# INTERNATIONAL BASE METALS LIMITED

ABN: 73 100 373 635

# Annual Report

## 2017

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# Corporate Directory

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

### Directors

| | |
|---|---|
| Mr Hugh Thomas | Non-executive Chairman |
| Dr Kenneth John Maiden | Non-executive Director |
| Mr Zhehong Luo | Non-executive Director |
| Mr Rui Liu | Non-executive Director |
| Mr Jinhua Wang | Non-executive Director |
| Mr Qiang Chen | Alternate Non-executive Director to Mr Zhehong Luo |
| Mr Xianwu Deng | Alternate Non-executive Director to Mr Jinhua Wang |

### Chief Executive Officer
Mr Jordan Guocheng Li

### Chief Financial Officer
Mr Barry Neal

### 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.internationalbasemetals.com

### 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 12 , 225 George Street
Sydney NSW 2000
Telephone: + 61 2 9290 9600
Fax: + 61 2 9279 0664
Internet: www.boardroomlimited.com.au

# Chairman's Letter

Dear Shareholders,

As Chairman of the Board of Directors of International Base Metals Limited I submit to you on behalf of the Board the Company's Annual Report for 30 June 2017.

The last financial year has been one of consolidation under the backdrop of a global economy adjusting to the new paradigm of extended low growth for the near to mid-term. As a result the Board established and embraced a 5 pronged strategy:

i. Prudent capital management
ii. Disciplined expense management
iii. Reduced exploration expenditure
iv. Supporting Macquarie Gold Limited (MGL) to production
v. Developing the 'mini mine' approach with the Board of Craton Mining

Points 1 through 3 above are self-explanatory but the result is the Company has cash reserves that allow us to develop our two principal assets inclusive of funding the development of the Craton mini mine without the need to raise or borrow additional funds.

In last year's Chairman's Letter I detailed IBML's investment in MGL (www.macquariegold.com.au*)*. After some initial commissioning issues with the plant I am pleased to inform you MGL has 'poured gold' through the processing of the old mullock and is well on track to mining high grade ore. The dewatering of the old adit is near completion and preparation work on making sure the adit meets modern safety standards is well advanced; there has been a requirement to enlarge the decline and mesh areas of the roof and walls. The plant has been run on a continuous basis over extended periods so there is a confidence that commissioning has been successful.

MGL now has the management and workforce in place, funding required and an understanding of the mining options, having dewatered the mine, to suggest we should have confidence that the investment will contribute positively to IBML's 2018 financial results.

Craton has had a frustrating year due in many ways to circumstances outside the Company's control. The Omitiomire farm became embroiled in an inheritance dispute that ultimately required the appointment of a Trustee whilst siblings endeavoured to settle their differences. Whilst technically in the 2018 financial year I can inform the shareholders that the farm is in the final stages of having been sold and we believe there are no reasons that the transaction should not complete. The new owner of the farm is known to both the Craton and IBML Boards and we have already started negotiating access to the farm and the negotiations have been held in a positive light. We are therefore encouraged that access rights will be re-established and confirmation of the mining plan can be completed.

I am also happy to report that we are in the final stages of a transaction to sell an equity position in Craton to a Namibian group that will satisfy the requirements of the Namibian Government for at least a 5% equity to be held by a Namibian entity. We hope to be able to announce the full details prior to the Annual General Meeting but should the transaction complete this will mark a significant milestone in both the granting of the Mining Licence and the development of the mine.

IBML's current plans are that the Board approval to commence the mine should occur early calendar year 2018 with full production starting in 2019.

The financial year 2017 was not an easy year for IBML however the Board believes we have consolidated our positions in MGL and Craton and are now very well placed to start to see the two assets contribute to the company.

As Chairman I would like to take this opportunity to thank my fellow Board members for their ongoing contributions and the shareholders and employees for their continued support.

Hugh Thomas
Chairman

# Review of Operations

## INTRODUCTION

In the FY2016 Annual Report, IBML referred to its frustrations at the ongoing delays to permitting of the Omitiomire Copper Project in Namibia. In the absence of a clear timetable to the development of the Project, IBML had continued to cut costs through relinquishing exploration tenements, cutting exploration programs, retrenching staff and terminating contracts.

