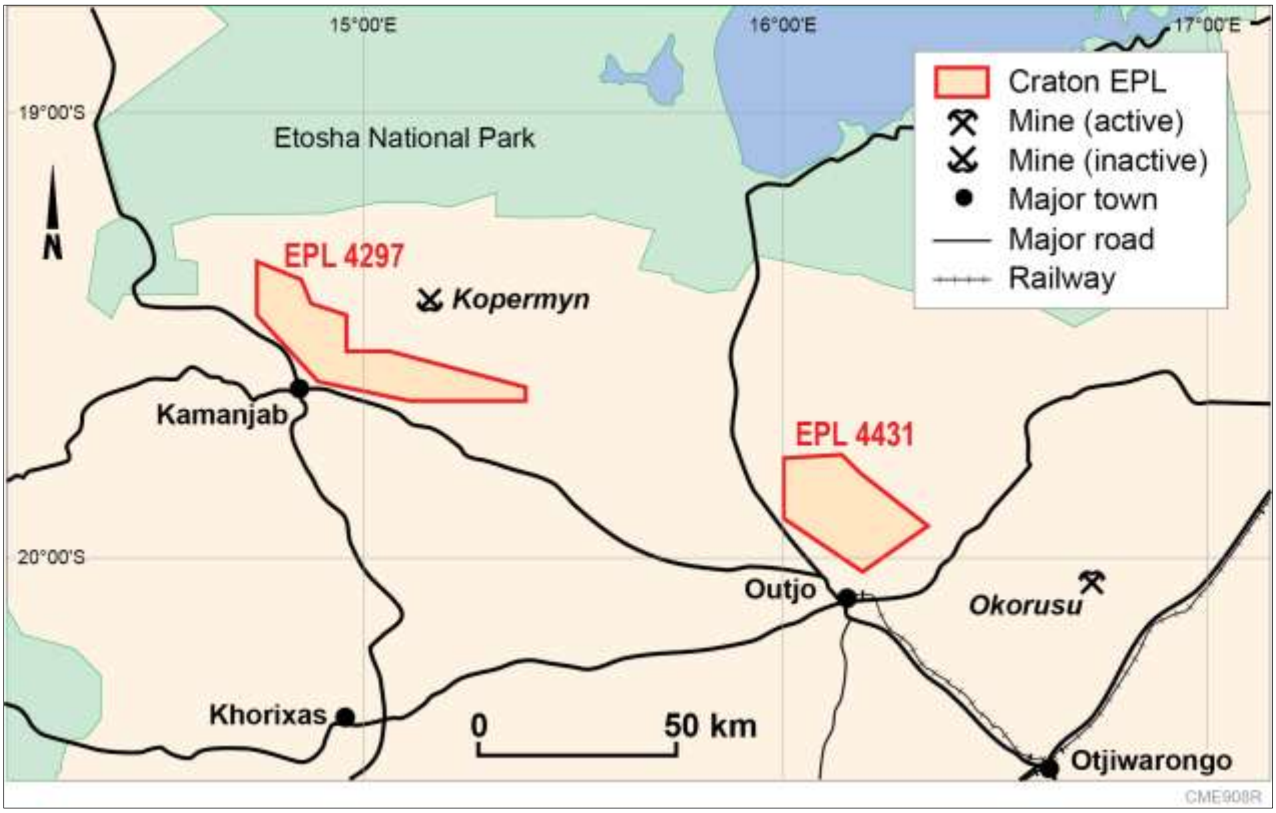


Figure 13. Craton's Kamanjab Project tenements

Exploration Activities

In EPL 4297 (Vaalberg), soil geochemical surveys and preliminary geological mapping were carried out on the Gelbingen zinc target. A number of low order anomalies are being assessed.

There was no field work during the reporting period in EPL 4431 (Tzamin).

Joint Venture Projects, Namibia

Background

During the course of 2013, African Mining Capital Pty Ltd ('AMC') and IBML negotiated and entered into formal joint venture agreements ('JV Agreement') in regard to the Epembe and Awasib projects in Namibia.

The JV Agreement is between a subsidiary of AMC, African Mining Capital 4 Pty Ltd, and a wholly-owned subsidiary of IBML, Tandem Resources Pty Ltd. Under the terms of the agreement, Tandem Resources has now earned a 31% shareholding in Tandem JV Company Pty Ltd by contributing Phase 1 exploration expenditure of A$1.7 million, with the majority 69% interest being held by African Mining Capital 4 Pty Ltd.

Epembe Project

Location

The project is within EPL 3299, held ultimately by AMC through a Namibian-registered subsidiary. It is located in northwestern Namibia, about 600 km northwest of Windhoek and 45 km south of the Kunene River, which forms the border with Angola (Figure 14).

Epembe field camp

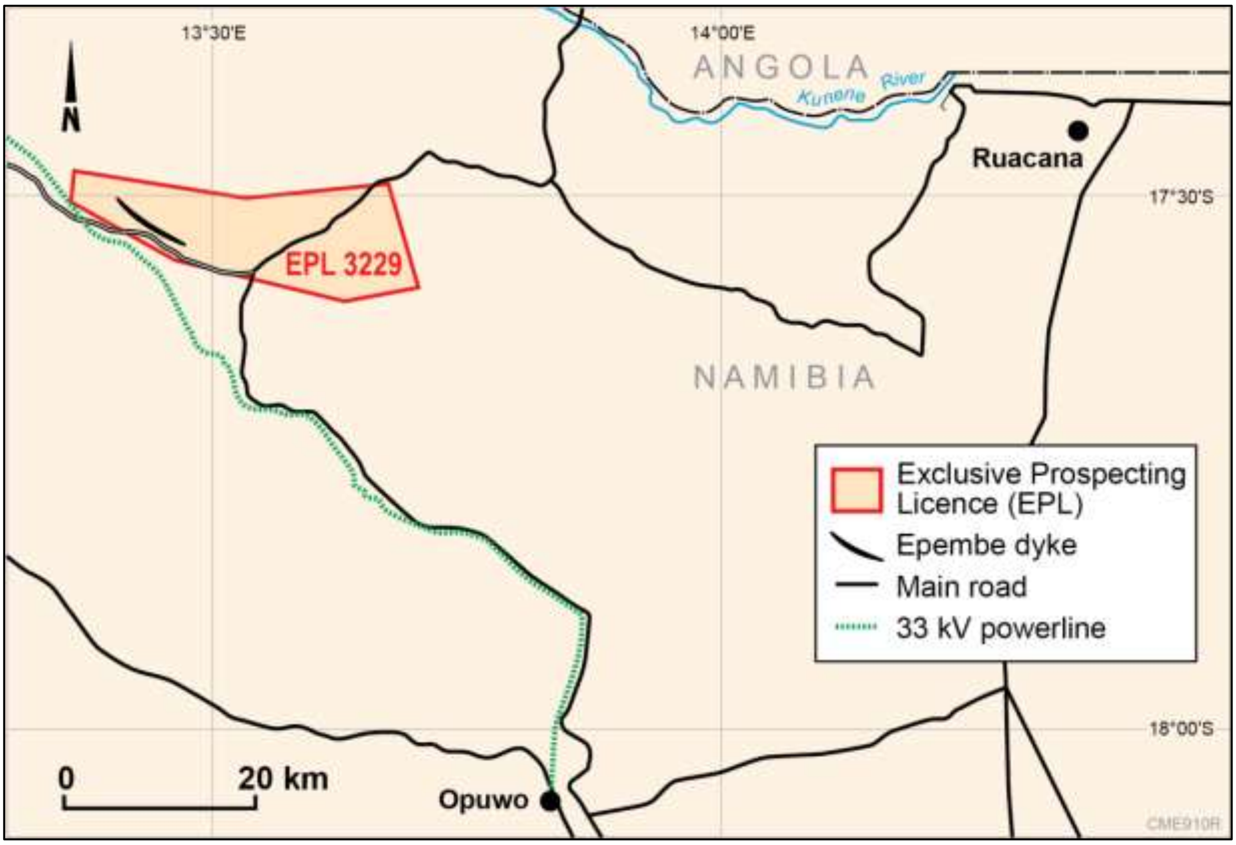


Figure14. Location of EPL 3229 (Epembe)

The tenement, covering an area of 290 km^2, was first granted on 15 August 2007 and was renewed for a two-year period on 15 August 2012. An application has been lodged to further renew the tenement until August 2016.

Geology

EPL 3299 covers several intrusive igneous bodies, including the Epembe dyke. This body, 10 km in length and up to 400m in width, is composed largely of carbonatite, an unusual igneous rock consisting mainly of the mineral calcite. Subordinate minerals include apatite (a phosphate mineral) and pyrochlore which contains concentrations of tantalum ('Ta'), niobium ('Nb') and uranium ('U').

Within the dyke are zones, up to several metres wide, of high grade tantalum-niobium within a wider barren to low grade mineralised body. High grade zones are typically 250 parts per million ('ppm') Ta_2O_5, 900 ppm Nb_2O_5 and minor phosphate (P_2O_5).

Exploration Activities

For the purposes of exploration, the dyke was divided into a number of sectors. Drilling in Sectors F and K showed some high tantalum-niobium concentrations, but with limited thickness and along-strike continuity.

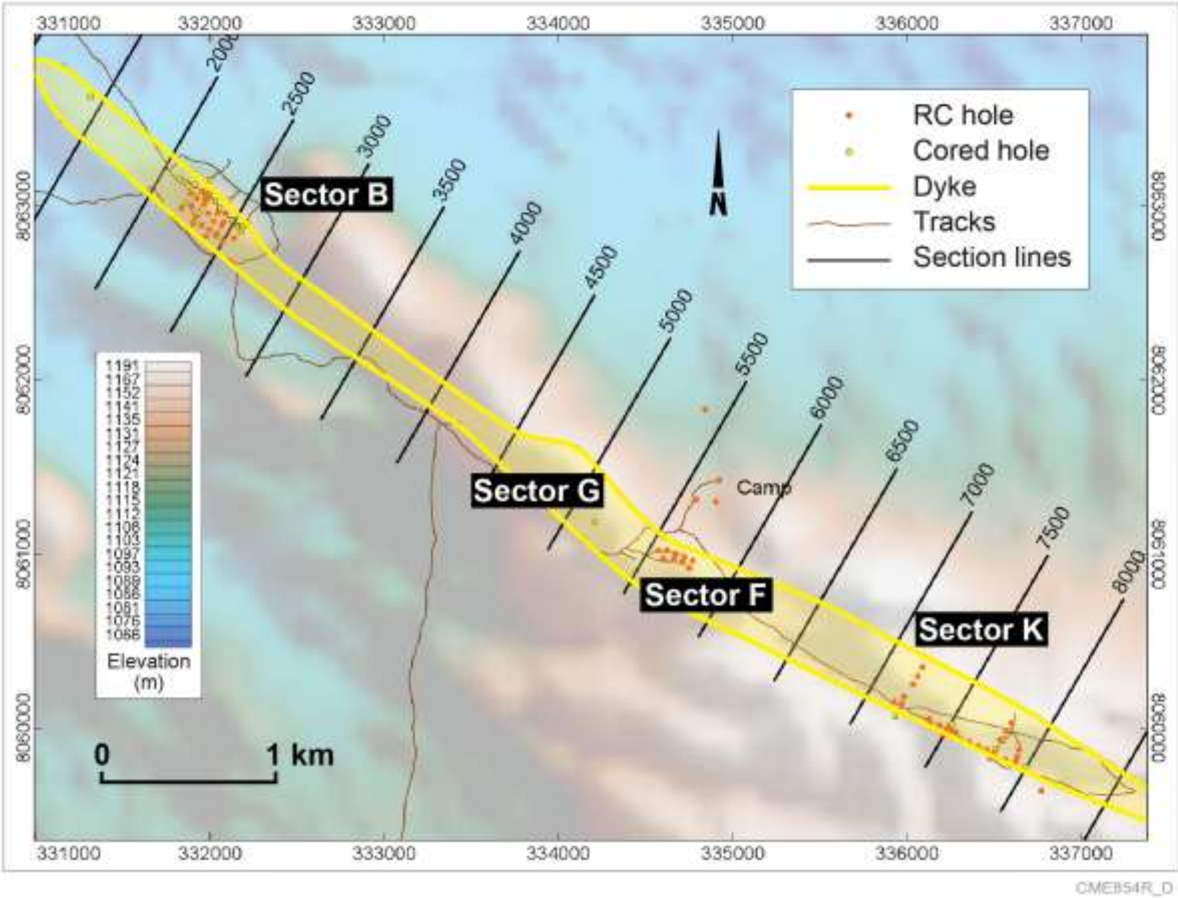


Figure 15. Epembe: Status of drilling as at December 2013

Drilling therefore concentrated on Sector B at the north-western end of the dyke (Figure 15), where earlier drilling had shown several parallel pyrochlore-rich zones. This drilling showed the presence of four parallel steeply-dipping mineralised bands, continuous over at least 500m of strike. The metal concentrations within the bands is variable; it includes some high grade drill intersections (e.g. Hole EPR050: 10m at 370 ppm Ta_2O_5, 1850 ppm Nb_2O_5 and 3.43% P_2O_5) but overall the grade of the four bands averages around 150 ppm Ta_2O_5, 1294 ppm Nb_2O_5, 138 ppm U_3O_8 and 2.4% P_2O_5.

Subsequent mapping in Sector G identified a number of tantalum-niobium mineralised bands, one of which displays good continuity over a 2,000m strike length.

In summary, exploration during the year showed potentially economic grades in multiple steeply-dipping mineralised bands, with variable strike extent, within a large mineralised system.

Metallurgical Testwork

Initial testwork was conducted by Global Mineral Research Limited, a Vancouver-based company which has experience in metallurgical testwork of the geologically-similar Blue River tantalum-niobium deposit in British Columbia, Canada. The flotation and magnetic separation test results are described as “promising”, but considerable additional work is required to achieve proof of concept.

In addition, Tomra Sorting Solutions (‘CommoDaS’) performed pre-concentration tests, with promising results using an x-ray sorting method on crushed feed.

Regional Exploration (EPL 3299)

Away from the Epembe dyke, sampling of small intrusive bodies showed locally-developed high grade tantalum-niobium and rare earth element ('REE') concentrations.

Awasib Project (EPLs 4759 and 4760)

The Awasib licence package covers a sequence of Mesoproterozoic volcanic and sedimentary rocks, invaded by intrusive igneous rocks. There has been little previous exploration of the project area.

Desktop studies of geological, hyperspectral and geophysical data identified a number of target areas which were examined during a field reconnaissance visit. After reviewing a report on the reconnaissance visit, IBML decided that it did not wish to fund further exploration of the tenements.

Status of the Tandem Joint Venture

Under the terms of the JV Agreement, IBML, through its subsidiary, Tandem Resources, had the option to earn an additional 20% interest in Tandem JV Company Pty Ltd by spending a further $3.0 million on the Epembe project over twelve months.

After a review of all data, the IBML Board decided that the project had not been sufficiently advanced by the Phase 1 exploration for Tandem Resources to proceed to the Phase 2 exploration as envisaged in the JV Agreement. As a consequence Tandem Resources did not exercise its option to earn an additional 20% interest in Tandem JV Company Pty Ltd.

Water pump supplied to local village

The Tandem JV Company Board will shortly commence a process to seek other joint venture partners to advance the Epembe project.

Craton continued as Manager of the Epembe Project until 25 September 2014.

Australian Projects

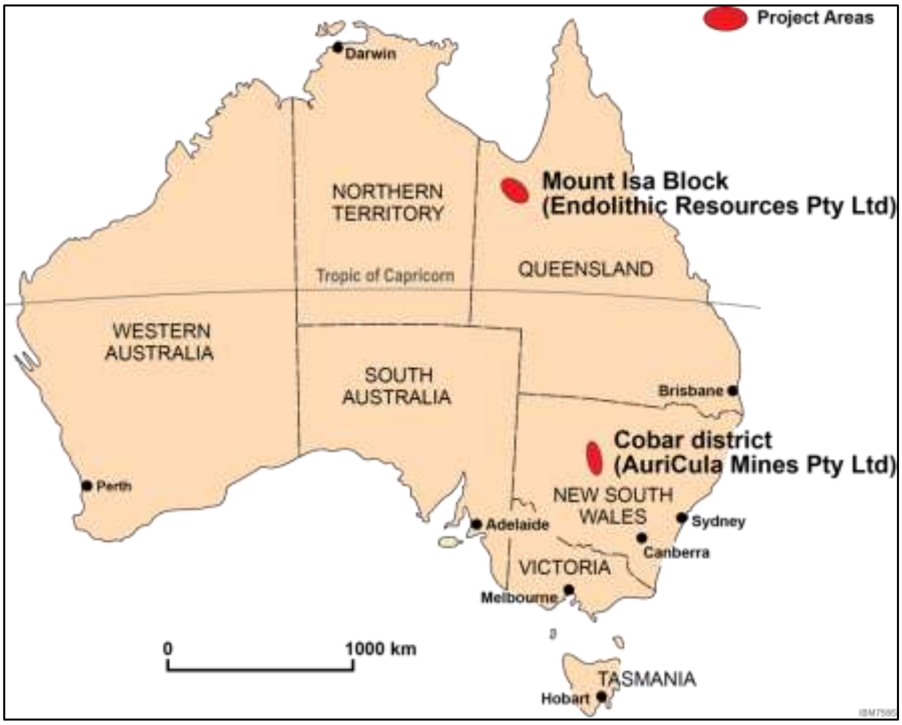


Figure 16. Location of IBML's Australian project areas

AuriCula Mines Pty Ltd (Cobar district, New South Wales)

AuriCula Mines holds a 10% interest in two project areas south of Cobar. Exploration is being conducted by Cobar Management Pty Ltd ('CMPL'), a subsidiary of Glencore.

During the year, CMPL carried out geological mapping and geophysical interpretation and modelling.

Endolithic Resources Pty Ltd (Mount Isa district, Queensland)

EPM 18306 Gereta: During the year, IBML carried out detailed geological mapping and geochemical sampling at several copper prospects. A number of copper and gold targets remain to be followed up.

Maranoa Resource Pty Ltd

As reported previously, Maranoa Resources had concluded that there is insufficient discovery potential to continue exploration of EPM 14260 (Darkwater). The tenement was transferred to Australian Asiatic Gems Pty Ltd during the year. Maranoa Resources now holds no exploration permits.

The technical information in the Review of Operations has been compiled by Dr Ken Maiden, who is an Executive Director of IBML. Dr Maiden is a Fellow of the Australasian Institute of Mining and Metallurgy ('AusIMM') and a Member of the Australian Institute of Geoscientists ('AIG'). He has sufficient experience to qualify as a Competent Person as defined in the September 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Maiden consents to the inclusion of the matters in the form and context in which they appear.

Glossary of Technical Terms and Technical Abbreviations

Acid leaching	A chemical process for dissolving metals from minerals using an acid (usually sulphuric acid)
Alteration	A change in the chemical and mineralogical composition of a rock commonly brought about by reaction with hydrothermal solutions
Apatite	A hydrous calcium phosphate mineral
Amphibole	A common calcium-iron-magnesium silicate mineral
Amphibolite	Metamorphic rocks formed usually by metamorphism of basalt and composed largely of amphibole
Anomaly	A value (e.g. of geochemical and geophysical parameters) significantly higher than the norm
Basement	Older, usually metamorphic, rocks beneath younger strata
Belt	In geology, a large linear body of rocks
Biotite	A common black mica mineral
Breccia	A rock consisting of large angular fragments cemented together
Calcite	A common calcium carbonate mineral $CaCO_3$
Calc-silicate schist	A metamorphic rock composed largely of calcium silicate minerals
Carbonatite	An unusual igneous rock composed largely of the mineral calcite
Cathode copper	Almost pure copper plate (at least 99.9% Cu) precipitated on the cathode during electro-winning
Chalcocite	A copper sulphide mineral Cu_2S
Chalcopyrite	Copper-iron sulphide, the most common ore mineral of copper $CuFeS_2$
Chrysocolla	A hydrated copper-aluminium silicate mineral $(Cu,Al)_2H_2Si_2O_5(OH)_4 \cdot nH_2O$, formed in the oxide (weathered) zone of copper deposits
Concentrate	A concentration of metal-bearing minerals after removal of “gangue” (barren) minerals
Craton	In geology, a large, geologically-stable block of continental crust
Cut-off grade	The lowest grade to which a mineral deposit can be economically mined
Diamond drilling	Recovery of drill core using a hollow drilling bit studded with industrial diamonds
Dip	In geology, the angle below the horizontal of a tilted unit of strata
Dome	In geology, a body of old rocks surrounded by younger rocks (See also ‘Inlier’)
Dyke	A narrow steeply-dipping intrusive igneous body
Electro-magnetic survey	A geophysical exploration method designed to detect conductive bodies in the sub-surface
Electro-winning	The process of extracting metals from solution by passing an electric current through the solution and precipitating the metal on a cathode
Epidote	A calcium-aluminium-iron silicate mineral
Exploration Licence	A mineral exploration tenement conferred by the New South Wales government
Exploration Permit for Minerals	A mineral exploration tenement conferred by the Queensland government
Exclusive Prospecting Licence	A mineral exploration tenement conferred by the Namibian government
Fault	A break in a rock sequence, along which there has been movement
Feldspar	Common rock-forming minerals composed of silicates of potassium, sodium and calcium with aluminium
Felsic	Pale in colour, rich in “felsic” minerals such as quartz and feldspar
Flotation	A commonly-used mineral separation process whereby crushed and ground metal sulphide minerals are liberated from barren (“gangue”) 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