The two issues delaying the Omitiomire Project are (a) access to the farm Omitiomire principally as a result of estate issues where a trustee has been appointed, and (b) securing the grant of a Mining Licence covering the Omitiomire Project. These issues are now edging closer to resolution and the Board is confident they will be resolved during the next financial year.

The Company also sought another asset with near-term cash flow and had assessed numerous gold and copper acquisition and investment opportunities. After considerable discussion, IBML carried out a comprehensive legal and technical due diligence review of Macquarie Gold Limited ('MGL') and its Adelong Gold Project in southern New South Wales ('NSW'). IBML invested A$10 million to acquire a 40% interest in Macquarie Gold by converting MGL's convertible note to equity.

## COMPANY STRATEGY

The IBML Board has agreed on the following strategy:

- In Namibia, the priorities are
  - to finalise the grant of the Omitiomire Mining Licence;
  - to secure access to the farm Omitiomire;
  - secure a Black Empowerment partner for a minimum of 5% equity in Craton as required under Namibian law;
  - to carry out low cost work aimed at optimising the proposed oxide copper "mini-mining" project.

  Other activities in Namibia are on hold and spending is being minimised until the Mining Licence has been granted and access to the farm has been secured.
- Once these issues are resolved, Craton can proceed towards development of the Omitiomire Project. The Company's intentions are to:
  - construct and operate the Omitiomire oxide copper project;
  - complete a Definitive Feasibility Study ('DFS') on the Omitiomire sulphide copper resource;
  - continue exploration for additional near-mine copper resources.
- IBML's Board confirms its confidence in, and its commitment to, the Adelong Gold Project. IBML will assist where possible in advancing the project.
- IBML at this stage will remain a passive minority partner in exploration programmes on tenements south of Cobar in NSW.
- The IBML Board will retain close control on expenditure.
- The Company has no intention of seeking other acquisitions or investments at this stage.
- The Board retains the view that a successful ASX listing would be more likely when Macquarie Gold's Adelong Project is in production and the Omitiomire copper project is progressing towards development. The Company is committed to continual monitoring of the situation and will keep shareholders updated.

# CRATON MINING & EXPLORATION (PTY) LTD ('CRATON')

### Craton Corporate Activities

The directors and staff of Craton continued to work towards resolving the twin issues of the grant of the Omitiomire Mining Licence and access to the farm Omitiomire. IBML is most appreciative of the dedication displayed by the Craton directors.

Because of the lack of progress at the Omitiomire Project, Craton has continued to cut costs. This has included retrenching the Company's permanent staff members. Two of the former staff members are engaged on a contract basis to service administrative and statutory requirements.

### Omitiomire Copper Project - Mining Licence (ML197)

As previously reported, during 2016, Craton received a letter from the Namibian Ministry of Mines and Energy ('MME') stating its Preparedness to Grant ML197 covering the Omitiomire Project. After seeking clarification on the terms and conditions of grant, Craton was informed that the Mining Licence will be issued once Craton has made a minimum 5% equity shareholding available to approved Namibian citizens or companies.

Craton's directors and consultants are in discussions with Namibian groups which satisfy the MME's requirements and are confident of finding an appropriate shareholder during the 2018 financial year.

### Omitiomire Copper Project - Surface Access

In late October 2016, the Namibian Minerals Ancillary Rights Commission granted Craton access rights to the farm Omitiomire for the purpose of mineral exploration. However, ongoing legal issues between the Trustee of the Estate and potential benefactors of which some are hostile to Craton's intention to develop the Omitiomire Project continued to prevent access to the farm. The legal issues around the Estate are outside the control of IBML but the Board's opinion is the matter will be resolved by October 2017.

A more recent development is that the farm Omitiomire is being sold, IBML see this as a positive step in the resolution of the issues involving the Trustee of the Estate which currently has the oversight of the Omitiomire farm. When the sale process has been completed, Craton will negotiate an access agreement with the new owner.