Hanging wall	The rocks above a mineralised zone or orebody
Hydrothermal	Literally “hot water”. Hydrothermal fluids, typically carrying metals in solution, develop in the Earth’s crust through a number of processes
Hyperspectral	Referring to information from across the electromagnetic spectrum
Igneous rocks	Rocks formed by crystallisation of molten rock (magma)
Induced polarisation	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
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves is a professional code of practice that sets minimum standards for public reporting of mineral exploration results, mineral resources and ore reserves
Lens	A lenticular body of mineralisation
Mafic	Rocks that are 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
Magnetite	A common magnetic iron oxide mineral Fe_3O_4
Malachite	A basic copper carbonate mineral $Cu_2CO_3(OH)_2$, formed in the oxide (weathered) zone of copper deposits
Mesoproterozoic era	The geological era from 1,600 to 1,000 million years ago
Metamorphism	The processes by which rocks become mineralogically and texturally altered under the influence of heat and pressure. Hence metamorphic rocks
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
Neoproterozoic era	The geological era from 1,000 to 541 million years ago
Niobium	A metallic element used mainly in steel alloys
Ore	A body of rock that contains sufficient concentrations of minerals that can be economically extracted from the rock
Oxide copper	Referring to copper minerals (not necessarily copper oxides) that are chemically stable in the upper, near-surface portion of a copper deposit
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
Proterozoic eon	The geological time from 2,500 Ma to 542 Ma, divided into three eras: Paleoproterozoic (oldest), Mesoproterozoic and Neoproterozoic
Pyrite	A common iron sulphide mineral FeS_2
Pyrochlore	A complex oxide mineral
Pyrrhotite	A magnetic iron sulphide mineral $Fe_{1-x}S$
Quartz	A very common mineral composed of silicon and oxygen SiO_2
Quartzite	A metamorphic rock composed largely of quartz
Radiometric survey	A geophysical survey which measures the natural radio-activity of rocks
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	A percussion drilling technique in which rock cuttings are recovered through the centre of hollow drill rods, thus minimising sample contamination
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 major package of rock strata
Solvent extraction	A process for selectively extracting a metal (e.g. copper) from solution using an organic extraction reagent
Strike	

	The trend of a unit of strata
Strata	Superimposed layers of sedimentary rocks. Hence “stratigraphic”
Sulphide copper	Referring to minerals where copper and other metals (usually iron) are chemically combined with sulphur. Sulphide copper minerals are not chemically stable in the near-surface oxide zone of copper deposits
Tailings	The waste material after recovery of a metal concentrate
Tantalum	A metallic element used largely in capacitors in electronic equipment
Tenements	A mining or mineral exploration title, conferred on the holder by government
Tenorite	A black copper oxide mineral (CuO), formed in the oxide (weathered) zone of copper deposits
Wireframe	A computer-based three-dimensional model of a mineral deposit

Abbreviations

BLEG	Bulk leach extractable gold (analytical technique)
Cu	Copper (chemical symbol)
DFS	Definitive feasibility study
EL	Exploration Licence (NSW)
EM	Electro-magnetic (geophysical exploration technique)
EPCM	Engineering, procurement, construction and management
EPL	Exclusive Prospecting Licence (Namibia)
EPM	Exploration Permit for Minerals (Queensland)
Fe	Iron (chemical symbol)
FY2014	Financial year ended 30 June 2014
g/t	Grams per tonne (= ppm)
IBML	International Base Metals Limited
ICP	Inductively coupled plasma mass spectrometry (analytical technique)
IP	Induced polarisation (geophysical exploration technique)
JORC	Joint Ore Reserves Committee
km, km^2	Kilometres, square kilometres
kV	Kilovolts (1000 volts)
m	Metres
Ma	Million years ago
MET	Ministry of Environment and Tourism (Namibia)
ML	Mining Licence
MME	Ministry of Mines and Energy (Namibia)
Nb	Niobium (chemical symbol)
Ni	Nickel (chemical symbol)
NSW	New South Wales
O	Oxygen (chemical symbol)
P	Phosphorus (chemical symbol)
ppm	Parts per million
RC	Reverse circulation (drilling technique)
REE	Rare earth elements
ROM	Run of mine
S	Sulphur (chemical symbol)
SEIA	Social and environmental impact assessment
Si	Silicon (chemical symbol)
SX-EW	Solvent extraction – electro-winning (ore processing method)
t, Mt	Tonnes, million tonnes
Ta	Tantalum (chemical symbol)
tpa, tpm	Tonnes per annum, tonnes per month
U	Uranium (chemical symbol)
VAT	Value Added Tax
XRF	X-ray fluorescence (analytical technique)

Personnel, OH&S, Environment and Community

Occupational Health and Safety (OH&S)

IBML is committed to achieving the highest standards of safety and health for all its employees, consultants and others to whom we have a duty of care. The main elements of IBML's strategy for the continuous improvement of Health and Safety of all such persons are:

- The Board and senior management are involved, committed and visible in their support of safety and health activities and initiatives.
- Management and supervisors are assigned responsibilities and authority for ensuring the safety, health and welfare of employees under their supervision.
- Effective methods of employee involvement are adopted and training enables all employees to carry out their duties effectively and safely.
- Every day is started with a safety talk focusing on changing or new risks and a sharing of experiences by all.
- A safe workplace is provided; arrangements are in place for the identification of hazards and the assessment and control of risks; and new risks that are identified with changing circumstances are supported by training from experts.
- An emergency preparedness and response procedure is in place; regular fire drills and evacuation practices are staged to test the effectiveness of the systems.
- The Company keeps records of actions taken to manage health and safety in the workplace.

During the year, there was one lost-time accident, which was followed by an investigation into the cause and the requirements to avoid re-occurrence; this resulted in appropriate re-training of contractors. A number of minor motor vehicle incidents did not result in lost-time injuries.

Our People

IBML is an equal opportunity employer which supports and promotes diversity and strives to make the work environment interesting and satisfying. Craton's workforce is made up of over 90% Namibian nationals, reflecting the strong commitment to local employment.

The Company provides development opportunities for its workforce at all levels – professional staff, technicians, field assistants and office staff - and aims to assist all employees to develop their skills and improve their abilities. Training in programs and procedures, in the use of field and office equipment, as well as health and safety practices, is available to all employees. Training and assessment are provided on an ongoing basis for the tasks each employee is required to perform.

Employees are afforded regular opportunities to interact with management and to participate in workshops designed to inform employees of company plans and to obtain employee input and feedback.

IBML maintains high ethical standards in carrying out its business activities and requires its employees to maintain high ethical standards in the workplace. We believe that our relationship with our employees is mutually beneficial.

Photo. Employees at Craton's field camp

Environment

IBML adopted an environmental policy which sets standards for protecting native flora and fauna. All field activities are conducted so as to ensure minimal environmental impact. The company takes pride in the way in which drill sites and camp areas are rehabilitated.

IBML strives to continuously improve the systems for sustainable development taking the environment and its communities into consideration.

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

During the year, Craton completed a Social and Environmental Impact Assessment ('SEIA') and an Environmental Management Plan for the Omitiomire Oxide Copper Project.

Community Corporate Social Responsibility

IBML takes seriously its relationships with the communities in which it operates. The landholders, over whose ground operations are conducted, are accorded respect and consideration by all the Company's personnel. The Company has established a Code of Conduct in regard to field work and strives to ensure that 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. Following one such meeting, additional work was carried out to upgrade the Social and Environmental Impact Assessment report.

Photo. Omitiomire project area

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 links with the University of Namibia. Craton's consultants deliver lectures at the University and practical work experience is provided by Craton for students studying geology. The Company has also provided Geology Honours scholarships.

The Craton Foundation Trust

The Craton Foundation has been established through a Trust Deed as a vehicle through which to channel funds to support community-related projects in Namibia. Three independent trustees, all Namibian citizens, 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.

The Foundation's aim is to create long-lasting relationships with the communities in which Craton Mining and Exploration (the primary funder) operates, by providing assistance for the social upliftment and educational advancement of Namibian citizens.

The Foundation's Board of Trustees has four highly experienced members: Margareth Gustavo (Trustee); Ziggy Hartmann (Founder Representative and Company Secretary), Kobus van Graan (Chairman) and Sister Roswitha Pelle (Trustee).

During 2014, the Foundation, together with Simonis Storm Securities and Wispeco, funded and constructed two new classrooms at the Bethold Himumuine Primary School in Katutura, Windhoek.

In partnership with Tobich Optics and Simonis Storm Securities, the Foundation carried out eye screening tests on approximately 1300 pupils at the school and identified those who were in dire need of spectacles to improve their vision. Forty children were identified as in urgent need of reading glasses. The reading glasses will, in some instances, improve the children's vision from 40% to 100%.

For further information, please refer to the Foundation's website www.cratonfoundation.com.

Photo. Craton Foundation Board of Trustees - (from left to right) Margareth Gustavo (Trustee), Ziggy Hartmann (Founder Representative and Company Secretary), Kobus van Graan (Chairman) and Sister Roswitha Pelle (Trustee)

Photo. Handing over the spectacles with Mrs Kleinert (Principal Bethold Himumuine Primary School) on the left and Lizelle Rousseau (Owner of Tobich Optics) on the right

IBML Investments

African Mining Capital Pty Ltd (IBML 4.63%)

As disclosed in the 2012 Annual Report, IBML made a $300,000 investment in African Mining Capital Pty Ltd (‘AMC’), an unlisted company whose main assets are:

- A 69% holding in Tandem JV Company Pty Ltd
- 13,550,000 KNE Shares (Kunene Resources Limited, ASX:KNE)
- 9,975,000 KNE Options

This investment secured IBML the option to earn a 51% stake in the Epembe tantalum-niobium project in north-western Namibia. In March 2013 IBML exercised its option to proceed with the first earn-in phase of the Epembe Joint Venture and invested $1.7 million which earned a 31% equity stake in Tandem JV Company Pty Ltd as at 8 April 2014. This 31% equity is held by IBML’s subsidiary Tandem Resources Pty Ltd. The Board of IBML has resolved not to proceed to the earn-in phase two of the Epembe project.

Zamia Metals Limited (IBML 2.87%)

Zamia Metals Limited (‘Zamia’) (ASX:ZGM), through its wholly-owned subsidiary Zamia Resources Pty Ltd, holds a portfolio of Exploration Permits for Minerals (EPMs) in the Clermont District of central Queensland. This district is part of an established gold province prospective for gold, copper and other metals including molybdenum.

During the past few years, Zamia has re-focussed its exploration activities away from its Anthony molybdenum discovery to the search for gold and copper in central Queensland. Zamia's activities have been focussed on epithermal-style gold and porphyry-style copper-gold targets. Further Information on Zamia and its projects can be found at www.zamia.com.au.

Caravel Energy Limited (IBML 0.24%)

Caravel Energy Limited is an ASX-listed company (ASX: CRJ) focussing on exploration for oil and gas in the Morondava Basin in Southern Madagascar.

Further information on Caravel Energy Limited is available at www.caravelenergy.com.au

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 2014 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.	No	3
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	3
2.4	The Board should establish a nomination committee.	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	8
	❖ consists of a majority of independent Directors;	No	8
	❖ is chaired by an independent chair who is not chair of the Board;	No	8
	❖ has at least three members.	Yes	8
4.3	The Audit Committee should have a formal charter.	Yes	8
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Yes	8
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	9
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	9

6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	10
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	10
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:-

   - appointing 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 and half yearly 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 its appointment or re-appointment is required to be approved by them; and
   - meeting with the external Auditor, at its 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 is undertaken by the Remuneration Committee.