### Omitiomire Copper Project - Mining & Processing Options

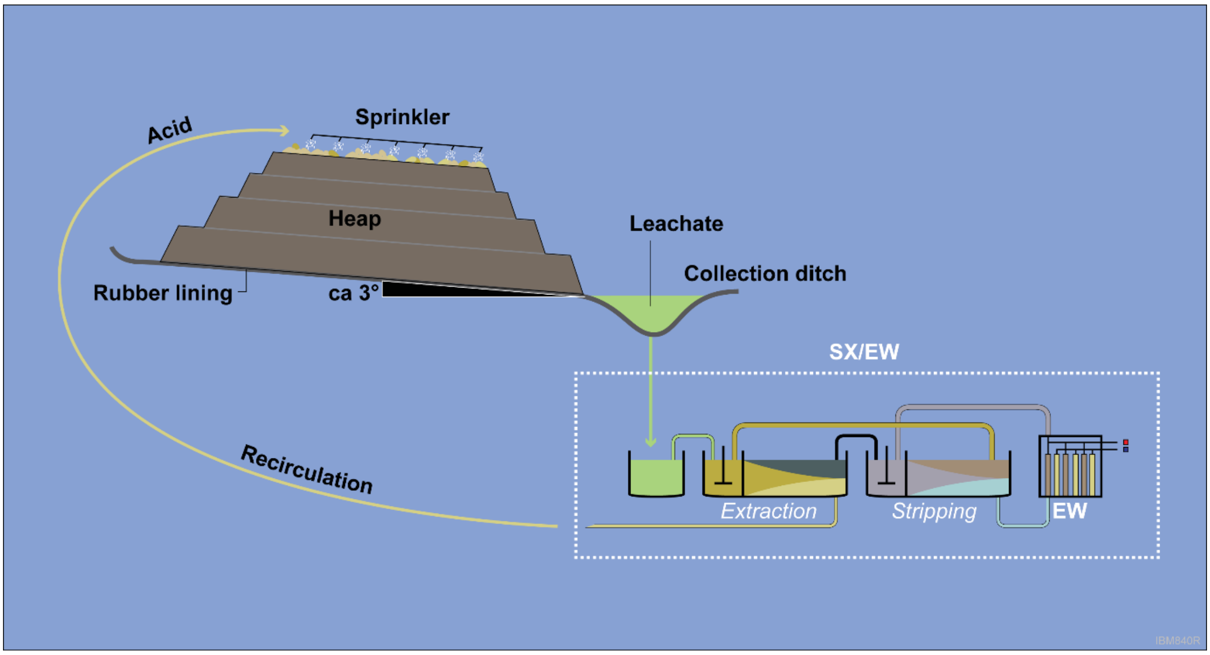
As previously advised, Craton has proposed a two-stage process to develop the Omitiomire resource:

- Phase 1 - a small project based on a near-surface mixed oxide and sulphide copper resource. This was the subject of a definitive feasibility study in 2013;
- Phase 2 - a much larger project based on the deeper sulphide copper resource. This was the subject of a preliminary feasibility study in 2010.

The MME requires expeditious mine development once the Mining Licence has been awarded. To comply with this requirement, Craton is considering initial development of a small "mini-mining" operation, to bring the project into production quickly and at low cost.

The proposal involves mining a modest tonnage (current planning envisages 10,000 tonnes per month) of oxide-only ore in a small open-cut mine to a depth of 16m. The ore grade, still to be confirmed by an external consultant, is estimated at 0.93% Cu. The mine will be designed to have minimum impact on existing infrastructure, particularly avoiding an existing public road.

The ore will be treated by heap leach – solvent extraction – electro-winning to produce cathode copper. Bench-scale tests show + 80% leach recovery of copper, low acid consumption, and a final metal product of + 99.9% Cu. Craton plans metallurgical testing on a bulk sample to confirm the bench-scale test results.




*Proposed processing route for oxide copper ore*

Preliminary financial analysis indicates a break-even copper price of approximately US$1.80 /lb and development capital of N$25 million (ca A$2.45 million at the current exchange rate).

The planned work program to commencement of production is:

- Complete an access agreement with the farm Omitiomire;
- Collect a bulk sample and conduct metallurgical tests;
- Complete the sale of 5% of Craton to approved Namibian groups and obtain the Mining Licence;
- Amend the Social & Environmental Impact Assessment and the Environmental Management Plan to make them compatible with the "mini-mining" proposal;
- Carry out external studies of the project including a review of the metallurgical process;
- Revise the capital & operating costs and develop a final financial model;
- Secure funding for project development;
- Carry out detailed mine and process plant design;
- Proceed to construction.