3. Dr Ken Maiden, the Interim Chairman is an Executive Director. Mr Frank Bethune is the Managing Director. Mr Zhehong Luo (and his alternate, Mr Qiang Chen), Mr Rui Liu (and his alternate, Mr Aidong Yang), Mr Jinhua Wang (and his associate Dr John Zhao (resigned 17 September 2014)) and Mr Alan Humphris are associated with the Company's major shareholders and therefore are not categorised as independent Directors. The Board believes however that the people on the Board can and do make independent judgements 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 with Mr Rui Liu 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 and with other members being Mt Rui Liu and Mr Qiang Chen, non-executive Directors who are not independent Directors.

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; and
- ❖ 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 Interim 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 Mr Rui Liu, Non-executive Chairman and with Mr Alan Humphris and Mr Qiang Chen, as members.

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 Directors' 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 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.

Director's 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 2014.

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 Kenneth John Maiden

Interim Chairman and Executive Director - Technical and Chief Geologist

Qualifications:	BSc (Hons Geology), PhD (Geology) UNSW Sydney
Experience:	Since completing a doctoral thesis on the Broken Hill ore body, Ken has had 40 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 mineral exploration programmes in South Australia, Queensland, southern Africa and Indonesia. Ken has previously established mineral exploration companies in Southern Africa, South Australia and Queensland, and is a founding Director of International Base Metals Limited.
Relevant interest in shares:	10,613,001 ordinary shares
Other current Directorships:	Non-executive Director of Zamia Metals Limited

Mr Frank Macdonald Bethune

Managing Director

Qualifications:	BSc (Engineering - Mining) and, MSc (Engineering - Mineral Economics); University of the Witwatersrand, Johannesburg.
Experience:	From 1982, Frank had a career in the mining industry in southern Africa: with Anglo American Corporation at the Western Deep Levels gold mine in South Africa; with Rössing Uranium Limited (part of the Rio Tinto Group) in Namibia; with Anglovaal Limited, as Senior Mining Engineer in the head office (Johannesburg), at the Lavino chrome mine and Beeshoek iron ore mine in South Africa;and finally as General Manager at AngloGold's Navachab mine in Namibia (1997-2004) and a Director of AngloGold Namibia (Pty) Ltd. Moving to Western Australia in 2004, Frank was Mine Manager at Sunrise Dam gold mine then, until joining IBML in 2010, Surface Mining Manager for AngloGold Ashanti Australia, based in Perth. 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.
Relevant interest in shares:	375,000 shares
Other current Directorships:	Nil

Mr Rui Liu

Non-Executive Director

Experience:	Rui Liu has worked in geology and the mineral industry since his graduation from university in 1985. He became the Deputy Director of Heilongjiang Geology Mineral Testing Application Research Institute in 1988 and later went to Botswana as Deputy General Manager of CGC Botswana Co., Ltd. Mr Rui Liu has been General Manager and Chairman of Heilong Group since 2005. He was formerly a director of Heilongjiang Longxing International Resource Development Group Co. Ltd. He holds the position of Executive Deputy Chairman of the Heilongjiang Mining Industry Association. Heilong was established in 1997 and is based in Harbin the capital city of Heilongjiang Province, China.
Relevant interest in shares:	Nil
Other current Directorships:	Nil

Mr Alan John Humphris

Non-executive Director

Qualifications:	BSc University of Melbourne, BEc Monash University, MA (Law) University of Leicester Law School (UK), 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 the Remuneration Committees, and a Member of the Nomination Committee.
Relevant interest in shares:	275,000 ordinary shares
Other current Directorships:	-
Former Directorships in last three years:	Zamia Metals Limited (Resigned – 1 December 2013) ASF Group Limited (Resigned – 28 November 2013) REY. Resources Limited (Resigned – 1 October 2011)

Mr Jinhua Wang

Non-executive Director

Qualifications:	B Min Eng University of Science and Technology, Beijing, Master of Industrial Engineering, China University of Mining and Technology.
Experience:	Mr Wang is a Senior Engineer and Deputy Director, Mining Association of Zhejiang Province, China. Mr Wang has extensive experience in mining project development and marketing. In 2002, he established Hangzhou Kings Industry Co. Ltd, 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.
Relevant interest in shares:	Nil
Other current directorships:	Nil

Mr Zhehong Luo

Non-executive Director

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 150m. 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 with excellent growth prospects.
Relevant interest in shares:	293,349,215
Other current Directorships:	Nil

Mr Qiang Chen

Alternate Director, Alternate Director to Zhehong Luo

Qualifications:	BSc, MSc (Mining Engineering)
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.
Relevant interest in shares:	Nil
Other current Directorships:	Non-executive Director of Zamia Metals Limited

Mr Aidong Yang

Alternate Director to Mr Rui Liu

Qualifications:	BSc (Mining Engineering)
Experience	Since graduation, Mr Yang has had extensive experience in mining operations and mine development. He is currently the Deputy General Manager of Heilong Mining Group, General Manager of Baoshan Mining Ltd (Heilong's subsidiary), and General Manager of Tongshan Mining Ltd (Heilong's subsidiary).
Relevant interest in shares:	Nil
Other current Directorships:	Nil

Dr John Zhao (appointed 28 October 2013/resigned 17 September 2014)

Alternate Director to Mr Jinhua Wang

Qualifications: PhD (Economics)

Experience Vice President and Board Secretary of China Kings Resources Group Co., Ltd. Implemented the merger and acquisition of Zhejiang Changshan Hengkenping Fluorspar Mine.

Implemented the merger and acquisition of Zhejiang Changshan Hengkenping Fluorspar Mine. Extensive experience in project planning and financing

Relevant interest in shares: Nil

Other current Directorships: Nil

Dr Alasdair James Macdonald

Non-executive Chairman (resigned 3 October 2013)

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 several private and public listed companies.

Relevant interest in shares: 1,828,125 ordinary shares

Chief Financial Officer

Mr Barry F Neal B Econ

Experience: Barry completed his degree at the University of Queensland 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, the Company held 6 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee and 1 Remuneration Committee meeting.

	Full meetings of Directors		Meetings of Committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Dr Kenneth John Maiden	6	6	-	-	-	-	-	-
Dr Alasdair James Macdonald	1	1	1	1	-	-	-	-
Mr Frank Macdonald Bethune	6	6	-	-	-	-	-	-
Mr Alan John Humphris	6	6	2	2	1	1	1	1
Mr Rui Liu	6	6	1	1	1	1	1	1
Mr Jinhua Wang	6	-	-	-	-	-	-	-
Mr Qiang Chen as alternate for Mr Zhehong Luo	6	6	2	2	1	1	1	1
Dr John Zhao as alternate to Mr Jinhua Wang	6	-	-	-	-	-	-	-

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 2014 financial year (2013: no dividend declared).

Review of Operations and Activities

Financial

For the financial year ended 30 June 2014, the consolidated entity's net loss after taxation was $6,275,760 (2013:$ 5,228,792). Exploration expenditure on Australian and Namibian tenements in the 2014 financial year was $2,601,653 (2013:$3,212,968) and was fully expensed, rather than capitalised. 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 7-31.

Capital raising activities

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

The Board is currently exploring options with regard to the financing of the Omitiomire Oxide Mine project.

Investments in Listed and Unlisted Entities

The Company's investments in listed entities decreased in value by $27,188 during the financial year as a result of a decrease in the share prices of investments.

As disclosed in a prior year's annual report IBML made a $300,000 investment in African Mining Capital Pty Ltd, an unlisted entity. This investment secured IBML the option to earn a 51% stake in the Epembe tantalum-niobium project in northern Namibia.

In March 2013 IBML exercised its option to proceed with the first earn-in phase of the Epembe Joint Venture and invested $1.7 million which earned a 31% equity stake in Tandem JV Company Pty Ltd as at 8 April 2014. This 31% equity is held by IBML's subsidiary Tandem Resources Pty Ltd. The Board of IBML has resolved not to proceed to the earn-in phase two of the Epembe project. This investment in the Epembe Joint Venture has been impaired in the financials of the Group.

Significant changes in state of affairs

The Mining Licence Application for Omitiomire Oxide and copper proejct was submitted to the Namibian Ministry of Mines and Energy on Friday 13 December, 2013 and has been registered as ML 183 and grant of the Mining Licence is anticipated soon. The SEIA and the EMP has been included in draft format while these are being expanded to include the responses to the comments received from the public.

In the opinion of the Directors, apart from the above, 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 pages 7-31.

After balance date events

In September 2014 the Namibian Ministry of Mines and Energy issued a Preparedness to Grant notification in response to Craton's Application for a Mining Licence.

The Preparedness to Grant the Mining Licence (ML 183) requires Craton to accept the terms and conditions associated with the Mining Licence within one month from the notification date.

Grant of the Mining Licence is an important step towards developing a modest Phase 1 operation at Omitiomire, mining and processing oxide copper ore and mixed oxide-sulphide ore, which our feasibility study demonstrated can be economically viable.

Environment 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 Kenneth John Maiden	Interim Chairman and Executive Director – Technical and Chief Geologist	Appointed interim chairman 3 October 2013
Dr Alasdair James Macdonald	Non-executive Chairman	Resigned 3 October 2013
Mr Frank Macdonald Bethune	Managing Director	
Mr Rui Liu	Non-executive Director	
Mr Alan John Humphris	Non-executive Director	
Mr Jinhua Wang	Non-executive Director	
Mr Zhehong Luo	Non-executive Director	
Mr Qiang Chen	Alternate to Zhehong Luo	
Mr Aidong Yang	Alternate to Rui Liu	
Dr John Zhao	Alternate to Mr Jinhua Wang	Appointed 28 October 2013/ resigned 17 September 2014
Mr John Stone	Company Secretary	
Mr Barry F Neal	Chief Financial Officer	
Mr Avert André Genis	Chief Operating Officer, Craton Mining and Exploration (Pty) Ltd	
Mr Karl Hartmann	IBML Exploration Manager	Appointed IBML Exploration Manager 1February 2014
Mrs Sigrid Hartmann	Company Secretary, Craton Mining and Exploration (Pty) Ltd	

Remuneration governance

The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles; and
- non-executive director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company.

Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood, and
- acceptable to shareholders.

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 IBML are set out in the following tables:

Remuneration - key management personnel of the Group 2014

	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	391,576	25,000	-	-	-	416,576
Dr Kenneth John Maiden, Interim Chairman	259,172	23,973	-	-	-	283,145
	650,748	**48,973**	**-**	**-**	**-**	**699,721**
Non-executive Directors						
Dr Alasdair James Macdonald, Chairman[1]	10,000	-	-	-	-	10,000
Mr Zhehong Luo	30,000	-	-	-		30,000
Mr Alan John Humphris	36,300	3,237	-	-	-	39,537
	76,300	**3,237**	**-**	**-**		**79,537**
Other Key Management Personnel						
Mr John Stone, Company Secretary	44,595	-	-	-	-	44,595
Mr Barry F Neal, Chief Financial Officer[2]	52,858	-	-	-	-	52,858
Mr Jordan Guocheng Li, General Manager Corporate Affairs	84,267	7,795	-	-	-	92,062
Mr Karl Hartmann, Exploration Manager IBML [2]	235,705	-	-	-	-	235,705
Mr Avert Andre Genis, COO[3]	176,380	-	-	-	-	176,380
Mrs Sigrid Hartmann, Company Secretary [4]	84,182	-	-	-		84,182
	677,987	**7,795**	**-**	**-**	**-**	**685,782**
Total Key Management Remuneration	**1,405,035**	**60,005**	**-**	**-**	**-**	**1,465,040**

1 Resigned 1 October 2013

2 Includes fees paid to related parties of key management personnel

3 COO of controlled entity Craton Mining and Exploration (Pty) Ltd

4 Company Secretary of controlled entity Craton Mining and Exploration (Pty) Ltd

No cash or non-cash remuneration, including share based payments, was paid to Mr Jinhua Wang, Mr Qiang Chen, Mt Aidong Yang and Dr John Zhao during the year ended 30 June 2014 (2013:Nil)

No incentives were paid based upon Performance

Remuneration - key management personnel of the Group 2013

	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	546,474	25,000	10,988	-	-	582,462
Dr Kenneth John Maiden	229,688	20,672	-	-	-	250,360
	776,162	**45,672**	**10,988**	**-**	**-**	**832,822**
Non-executive Directors						
Dr Alasdair James Macdonald, Chairman	40,000	-	-	-	-	40,000
Mr Zhehong Luo	30,000	-	-	-	-	30,000
Mr Alan John Humphris	35,000	3,150	-	-	-	38,150
	105,000	**3,150**	**-**	**-**	**-**	**108,150**
Other Key Management Personnel						
Mr John Stone, Company Secretary	58,730	-	-	-	-	58,730
Mr Barry F Neal, Chief Financial Officer*	35,183	-	-	-	-	35,183
Mr Jordan Guocheng Li, General Manager Corporate Affairs	12,053	1,085				13,138
Mr Karl Hartmann, Director and Exploration Manager +	205,320	-	-	-	-	205,320
Mrs Sigrid Hartmann, Director/Company Secretary +	82,874	-	-	-	-	82,874
Mr Avert Andre Genis, COO+	15,013	-	-	-	-	15,013
	409,173	1,085	-	-	-	410,258
Total Key Management Remuneration	**1,290,335**	**49,907**	**10,988**	**-**	**-**	**1,351,230**

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

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 2013 (2012:Nil)

Service Contracts

Remuneration and other terms of employment for the Managing Director Mr Frank Bethune, 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 Macdonald Bethune, Managing Director	From 3 December 2012	From 3 December 2012 $390,561 p.a. including superannuation. On 6 November 2013 on the recommendation of the Remuneration Committee the Board awarded a 7% increase. The contract provides that if Frank remained in employment on 3 August 2012 he was to receive 375,000 rights to ordinary shares in the company to be issued for no consideration plus a cash bonus of $56,000; 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
Dr Kenneth John Maiden, Executive Director and Chief Geologist	From 1 February 2012	On appointment $225,000 p.a plus statutory 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%. Reviewed 6 February 2013 and salary increased to $236,250 p.a. and superannuation $21,262.50 p.a. Effective from 1 February 2014 the Board on the recommendation of the Remuneration Committee increased Ken's salary to $248,062.50 p.a. plus statutory superannuation	Three month's 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.
Barry F. Neal, CFO	Contract 1 September 2013 expiring on 1 January 2015	A consulting fee of $125 p.h. plus GST	-
John Stone, Company Secretary	Contract 1 October 2013 expiring on 31 January 2015	A consulting fee of $65 p.h. plus GST	-
Jordan (Guocheng) Li, General	From 8 May 2013	$79,000 p.a. plus statutory superannuation. Effective from1	Agreement may be

Manager Corporate Affairs		February 2014 the Board on the recommendation of the Remuneration Committee increased Jordan's salary to $91,640 p.a. plus statutory superannuation.	terminated by three months' notice by either party. No termination payments apply.
Mr Avert Andre Genis, COO, Craton Mining and Exploration (Pty) Ltd	From 3 June 2013 and extended to 31 May 2015	N$160,000 per month and with an entitlement of 20 days leave, 14 days sick leave and five days compassionate leave per annum. As from 1 June 2014 and continuing as long as Andre is acting as Country Manager, and additional N$10,000 per month.	Agreement may be terminated by three months' notice by either party. No termination payments apply.
Mr Karl Hartmann, Exploration Manager Craton Mining and Exploration (Pty) Ltd	Consulting contract from 1 February 2014 and expiring on 31 January 2015	A consulting fee of US$18,334 per month plus applicable VAT. Subject to rates review at the same time as Craton employee salaries are reviewed.	Agreement may be terminated by three months' notice by either party. No termination payments apply.

Other executives (standard contracts)

The Company may terminate the executive's employment agreement by providing four 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.

Shareholdings of key management personnel

2014	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 Alasdair James Macdonald, Chairman	795,409	-	(795,409)	-
Frank Bethune	375,000	-		375,000
Dr Kenneth Maiden, Executive Director	10,613,001	-	-	10,613,001
Alan Humphris	275,000	-	-	275,000
John Stone	828,125	-	-	828,125
Karl Hartmann	1,862,179	-	-	1,862,179
Sigrid Hartmann	280,146	-	-	280,146
	15,028,860	-	(795,409)	14,233,451

2013	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 Alasdair James Macdonald, Chairman	795,409	-	-	795,409
Frank Bethune	-	375,000		375,000
Dr Kenneth Maiden, Executive Director	11,168,557	-	(555,556)	10,613,001
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	280,146	-	-	280,146
	15,584,686	375,000	(930,556)	15,028,860

Option holdings of key management personnel

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.

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.

Shares issued on exercise of remuneration options

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

Lapse of remuneration options

During the reporting period 1,500,000 unexercised remuneration options expired. At the 30 June 2014 there were no unexpired remuneration options on issue.

2014 Key management option holding

	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 Alasdair James Macdonald	1,500,000	-	(1,500,000)		-

*Expired options and options cancelled on resignation

2013 Key management option holding

	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 Alasdair James Macdonald	1,500,000	-	-	1,500,000	1,500,000
Kenneth Maiden	3,750,000	-	(3,750,000)	-	-
Deng Jiniu	2,000,000	-	(2,000,000)	-	-
John Stone	300,000	-	(300,000)	-	-
	7,550,000	-	(6,050,000)	1,500,000	1,500,000

END OF AUDITED REMUNERATION REPORT

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 Company Secretary and executive officers to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company

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

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

Non-audit services

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

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 2014 has been received and is set out on page 52 of the financial report.

Signed in accordance with a resolution of the Board of Directors
Dr Ken Maiden
Interim Chairman

Sydney, 30 September 2014

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 2014, I declare that, to the best of my knowledge and belief, there have been:

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

I S Kemp
Partner - Audit & Assurance

Sydney, 30 September 2014

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the years 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. The Directors' responsibility also includes such internal control as the Directors determine 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 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 2014 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 46 to 50 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner - Audit & Assurance

Sydney, 30 September 2014

Director's 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 2014 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 46 to 50 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2014, 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 Ken Maiden
Interim Chairman

30 September 2014

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
Revenue	**4**	1,242,990	257,694
Other income	**5**	10,619	937
Expenditure			
Administrative expenses		(950,489)	(826,869)
Exploration expenditure		(2,601,653)	(3,212,968)
Depreciation and amortisation expense	**6**	(53,136)	(34,445)
Consultants' expense		(16,694)	(10,410)
Financial and legal costs		(68,115)	(234,051)
Occupancy expenses		(35,615)	(35,500)
Contribution to the Craton Foundation		(29,549)	-
Employee benefits expense		(1,407,612)	(1,122,192)
Share based payment		-	(10,988)
Impairment of investments		(2,366,506)	-
Loss before income tax		**(6,275,760)**	(5,228,792)
Income tax	**7**	-	-
Loss for the year		**(6,275,760)**	**(5,228,792)**
Other Comprehensive Income			
Changes in the fair value of available-for-sale financial assets		339,318	(345,065)
Exchange differences on translation of foreign currency	**16**	(62,666)	(51,596)
Total Other Comprehensive Income(loss)		**276,652**	**(396,661)**
Total Comprehensive (loss) for the year		**(5,999,108)**	**(5,625,453)**
Basic and diluted loss per Share (cents)	**27**	(1.15)	(1.29)

The accompanying notes form part of the financial statements

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
Current Assets			
Cash and cash equivalents	**8**	24,264,820	30,697,824
Trade and other receivables	**9**	412,757	197,137
Other current assets	**10**	-	108,041
Total Current Assets		**24,677,577**	**31,003,002**
Non-current Assets			
Available-for-sale financial assets	**11**	67,969	395,157
Plant and equipment	**12**	290,630	127,908
Total Non-current Assets		**358,599**	**523,065**
Total Assets		**25,036,176**	**31,526,067**
Current Liabilities			
Trade and other payables	**13**	396,759	941,163
Short-term provisions	**14**	146,866	93,245
Total current liabilities		**543,625**	**1,034,408**
Total Liabilities		543,625	**1,034,408**
Net Assets		**24,492,551**	**30,491,659**
Equity			
Issued capital	**15**	67,707,532	67,707,532
Reserves	**16**	(1,326,182)	(956,810)
Accumulated losses		(41,888,799)	(36,259,063)
Total Equity		**24,492,551**	**30,491,659**

The accompanying notes form part of the financial statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

Consolidated Group

	Share Capital $	Accumulated Losses $	Other Reserves $	Total Equity $
Balance at 1 July 2012	**34,037,612**	**(31,030,271)**	**(488,637)**	**2,518,704**
Total comprehensive (loss)/income for the year	-	(5,228,792)	(396,661)	(5,625,453)
Transactions with owners in their capacity as owners				
Contributions of equity	34,350,001	-	-	34,350,001
Share based payments at fair value	82,500	-	(71,512)	10,988
Share issue costs	(762,581)	-	-	(762,581)
	33,669,920	-	(71,512)	33,598,408
Balance at 30 June 2013	**67,707,532**	**(36,259,063)**	**(956,810)**	**30,491,659**
Balance at 1 July 2013	**67,707,532**	**(36,259,063)**	**(956,810)**	**30,491,659**
Total comprehensive (loss)/income for the year	**-**	**(6,275,760)**	**276,652**	**(5,999,108)**
Transactions with owners in their capacity as owners				
Transfer of expired options to Accumulated losses	-	646,024	(646,024)	-
Balance at 30 June 2014	**67,707,532**	**(41,888,799)**	**(1,326,182)**	**24,492,551**

The accompanying notes form part of the financial statements

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST collected on sales		219,844	57,107
JV funds received		4,800	-
Payments to suppliers and employees		(3,221,771)	(1,902,289)
Payments for exploration expenditure		(2,493,612)	(3,120,205)
Interest received		977,723	198,157
Net cash (outflow) from operating activities	**25**	**(4,513,016)**	**(4,767,230)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(230,607)	(75,925)
Proceeds from the sale of office equipment		10,619	22,190
Payment for the purchase of available-for-sale financial assets		-	(300,000)
Payment for purchase of interest in joint venture		(1,700,000)	-
Net cash (outflow)/ inflow from investing activities		**(1,919,988)**	**(353,735)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	34,350,001
Cost of capital raising		-	(762,581)
Net inflow from financing activities		**-**	**33,587,420**
Net (decrease)/increase in cash held		(6,433,004)	28,466,455
Cash at the beginning of the financial year		**30,697,824**	**2,231,369**
Cash at the end of the financial year	**8**	**24,264,820**	**30,697,824**

The accompanying notes form part of the financial statements

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent International Base Metals Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 23.