**Namibian Exploration**

As previously outlined, Craton's exploration strategy is to:

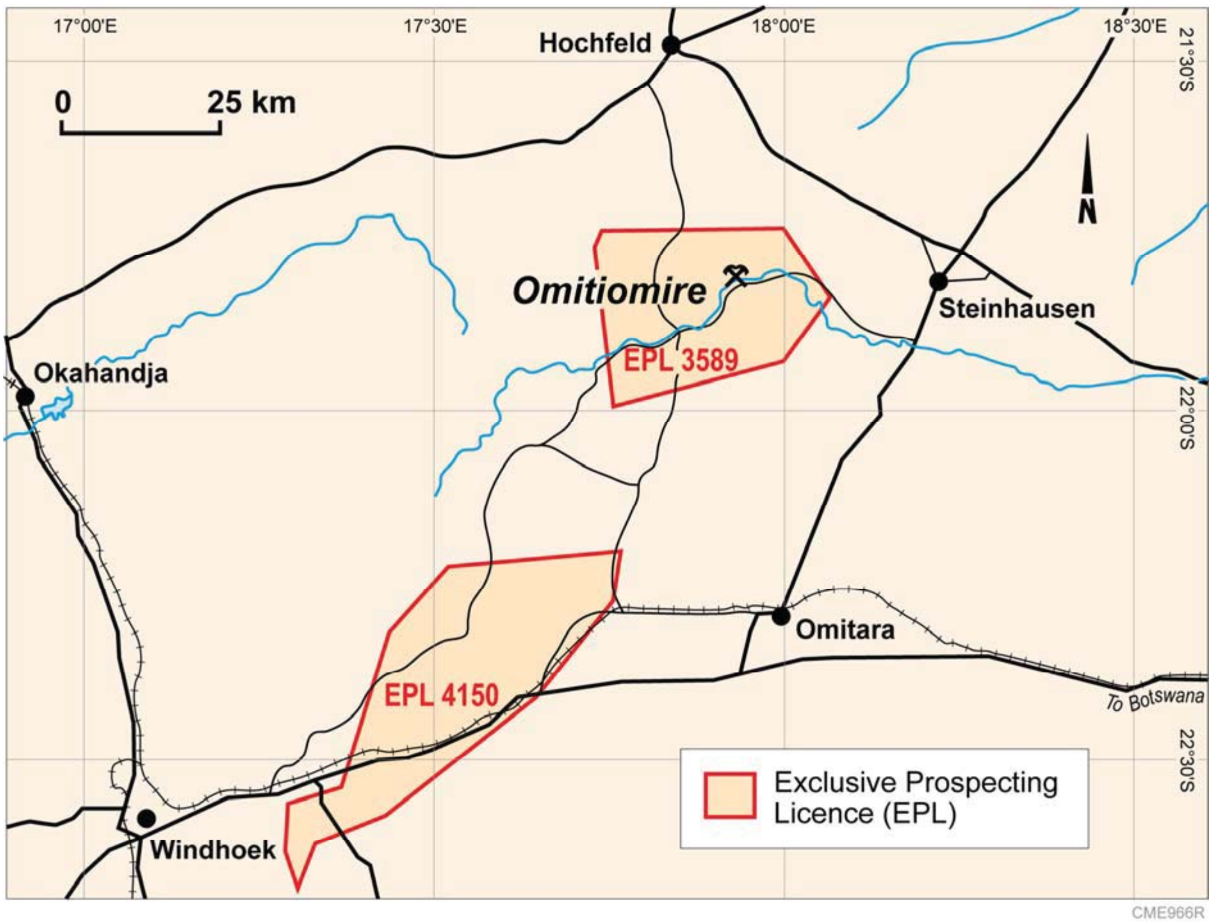
- Identify, prioritise and test targets within trucking distance of Omitiomire;
- As far possible, use low-cost exploration methods, with limited drilling;
- Relinquish tenements which have low potential for discovery of viable deposits;
- Maintain all remaining licences in good standing.

Summary of activities during FY2017:

EPL3589: A ground magnetic survey on the farm Borealis was completed. The tenement has been renewed for a further two years.

EPL4150: Geophysical surveys (induced polarisation and electro-magnetics) on the Andrea prospect indicate continuation of newly-discovered copper mineralisation down a shallow dip. The results suggest potential for a modest deposit of up to 1 million tonnes at 1 - 2% Cu. The tenement will be relinquished during FY2018.