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

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

(b) Financial report prepared on a going concern basis

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

The net loss after income tax for the consolidated entity for the year ended 30 June 2014 was $6,275,760 (2013:$5,228,792).

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

- **(i)** the Group had $24,264,820 (2013:30,697,824) cash on hand at 30 June 2014;
- **(ii)** the Company is expected to require additional funds for the development of an oxide copper mining operation at the Omitiomire project and for working capital purposes including resource drilling and additional drilling on other targets. To fund this expenditure the Board is planning capital raising and other fund raising as required.

(c) Investments in Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(d) Interests in Joint Arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. International Base Metals Limited has a joint venture.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of International Base Metals Limited.

Changes in ownership interests

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(e) 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 Board of International Base Metals Limited.

(f) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(g) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(h) 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.

(i) Exploration and development expenditure

All exploration, evaluation and development expenditure on all the Company's exploration tenements is expensed as incurred with the exception of exploration on the Epembe JV which has been capitalised as an investment in the Tandem JV Company Pty Ltd (Refer Note 23(b)). 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.

(j) 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.

(k) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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.

(n) Property, plant and equipment

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

The carrying amount of property, 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

Land and buildings are recognised at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

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.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 27.

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.

(u) 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.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Group, 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.

(w) Goods and services tax and VAT

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.

(x) Critical accounting estimates and judgements

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.

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.

Impairment of other receivables

The Directors have reviewed outstanding debtors as at 30 June 2014 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 $1,033,219 being debts owing by subsidiaries to the parent entity. Refer to Note 17(b).

Impairment of investment in JV

The Directors have reviewed the 31% equity investment in Tandem JV Company Pty Ltd ($1.7 million) and the investment of $300,000 in African Mining Capital Pty Ltd (AMC) and have formed the opinion that these investments have a nil fair value based on exploration results and available information on these assets and that consequently a provision for impairment of the investment of $300,000 in AMC and $1.7 million in Tandem Joint Venture should be made.

Impairment of available-for-sale financial assets

The Directors have reviewed the fair value of the group's available-for-sale financial assets at balance date. This asset has fallen below fair value at 30 June 2014 and the opinion has been formed that the declines in fair value are significant and expected prolonged and hence an impairment of $366,506 should be recognised.

Key judgements – Income tax

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

Key judgements – exploration expenses

The Directors have decided to expense rather than capitalise all expenditure on exploration, evaluation and development on all the Company's exploration as it is incurred with the exception of exploration on the Epembe JV which has been capitalised as an investment in the Tandem JV Company Pty Ltd (Refer Note 23(c)). 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(j).

(y) Parent entity financial information

The financial information for the parent entity, International Base Metals Limited, disclosed in Note 17 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.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The group's assessment of the impact of these new standards when adopted in future periods are discussed below:

(i) AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. The Group does not hedge and the new standard will have no impact.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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	
	2014	2013
	$	$
Financial Assets		
Cash and cash equivalents	24,264,820	30,697,824
Trade and other receivables	412,757	197,137
Available-for-sale financial assets	67,969	395,157
	24,745,546	31,290,118
Financial liabilities		
Trade and other payables	396,759	941,164

Market Risk

(i) Foreign exchange risk

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

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

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

	30 June 14	30 June 13
	N$	N$
Cash at bank	2,741,887	2,785,046
Other receivables	2,720,664	1,268,838
Payables	(1,646,995)	(4,854,207)
	3,815,556	**(800,323)**

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

Group sensitivity

Based on the financial instruments held at 30 June 2014, 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 $42,548 higher/$34,812lower (2013: $9,868 lower/$8,073 higher) than the previous year.

(ii) Price risk-security prices

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 two listed companies and one unlisted company. The Group is not exposed to commodity price risk.

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

Price risk sensitivity

The analysis of the available for sale assets (investments in equity securities) is based upon the change in the S&P/ASX Metals and Mining Index which has increased by 15.26% (2013: decreased 16.95%) over the financial year.

	Impact on other components of equity	
	2014	2013
S&P/ASX Metals and Mining Index – increase 15.26% (2013: decrease 16.95%)	41,706	270,462

(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 2.4% (2013:2.08%).

Group sensitivity

At 30 June 2014 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 $5,156 higher/lower (2013: $991 higher/ lower as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

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

Investments, banks and financial institutions

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

Trade and other receivables

As the Group operates in the mining exploration sector, the group and parent generally does not have trade receivables but does receive service fees charged for supply of services and facilities to a related entity. The Group also receives refunds for 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:

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount Consolidated 2014 $	2013 $
Cash and cash equivalents		
AA- Standard & Poor's	10,521,541	30,388,779
A+ Standard & Poor's	10,351,189	-
A- Standard & Poor's	274,137	-
BBB+ Standard & Poor's	1,040	1,238
A-1+ Standard & Poor's	3,116,913	-
BBB+ Fitch Rating	-	307,807
	24,264,820	30,697,824
Trade receivables		
Counterparts without external credit rating		
Group 1*	105,451	7,577
Group 2**	-	45,514
	105,451	53,091

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

* *Service client (less 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 has used 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 2014	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	396,759	-	-	-	396,759
Total financial liabilities	396,761	-	-	-	396,761

As at 30 June 2013	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	941,163	-	-	-	941,163
Total financial liabilities	941,163	-	-	-	941,163

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.

		2014		2013	
	Footnote	Carrying Value $	Net Fair Value $	Carrying Value $	Net Fair Value $
Financial assets					
Cash and cash equivalents	(i)	24,264,820	24,264,820	30,697,824	30,697,824
Trade and other receivables	(i)	412,757	412,757	197,137	197,137
Available-for-sale financial assets at fair value:					
- listed investments	(ii)	67,969	67,969	95,157	95,157
- Unlisted investments	(iii)	-	-	300,000	300,000
Total Financial assets		67,969	67,969	31,290,118	31,290,118
Financial liabilities					
Trade and other payables	(i)	396,759	396,759	941,163	941,163
Total Financial liabilities		396,761	396,761	941,163	941,163

(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.

(iii) For unlisted investment valued at cost which equates to fair value.

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 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Available-for-sale financial assets:				
- Listed investments	67,969	-	-	67,969
- Unlisted investments	-		-	-
	67,969	-	-	67,969

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

Consolidated 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Available-for-sale financial assets:				
- Listed investments	95,157	-	-	95,157
- Unlisted investments	-	-	300,000	300,000
	95,157	-	300,000	395,157

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.

Included in Level 3 of the hierarchy is an unlisted investment. The fair value of this financial asset has been based on cost being the fair value of this investment at reporting date.

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

	2014 Australia $	 Namibia $	 Total $	2013 Australia $	 Namibia $	 Total $
REVENUE						
External services	18,072	193,678	211,750	17,068	358	17,426
Other revenue (including finance revenue)	2,060,722	25,809	2,086,531	1,614,231	13,633	1,627,864
Total segment revenue	2,078,794	219,487	2,298,281	1,631,299	13,991	1,645,290
Reconciliation of segment revenue to group revenue						
Inter-segment elimination**	(1,044,672)	-	(1,044,672)	(1,386,659)	-	(1,386,659)
Total group revenue	1,034,122	219,487	1,253,609	244,640	13,991	258,631

* 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 $18,072 (2013: $17,068) was for service fees from a single customer and other Australian revenue was interest earned, JV management fee and other revenue. Namibian revenue $208,868 (2013: $13,991) in the reporting period was for equipment rental income, project management fees and other revenue was interest earned.

NET (LOSS) BEFORE TAX

	2014 Australia $	 Namibia $	 Total $	2013 Australia $	 Namibia $	 Total $
Net (loss) Before Tax *	(4,838101)	(3,989,737)	(8,827,938)	(3,778,886)	(4,345,996)	(8,124,882)
Reconciliation of segment net loss before tax to group net loss before tax						
Inter-segment eliminations* *	1,507406	1,044,672	2,552,078	1,903,715	992,375	2,896,090
Operating Net Loss before tax	**(3,330,695)**	**(2,945,065)**	**(6,275,760)**	**(1,875,171)**	**(3,353,621)**	**(5,228,792)**

* Australian net loss includes $232,865 on exploration expenditure in Australia and exploration costs paid in Australia for Namibian tenements (2013: $486,371).

** 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

	Australia $	2014 Namibia $	Total $	Australia $	2013 Namibia $	Total $
Segment assets current*	24,129,243	548,334	24,677,577	30,445,108	557,895	31,003,003
Segment assets non-current**	10,657,553	281,529	10,939,082	7,214,244	123,564	7,337,808
Inter-segment eliminations***	(10,580,473)	(10)	(10,580,483)	(6,814,733)	(11)	(6,814,744)
Total group assets	24,206,323	829,853	25,036,176	30,844,619	681,448	31,526,067

* 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 $17,747,474 (2013:$18,414,255) which has been contrared against the impairment of these loans.

(d) Segment liabilities

	2014			2013		
	Australia $	Namibia $	Total $	Australia $	Namibia $	Total $
Segment liabilities*	4,316,412	15,674,689	19,991,101	2,690,186	16,758,478	19,448,664
Reconciliation of segment liabilities to group liabilities						
Inter-segment eliminations**	(3,962,802)	(15,484,674)	(19,447,476)	(2,188,260)	(16,225,996)	(18,414,256)
Total group liabilities	**353,610**	**190,015**	**543,625**	**501,926**	**532,482**	**1,034,408**

* 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 $19,447,474 (2013:$18,414,255).

NOTE 4: REVENUE

	Consolidated Group 2014 $	2013 $
From continuing operations		
Service revenue		
Technical service fee	18,072	17,426
JV management fee	143,091	35,486
Rental income - equipment	50,587	
	211,750	52,912
Other revenue		
Interest received – other entities	1,031,240	198,157
Other revenue	-	6,625
	1,031,240	204,782
TOTAL REVENUE	1,242,990	257,694

NOTE 5: OTHER INCOME

Net gain on disposal of plant and equipment	10,619	937

NOTE 6: EXPENSES

	Consolidated Group 2014 $	Consolidated Group 2013 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Office equipment	1,783	955
Furniture & fitting	110,866	416
Plant and Equipment	19,241	10,861
Computer software and equipment	12,577	5,635
Motor vehicles	18,449	16,578
Total Deprecation	53,136	34,445
Impairment of investment in joint venture	2,000,000	
Impairment of available-for-sale financial assets	366,506	-
Total rental expense relating to operating leases	26,768	35,500
Share based payment	-	10,988

NOTE 7: INCOME TAX

The following income tax information is for the entities subject to Australian income tax.