EPL 4055: As previously agreed, the tenement, containing the small Sib copper deposit, has been transferred to Hartmann Geoservices.




*Craton's tenements as at end-June 2017*

## AURICULA MINES PTY LTD

### Background

Under joint venture agreements IBML's wholly-owned subsidiary, AuriCula Mines Pty Ltd, has a 10% interest in two exploration projects for copper-gold in the Cobar district of NSW. Exploration of the projects is managed by Cobar Management Pty Ltd (CMPL), a subsidiary of Glencore.

### Shuttleton Project (EL6223)

CMPL completed a two-hole diamond drilling program (SH0004 & SH0005: total 1,000m) at South Shuttleton during April. Surface and down-hole electro-magnetic surveys on both holes identified a large anomaly coincident with a broad (50-100m wide) pyrite-dominant sulphide zone which was intersected in both holes. Assay results from both holes will be available during November 2017.

AuriCula Mines has signed documents for the renewal of EL6223 for three years. CMPL plans further surface geophysics, soil geochemistry and RC drilling at South Shuttleton.

### Mount Hope Project (EL6907)

The ground magnetic survey scheduled for the northern end of the tenement in June 2017 has been deferred until early FY20182017.

## MINERAL TENEMENTS

| Licence Code | Name | Area ($km^2$) | Expiry Date | Status |
|---|---|---|---|---|
| Omitiomire Project | | 29 | | |
| ML 197 | Omitiomire | 29 | | Offered for grant |
| Steinhausen Project | | 1716 | | |
| EPL 3589 | Ekuja | 735 | 2018-04-25 | Renewed for two years |
| EPL 4150 | Seeis | 981 | 2017-10-25 | Renewed for two years |
| AuriCula Mines JV Projects | | 170 | | |
| EL 6223 | Shuttleton | 38 | 2017-04-04 | JV with CMPL |
| EL 6907 | Mt Hope | 132 | 2016-10-11 | JV with CMPL |

## IBML INVESTMENTS

**Macquarie Gold Limited – Adelong Gold Project**

As previously reported, during 2016 IBML acquired a 40% stake in Macquarie Gold Limited, which holds the Adelong Gold Project in southern NSW.

After delays, the project is now advancing towards production. MGL has an experienced management team on site. The existing adit and drive are in the process of being dewatered and cleaned out providing access to the high grade ore. Mine production is expected to commence before November 2017. The gold mill has been commissioned and is recovering some gold from old "mullock" heaps.

Please refer to the Macquarie Gold website www.macquariegold.com.au for further details.

***Competent Person***

*Dr Ken Maiden, a Director of International Base Metals Limited, compiled the geological technical aspects of this report. Dr Maiden is a Member of the Australian Institute of Geoscientists. He has sufficient experience to qualify as a Competent Person as defined in the 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 and takes responsibility for data quality.*

## ABBREVATIONS

| | |
|---|---|
| Cu | Copper (chemical symbol) |
| DFS | Definitive feasibility study |
| EL | Exploration Licence (NSW) |
| EPL | Exclusive Prospecting Licence (Namibia) |
| FY2015 | Financial year ended 30 June 2015 |
| g/t | Grams per tonne (= ppm) |
| JV | Joint venture |
| km, $km^2$ | Kilometres, square kilometres |
| m | Metres |
| ML | Mining Licence |
| MME | Ministry of Mines and Energy (Namibia) |
| N$ | Namibian Dollars |
| NSW | New South Wales |
| PFS | Pre-feasibility survey |
| ppm | Parts per million |
| SX/EW | Solvent extraction – electro-winning (ore processing method) |
| t, Mt | Tonnes, million tonnes |
| tpa, tpm | Tonnes per annum, tonnes per month |

# Personnel, OH&S, Environment and Community

## Occupational Health and Safety (OH&S)

IBML recognises its duty to ensure the health and safety of all employees, consultants and visitors:

- Visible support and commitment to safety from the board and senior management
- Raising awareness of health and safety in the workforce
- Promoting a culture of health and safety by assigning responsibilities and powers to ensure adherence to health and safety standards and legislation
- Suitable training for health and safety representatives and staff to improve their ability to identify hazards and control OHSE risks
- Structured risk identification process for all work areas
- Commitment to root cause investigations and reporting
- Maintaining records and statistics on incidents, accidents and injuries.

Initiatives undertaken to ensure the health and safety of employees:

- Actively supporting and promoting a healthy lifestyle by offering free annual preventative medical screening
- Encouraging physical activity and good nutrition
- Daily toolbox talks
- Training
- Relating an unblemished health and safety record to annual performance assessments.

IBML is proud of the fact that no lost time injuries occurred during the past year.

## Our People

IBML believes in fostering diversity by promoting equal opportunity. The teams consist of people from different backgrounds, world views and beliefs; each contributing towards the attainment of company goals.

We support and motivate our employees within an established organisational structure, to ensure that changes to company strategies occur as smoothly as possible.

All employees are viewed as assets. IBML appreciates its employees' skills and abilities. In addition to basic remuneration, IBML/Craton's remuneration structure recognises dedication and performance which contribute towards continued company achievement.

The company believes in:

- Promoting our values
- Respecting, trusting and supporting all employees
- Creating a positive work environment
- Commitment to a safe and healthy work environment
- Offering interesting and challenging tasks
- Offering ongoing development and training
- Paying performance-based bonuses
- Company contributions for medical aid and retirement fund membership.

Unfortunately, as a result of the legal challenges facing the Omitiomire project and the consequent need to cut costs, the Group was forced to downsize its workforce during the reporting period. In Namibia, Craton sought legal advice to ensure that all its actions in relation to employee retrenchments were in accordance with the law, and the Company communicated with the Ministry of Mines and Energy, with the Ministry of Labour, and with the union which represents the employees.

Executives and managers interacted with, and kept open the channels of communication with, employees during the difficult restructuring period.

## Environmental Protection

In its exploration activities, IBML acknowledges its duties in environmental protection:

- Minimise the extent and impact of disturbed areas and rehabilitate them as required.
- Monitor the operations to ensure compliance with accepted environmental standards.
- Monitor the latest developments in environmental management and technology and apply new principles and techniques as required.
- Educate all members of the organisation in the need for responsible environmental management of our operations.

## Community Relations

Craton strives to maintain good relations with the property owners on whose farms its field teams operate. The field teams adhere to a Code of Conduct to ensure that disruptions to farm activities are kept to a minimum.

Craton is active in the Namibian mining and exploration fraternity through its links with the Namibian Chamber of Mines, with the University of Namibia and its staff members' activities in support of the Geological Society of Namibia. The Company Director, Karl Hartmann, serves on the Exploration Committee of the Chamber of Mines.

IBML supports the initiatives of the Namibian Chamber of Mines and the Ministry of Mines and Energy in its 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.

In the wider Namibian community, Craton makes an impact through the Craton Foundation.

## The Craton Foundation

Craton Foundation, the corporate responsibility arm of Craton Mining and Exploration, was established through a trust deed as a vehicle through which to channel assistance to support community-related projects in Namibia. The three independent trustees together with the settlor representative set the initiatives each year in terms of the regulations of the trust deed. The Foundation has been active in the Windhoek environs since 2010 erecting classrooms and offering free of charge medical-and eye screening as well as reading glasses to children in need. The Foundation's trust deed sets a focus on educational activities and social upliftment.

IBML, Craton's holding company, provides $30,000 per annum to the Foundation. The trustees have attracted other donors to supplement IBML's contribution. Some of the sponsors during the FY2017 have been Dr Frans Indongo and Cornerstone.

Through its "Eye See the World" initiative, assisted in these endeavours by Windhoek Lions Club and Tobich Optics, the Foundation provides eye screening for school children and reading glasses for those who need them. To date, the Foundation has screened more than 10,000 school children in Windhoek. Schools that benefited from the initiative include Olof Palme, Bethold Himumuine, Tobias Hainyeko, Frans Indongo, Dagbreek Special School, Moreson Special School and Havana Primary School.

General medical examinations were conducted at Dagbreek and Moreson Special Schools by Drs. Andreas Baumann and Hannelie Kruger. Three children were identified with cardiovascular problems of which one was operated on immediately. The Foundation didn't finance the operation but through its screening was able to assist the child in receiving an operation.

The Foundation's activities have created considerable interest within Namibia and have provided positive publicity for Craton. The Foundation has featured in various newspapers in Namibia.