		2014	2013
(a)	**Income tax expense**		
	Current tax	-	-
	Deferred tax	(24,736)	(327,555)
	Deferred tax assets not recognised	24,736	327,555
		-	-
(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	(1,882,728)	(1,568,638)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	- Share based payments expensed	-	3,296
	- Exploration expenditure incurred – Namibia (Note 7c below)	1,496,151	1,629,750
	- Other allowable items	(64,415)	(68,404)
	- Provisions and accruals	725,486	2,391
	Difference in overseas tax rates	(299,230)	(325,950)
	Investment revaluation relating to other comprehensive income	-	-
	Tax losses not recognised	24,736	327,555
	Income tax benefit attributable to operating loss	-	-
(c)	**Unrecognised temporary differences**		
	Deferred tax assets (at 30%) – Australian entities		
	Carry forward tax losses	3,583,913	3,559,177
	Temporary differences	791,247	532,596
		4,375,160	4,091,773

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).

With respect to Craton, a Namibian incorporated entity, which is subject to Namibian tax legislation exploration, expenditure is not deductible until the entity reaches the production stage, as such no tax losses are currently available. When Craton enters the production stage, it should have approx. $28,656,230 (2013: $24,666,493) of accumulated exploration expenditure to utilise.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2014	2013
	$	$
Cash at bank and in hand	26,264,820	30,697,824
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to cash at the end of the financial year as follows:		
Cash at bank and in hand	26,264,820	30,697,824

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

Trade receivable	105,451	53,091
Other receivables	125,579	144,046
Deposits paid	171,041	-
Prepayments	10,686	-
Total Trade and other receivables	**412,757**	**197,137**

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 Epembe JV agreement * (Note 23(b))	-	108,041

* The total expenditure of $1.56 million on the Epembe JV was converted to equity in Epembe JV Company Pty Ltd on 8 April 2014.

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

Shares in listed entities at fair value	67,969	95,157
Shares in unlisted entities at cost and fair value*	-	300,000
	67,969	395,157

*On 12 September 2012 an Investment and Farm-in Agreement was signed with African Mining Capital Pty Limited to investment in the company and IBML has made a $300,000 investment in African Mining Capital Pty Ltd., an unlisted entity. This investment secured IBML the option to earn a 51% stake in the Epembe tantalum-niobium (Ta-Nb) project in northern Namibia. (Note 23(b)). The Directors have resolved that a provision for impairment should be made for this investment.

Fair value

Shares in listed entities have been valued at market value based on closing bid price on 30 June 2014 resulting in a decrease in the Available-for-sale investments fair value of $27,188 (2013: $345,065 decrease). The Directors have formed the opinion that the declines in fair value over past years are significant and prolonged and hence an impairment of $366,506 should be recognised.

Shares in an unlisted entity are at cost which equals the approximate fair value or an impaired value.

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 2012						
Cost	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**
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 2013						
Cost or fair value	5,675	1,858	76,436	101,269	24,988	210,226
Accumulated depreciation	(1,326)	(532)	(32,774)	(36,577)	(11,109)	(82,318)
Net book value	**4,349**	**1,326**	**43,662**	**64692**	**13,879**	**127,908**
Year ended 30 June 2013						
Opening Net book value	997	1,086	31,329	56,996	16,841	107,249
Additions	4,377	731	25,373	42,105	3,771	76,357
Disposal	-	-	-	(13,884)	-	(13,884)
Foreign exchange loss on conversion	(70)	(75)	(2,179)	(3,947)	(1,098)	(7,369)
Depreciation charge	(955)	(416)	(10,861)	(16,578)	(5,635)	(34,445)
Closing Net book value	**4,349**	**1,326**	**43,662**	**64,692**	**13,879**	**127,908**
Year ended 30 June 2014	4,349	1,326	43,662	64,692	13,879	127,908
Opening Net book value						
Additions	724	7,025	60,793	99,868	62,197	230,607
Disposal	-	-	(553)	(4,633)	-	(5,186)
Foreign exchange loss on conversion	(155)	(78)	(3,306)	(5,351)	(673)	(9,563)
Depreciation charge	(1,783)	(10,866)	(19,241)	(18,449)	(12,577)	(53,136)
Closing Net book value	**3,135**	**7,187**	**81,355**	**136,127**	**62,826**	**290,630**
At 30 June 2014						
Cost or fair value	6,143	8,705	129,370	165,286	85,277	394,781
Accumulated depreciation	(3,008)	(1,518)	(48,015)	(29,159)	(22,451)	(104,151)
Net book value	**3,135**	**7,187**	**81,355**	**136,127**	**62,826**	**290,630**

NOTE 13: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	201,727	317,445
Sundry payable and accrued expenses	195,032	623,718
	396,759	941,163

NOTE 14: CURRENT LIABILITIES – SHORT TERM PROVISIONS

Employee benefits	146,866	93,245

NOTE 15: ISSUED CAPITAL

	2014 No of Shares	2013 No of Shares	2014 $	2013 $
Fully paid ordinary shares 544,158,541 (FY2013:544,158,540)	544,158,541	544,158,540	67,707,532	67,707,531
Fully paid “A” class preference share	-	1	-	1
	544,158,541	544,158,541	67,707,532	67,707,532

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

NOTE 15: ISSUED CAPITAL (continued)

(a) Movements in ordinary share capital

Date	Details	No of shares	Issue price	$
01 July 2012	Opening balance	374,010,817	-	34,037,612
28 September 2012	Share placement	19,772,723	0.22	4,350,000
15 November 2012	Share based payment to a related party	375,000	0.22	82,500
15 April 2013	Share placement	75,000,000	0.20	15,000,000
	Share placement	75,000,000	0.20	15,000,000
	Less transaction costs arising on shares issued	-	-	(762,581)
30 June 2013	Balance	544,158,540	-	67,707,531
09 October 2013	Conversion of a preference share to an ordinary share	1	1.00	1
30 June 2014	Balance	544,158,541		67,707,532

(b) Options

No options were issued during the financial year. Information relating to options issued as share based payments is set out in Note 28.

(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 2013 there were 544,158,541 ordinary shares issued and fully paid up.

(d) A Class Preference Share

The 1 (one) A Class Preference Share of $1 fully paid previously issued on 8 November 2006 to a substantial holder of Ordinary Shares in the Company, West Minerals Pty Ltd was by agreement converted to 1 (one) ordinary share of $1 fully paid up on 9 October 2013.

(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.

NOTE 16: RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated 2014 $	2013 $
Available-for-sale investments revaluation reserve	-	(339,318)
Share-based payments reserve	-	646,024
Foreign currency translation reserve	(1,326,182)	(1,263,516)
	(1,326,182)	(956,810)
Movements		
Available-for-sale investments revaluation reserve		
Balance at beginning of financial year	(339,318)	5,747
Impairment recognised in Profit or Loss	339,318	(345,065)
Balance at end of financial year	-	(339,318)
Share-based payments Reserve		
Balance at beginning of financial year	646,024	717,536
Share based payments	-	(71,512)
Transfer of expired options to retained earnings	(646,024)	
Balance at end of financial year	-	(646,024)

NOTE 16: RESERVES AND ACCUMULATED LOSSES (continued)

Foreign Exchange Translation Reserve		
Balance at beginning of financial year	(1,263,516)	(1,211,920)
Currency translation differences arising during the year	(62,666)	(51,596)
Balance at end of financial year	(1,326,182)	(1,263,516)

(b) Accumulated losses

Movements in retained losses were as follows:

Balance 1 July	(36,259,063)	(31,030,271)
Net (loss) attributable to members of the Company	(6,275,760)	(5,228,792)
Transfer of unexercised options to retained earnings	646,024	-
Balance 30 June	(41,888,799)	(36,259,063)

(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 17: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	Parent Entity 2014 $	2013 $
Current assets	24,110,402	30,420,344
Total assets	34,767,955	37,634,588
Current liabilities	356,761	501,927
Total liabilities	356,761	501,927
Shareholders' equity		
Contributed equity	67,707,532	67,707,532
Share-based payments reserve	-	646,024
Available-for-sale investments revaluation	-	(339,319)
Retained losses	(33,296,338)	(30,881,576)
Total equity	**34,411,194**	37,132,661
Loss for the year	(3,060,786)	(3,552,016)
Total Comprehensive Income	**(3,060,786)**	**(3,948,677)**
Loans by parent to controlled entities		
Amounts owing by controlled entities	19,447,474	18,414,255
Provision for impairment of receivables	(19,447,474)	(18,414,255)
	-	-

(a) Impaired receivables and receivables past due

At 30 June 2014 $19,447,474 (2013: $18,414,255) owing by controlled entities was impaired with $1,033,219 provided for in 2014 (2013: $1,897,687). 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.

NOTE 17: PARENT ENTITY FINANCIAL INFORMATION (continued)

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up the above mentioned loans totalling $19,447,474 (2013: $18,414,255) 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 $19,447,474, the carrying amount is assumed to approximate the fair value of the loans to controlled entities. $1,033,219 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 18: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	1,405,035	1,290,335
Post-employment benefits	60,005	49,907
Share-based payments – shares	-	10,988
	1,465,040	1,351,230

Details of key management personnel remuneration are included in the remuneration report on page 47.

(b) Shareholdings of key management personnel

Details of shareholdings of Key management personnel are disclosed in the remuneration report on Page 49.

(c) Option holdings of key management personnel

Details of option holdings of key management personnel are disclosed in the remuneration report on Page 50.

NOTE 19: REMUNERATION OF AUDITORS

	2014 $	2013 $
Auditor to the parent company		
Audit and review of financial statements		
Grant Thornton auditors	62,592	50,690
Auditors of subsidiaries		
Grant Thornton auditors	28,225	-
Other services:		
- Investigating accountants report – Other auditors	-	29,580
Other auditors of subsidiaries		
Auditing or reviewing the financial report of subsidiaries	-	3,085
Other services	-	3,701
	90,817	87,326

NOTE 20: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

NOTE 21: COMMITMENTS

(a) Non-cancellable operating leases

The Sydney Head Office 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:

	2014 $	2013 $
- Payable not later than one year	56,200	81,492
- Longer than 1 year and not longer than five years	27,314	-
Minimum lease payments	83,514	81,492

NOTE 21: COMMITMENTS (continued)

(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 term of thirty-six months commencing on 1 March 2012. The annual charges under the agreement were recalculated as from 1 March 2013. As from this date the monthly management fee payable by the Company under the agreement is $6,791 per month plus personnel services provided by Zamia Metals Limited to less technical services provided by International Base Metals Limited to Zamia 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 $1.1 million although there is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms. (Minimum annual expenditure for tenements in Namibia is translated at the rate of 1A$=9.96N$).

- Namibia Tenement Payable not later than one year	993,566	3,900,000
- Australia Tenement Payable not later than one year	100,000	50,000
	1,093,566	3,950,000

(d) Loans to Controlled entities

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up loans totalling $19,447,474 (2013: $18,601,460) 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 22: 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 23.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 18 and on pages 41-46 of the Directors' Report.