CRATON
FOUNDATION
CRATON
FOUNDATION
Tobich
OPTICS
"Laying the foundations for Progress"

# IBML Investments

## Macquarie Gold Limited (MGL) (IBML 40%)

On 16 August 2016 IBML's investment of $10 million in the form of a convertible note was converted into ordinary shares in Macquarie Gold Limited (MGL) as per a subscription agreement with 40 million shares issued by MGL representing 40% of MGL's issued capital.

As per the subscription agreement 20 million options were also issued to IBML by MGL exercisable at $0.375 per share on or before 15 July 2019.

The gold mill processing operation is in the commissioning phase and was in continuous operation until 20 August 2017 when it was decided to stop due to low grade gold mullock feed. The mill will restart when underground higher grade ore is available as feed.

## Zamia Metals Limited (IBML 2%)

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.

Zamia has entered into a binding share sale and purchase agreement (SSPA) for the acquisition of all of the issued shares in Singapore-registered company, Kirkham International Pte Ltd (Kirkham) with coal mining tenements in Indonesia.

Further Information on Zamia and its projects can be found at www.zamia.com.au.

## WestStar Industrial Limited (WSI) (IBML 0.02%)

On 6 July 2016 the Company announced that it has raised $3.3 million and had changed the name of the company from Antares Mining Limited to WestStar Industrial Limited (WSI). On the 12 July 2016 the company announced that it had been reinstated to official quotation on the ASX.

The Company was previously involved in mineral exploration but with the sale of shares in Copper Range and the acquisition of Precast Australia Pty Ltd., a Western Australian business involved in the manufacture of precast concrete products, this has resulted in a significant change in the nature of the Company's main business activity from mineral exploration and resource investment to the manufacture of precast concrete products.

## Firstwave Cloud Technology Limited (FCT) (IBML 0.02%)

IBML has 86 shares in Firstwave Cloud Technology Limited, received as an in specie distribution from Antares Mining Limited. The company's principal business activities are the development and sale of internet security software and related professional services to business and enterprises.

# Corporate Governance Statement

International Base Metals Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance.  Although the Company is not listed it has decided in its disclosure policy to adopt the ASX Corporate Governance Principles and Recommendation (3rd edition) (CGPR) published by the ASX Corporate Governance.

The 2017 corporate governance statement is dated as at 30 June 2017 and reflects the corporate governance practices in place during the 2017 financial year. The corporate governance statement was approved by the Board on 3 July 2015. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at (www.interbasemetals.com).

# Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of International Base Metals Limited ('IBML') and the entities it controlled at the end of or during the year ended 30 June 2017.

## 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:

### Mr Hugh Ian Thomas

**Non-executive Chairman**

| | |
|---|---|
| ***Qualifications:*** | BA, Grad Dip Finance, |
| ***Experience:*** | Hugh has had significant experience in the resources sector as a company director, senor financial executive and investment banker working throughout the Asian region including China as well as parts of Africa. He was based in Hong Kong for several years in senior positions with JP Morgan and Morgan Stanley, returning to Australia in 2011 to take up a senior position with South African investment bank, Investec, in Sydney. Since 2014 Hugh has worked as an independent investment banker and company director based in South East Asia. |
| ***Interest in shares:*** | Nil |
| ***Other listed Directorships in last 3 years:*** | - |

### Dr Kenneth John Maiden

**Non-Executive Director**

| | |
|---|---|
| ***Qualifications:*** | BSc, PhD |
| ***Experience:*** | Ken has had more than 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. He has participated in successful mineral exploration programmes in Australia, 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. |
| ***Interest in shares:*** | 10,613,001 ordinary shares |
| ***Other listed Directorships in last 3 years:*** | Non-executive Director of Zamia Metals Limited. |

### Mr Rui Liu

**Non-Executive Director**

| | |
|---|---|
| ***Qualifications:*** | BSc |
| ***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. Rui Liu has been General Manager and Chairman of Heilong Group since 2005. He holds the position of Executive Deputy Chairman of the Heilongjiang Mining Industry Association. |
| ***Special responsibilities:*** | Chairman of the Remuneration Committee and a Member of the Audit Committee |
| ***Interest in shares:*** | - |
| *Other listed Directorships in last 3 years:* | - |