***(d)* Transactions with other related parties**

The following transactions occurred with related parties.

	2014 $	2013 $
Expenses incurred		
Hartmann Geoservices CC *	235,705	205,320
Genis Business Consulting CC**	176,380	15,013
Balmoral Development Corporation Pty Ltd***	1,300	

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

** *Genis Business Consulting CC, a Company owned by COO, Andre Genis*

*** *Balmoral Development Corporation Pty Ltd, a Company controlled by the spouse of Alan Humphris*

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. The fee payable under the agreement was recalculated on 1 March 2013. As from this date the monthly management fee payable by the Company under the agreement is $6,791 per month plus personnel services provided by Zamia Metals Ltd to less technical services provided by International Base Metals Limited to Zamia Metals Ltd. (Refer Note 21(b)).

NOTE 22: RELATED PARTY TRANSACTIONS (continued)

Under the service agreement Zamia Metals Limited billed the Company $127,359 (exc GST) 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.

Dr Ken Maiden 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:

	2014 $	2013 $
Amounts recognised as revenue – technical service fees	18,072	17,068
Amounts recognised as expense - service fees	127,359	126,635
Outstanding balances arising from sale of services		
Current receivables – service fees and expenses recouped	4,418	7,577

NOTE 23: INTEREST IN OTHER ENTITIES

(a) Material subsidiaries

The group's principal subsidiaries at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of Incorporation	Ownership Interest	
		2014	2013
Parent entity			
International Base Metals Limited	Australia	100%	100%
Controlled entities			
AuriCula Mines Pty Ltd (incorporated 15 March 2004)	Australia	100%	100%
Maranoa Resources Pty Ltd (incorporated 31 August 2004)	Australia	100%	100%
Endolithic Resources Pty Ltd (incorporated 8 November 2007)	Australia	100%	100%
Tandem Resources Pty Ltd (incorporated 13 May 2013)	Australia	100%	100%
Craton Property Holdings Pty Ltd (incorporated 14 April 2014)	Australia	100%	-
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	100%	100%
Craton Property Holdings Pty Ltd) incorporated 14 April 2014)	Australia	100%	100%
Omitiomire Mining Company (Pty) Ltd (incorporated 4 March 2009)	Namibia	100%	100%
Kopermyn Explorations (Pty) Ltd (incorporated 6 April 2010)	Namibia	100%	100%

(b) Interests in Associates and Joint Ventures

Tandem JV

On 12 September 2012 an Investment and Farm-in Heads-of-Agreement was signed with African Mining Capital 4 Pty Limited to investment in the company and IBML made a $300,000 investment in African Mining Capital Pty Ltd., an unlisted entity. This investment secured for IBML options to earn a 51% stake in the Epembe tantalum-niobium (Ta-Nb) project in northern Namibia.

Subsequently on 21 November 2013 a joint venture agreement was signed between Tandem Resources Pty Ltd., a fully owned subsidiary of IBML (the farmee), the African Mining Capital 4 Pty Ltd (farmor) and Tandem JV Company Pty Ltd (JV entity).

In March 2013 IBML exercised its option to proceed with the first earn-in phase of the Epembe Joint Venture by contributing $1.7 million on exploration expenditure to earn a 31% stake in the joint venture Tandem JV Pty Ltd.

IBML's contribution of $1.7 million was completed in March 2014 and shares were issued in Tandem JV Pty Ltd., to Tandem Resources Pty Ltd, the fully owned subsidiary of IBML, on 8 April 2014, representing 31% of the paid up capital of the JV entity.

On 25 March 2014 Tandem Resources Pty Ltd gave notice to African Mining Capital 4 Pty Ltd and Tandem JV Company Pty Ltd that it would not provide the Phase 2 Financial contribution of $3 million to earn an additional 20% stake in the JV entity.

NOTE 23: INTEREST IN OTHER ENTITIES (continued)

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.

(c) Interest in associates and joint ventures

Set out below are the associates and joint ventures of the group as at 30 June 2014 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of Business/ country of incorporation	% of ownership interest		Nature of relation-ship	Measure-ment method	Quoted fair value		Carrying amount	
		2014	2013			2014	2013	2014 $	2013 $
Tandem JV Pty Ltd	Australia	31%	-	Associate	Equity method	-[1]	-[1]	-[2]	-

[1] *Private company – no quoted price available.*

[2] *The Directors have reviewed the 31% equity investment in Tandem JV Company Pty Ltd and have formed the opinion that this investment has a nil fair value based on exploration results and that consequently a provision for impairment for the full amount of the investment of $1.7 million should be made.*

NOTE 24: SUBSEQUENT EVENTS

In September 2014 the Namibian Ministry of Mines and Energy issued a 'Preparedness to Grant Application for a Mining Licence' to IBML's wholly-owned subsidiary, Craton Mining and Exploration Company (Pty) Ltd ('Craton") for its Omitiomire Oxide Copper Project in Namibia.

The Preparedness to Grant Application for Mining Licence (ML 183) requires Craton to accept the terms and conditions associated with the Mining Licence within one month.

Grant of the Mining Licence is an important step towards developing a modest Phase 1 operation at Omitiomire, mining and processing oxide copper ore and mixed oxide-sulphide ore, which our feasibility study demonstrated can be economically viable.

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

	Consolidated Group 2014 $	2013 $
Operating profit/(loss) after income tax	(6,275,760)	(5,233,961)
Non-cash items included in profit and loss:		
- depreciation and amortization	53,136	34,445
- share- based payment expense	-	10,988
Net (gain) on sale of property, plant and equipment	(10,619)	(937)
Impairment of available-for-sale financial assets	366,506	-
Net foreign exchange difference	(47,917)	(53,028)
Impairment of investments	2,000,000	-
Change in assets and liabilities		
(Increase)/ decrease in:		
- receivables	(32,330)	(4,819)
- prepayments	(84,654)	92,763
Increase/(decrease) in:		
- payables	(534,998)	375,041
- provisions	53,621	12,278
Net cash (outflow) from operating activities	**(4,513,016)**	**(4,767,230)**

NOTE 26: LOSS PER SHARE

	Consolidated Group 2014 Cent per Share	2013 Cents per Share
Basic loss per share	(1.15)	(1.29)
Diluted loss per share	(1.15)	(1.29)

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:

	2014 $	2013 $
Loss (i)	(6,275,760)	(5,228,792)
Weighted average number of ordinary shares (ii)	544,158,541	406,607,048

(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) There were no options outstanding at 30 June 2014 (2013:32,000,000) and therefore no dilutive effect on the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted loss per share.

NOTE 27: 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 attached to share placements as an incentive to investors.

No options were exercised during the year and all issued options expired. Options granted are not listed and carry no dividend or voting rights. When exercisable each option is convertible into one ordinary share.

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

Set out below are all vested and unexpired options:

2014			Number				
Grant date	Expiry date	Exercise Price	Balance at start of Year	Granted during the year	Expired during the year	Balance at end of Year	Date vested and exercisable at end of year
02 Oct 08	03 Oct 13	$0.30	2,500,000	-	(2,500,000)	-	-
08 Mar 12	30 Nov 13	$0.25	2,625,000	-	(2,625,000)	-	-
17 Apr 11	30 Nov 13	$0.25	1,250,000	-	(1,250,000)	-	-
21 Nov 11	30 Nov 13	$0.25	1,125,000	-	(1,125,000)	-	-
03 Feb 12	30 Nov 13	$0.25	2,500,000	-	(2,500,000)	-	-
			10,000,000	-	(10,000,000)	-	-
Weighted average exercise price			$0.26	-	$0.26	-	-

NOTE 28: SHARE BASED PAYMENTS

2013			Number				
Grant date	Expiry date	Exercise Price	Balance at start of Year	Granted during the year	Expired 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
			32,000,000	-	(22,000,000)	10,000,000	10,000,000
Weighted average exercise price			$0.22	-	$0.20	$0.26	$0.26

The weighted average remaining contractual life of share options outstanding at 30 June 2013 was 0.38 years (2012:0.76 years)

Shareholder Information

Statement of issued securities as at 30 September 2014

There are 321 shareholders holding a total of 544,158,541 ordinary fully paid shares on issue by the Company.

- The twenty largest shareholders between them hold 82.87% 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 30 September 2014.

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	125
100,001	-	and over	187
Total holders			321

Substantial shareholdings as at 30 September 2014 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
Rui King Resources Limited	150,000,000	27.57
West Minerals Pty Limited	118,326,492	21.75
Heilongjiang Heilong Resources Investment Co Ltd	25,022,723	4.60

The three entities which are substantial Shareholders are associates with 53.92% voting control of the Company.

Top Twenty Shareholders 30 September 2014

Holder Name	Shares held	%
RUI KING RESOURCES LIMITED	150,000,000	27.565
WEST MINERALS PTY LIMITED	118,326,492	21.745
HEILONGJIANG HEILONG RESOURCES INVESTMENT CO LTD	25,022,723	4.598
CHINA KINGS RESOURCES GROUP CO LTD	22,500,000	4.135
CHINA SUN INDUSTRY PTY LTD	20,000,000	3.675
MANICA MINERALS LTD	15,000,000	2.757
PEARL GLOBAL INVESTMENT LIMITED	13,333,333	2.450
BLACKMANS & ASSOCIATES PTY LTD <SUPER FUND A/C>	13,000,000	2.389
MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN <MAIDEN FAMILY S/F A/C>	10,521,751	1.934
GREAT SEA WAVE INVESTMENT PTY LTD	9,167,333	1.685
MACQUARIE BANK LTD	8,333,333	1.531
PERPETUAL CORPORATE TRUST LIMITED <AEF LINQ RESOURCES FUND A/C>	8,333,333	1.531
PEAK SUCCEED INVESTMENTS LIMITED	6,666,667	1.225
HUNAN CENTRAL SOUTH BIOHYDROMETALLURGY COMPANY LTD	6,250,000	1.149
MRS CORAL ESTELLE HARRIS & MR KERRY WILLIAM JOHN HARRIS <THE CE HARRIS S/F A/C>	6,046,362	1.111
GOLDVANCE PTY LTD <BMR A/C>	5,047,200	0.928
MONSLIT PTY LTD <ANTHONY TORRESAN A/C>	4,889,104	0.898
AUSTRALIAN GEOSCIENTISTS PTY LTD	2,932,500	0.539
FITEL NOMINEES LIMITED	2,856,667	0.525
SUN JIA DEVELOPMENT LIMITED	2,727,272	0.501
	450,954,070	82.872

Photo shows senior geologist Benson Bhunu on a rock outcrop at Omitiomire

INTERNATIONAL BASE METALS LIMITED
(IBML)

Suite 60, Level 6 Tower Building
Chatswood Village
47-53 Neridah Street
Chatswood NSW 2067
T: + 61 2 8223 3777
F: + 61 2 8223 3799
www.ibml.com.au

Cover photo shows drill core of high grade ore from Omitiomire. Steel grey mineral = chalcocite (copper sulphide); yellow-brown mineral = chrome-epidote; white mineral = plagioclase