# Directors' Report (continued)

**Mr Jinhua Wang**
**Non-executive Director**

| | |
|---|---|
| ***Qualifications:*** | B Min Eng, Master of Industrial Engineering |
| ***Experience:*** | Mr Wang is a Senior Engineer and Deputy Director, Mining Association of Zhejiang Province, China.<br>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. |
| ***Interest in shares:*** | - |
| *Other listed Directorships in last 3 years:* | - |

**Mr Zhehong Luo**
**Non-executive Director**

| | |
|---|---|
| ***Qualifications:*** | BSc |
| ***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. |
| ***Interest in shares:*** | - |
| *Other listed Directorships in last 3 years:* | - |

**Mr Qiang Chen**
**Alternate Director to Zhehong Luo**

| | |
|---|---|
| ***Qualifications:*** | BSc, MSc |
| ***Experience:*** | Qiang Chen is Managing Director of West Minerals Pty Ltd, one of the Company's largest shareholders. Mr Chen, a resident of Perth, has extensive experience in international commodities trading and private equity investment. In the 1990's he was the Marketing Manager of China Metallurgical Import and Export Corporation. |
| ***Special responsibilities:*** | Chairman of the Nomination Committee and a Member of the Remuneration Committee and the Audit Committee. |
| ***Interest in shares:*** | - |
| *Other listed Directorships in last 3 years:* | - |

**Mr Xianwu Deng**
**Alternate Director to Mr Jinhua Wang** (appointed 20 November 2014)

| | |
|---|---|
| ***Qualifications:*** | Bachelor degree in Mining Engineering at the University of Science & Technology Beijing, China, CPA and an economist |
| ***Experience:*** | Currently he works as the Chairman of the Board of Supervisors in China Kings Resources Group Co., Ltd., China |
| ***Interest in shares:*** | - |
| *Other listed Directorships in last 3 years:* | - |

# Directors' Report (continued)

**Chief Executive Officer**

**Mr Jordan Guocheng Li**

***Qualifications:*** BA, MBA

***Experience:*** Jordan has over 20 years' corporate experience in Australia and international markets. He has been a private company director and a strategy and project managers for Australian ASX listed companies and government departments.

***Interest in shares:*** 800,000

**Company Secretary**

**Mr John Stone**

***Qualifications:*** 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.

***Interest in shares:*** 1,828,125 ordinary shares.

**Chief Financial Officer**

**Mr Barry F Neal**

***Qualifications:*** 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 5 Board meetings, two Audit Committee meetings, nil Nomination Committee and two Remuneration Committee meetings.

| | Full meetings of Directors | | Meetings of Committees | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Audit | | Nomination | | Remuneration | |
| | A | B | A | B | A | B | A | B |
| Mr Hugh Thomas | 5 | 5 | 2 | 2 | - | - | 2 | 2 |
| Dr Kenneth John Maiden | 5 | 5 | - | - | - | - | - | - |
| Mr Rui Liu | 5 | 5 | 2 | 2 | - | - | 2 | 2 |
| Mr Jinhua Wang | 5 | - | - | - | - | - | - | - |
| Mr Zhehong Luo | 5 | - | - | - | - | - | - | - |
| Mr Qiang Chen as alternate for Mr Zhehong Luo | 5 | 4 | 2 | 1 | - | - | 2 | 1 |
| Mr Xianwu Deng as alternate to Mr Jinhua Wang | 5 | - | - | - | - | - | - | - |

*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*

# Directors' Report (continued)

## 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.

Additionally a 40% interest has been taken up in Macquarie Gold Limited (MGL) a company which is about to commence gold production from its tenements in New South Wales

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

## Dividends

No dividends have been declared in the 2017 financial year (2016: no dividend declared).

## Review of Operations and Activities

### Financial

For the financial year ended 30 June 2017, the consolidated entity's net loss after taxation was $1,888,232 (2016:$2,779,882) Exploration expenditure on Australian and Namibian tenements in the 2017 financial year was $319,905 (2016:$1,380,699) 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.

### Exploration activities

A review of the Group's exploration activities in Namibia and Australia is set out on pages 6-10.

### Capital raising activities

No capital was raised in the 2017 financial year.

## Investments in Listed and Unlisted Entities

There was no change in the fair value of the Company's investments in listed entities at balance date compared with the previous reporting date, other than the Group's investment in MG as described above.

**African Mining Capital Pty Ltd**

The Directors of African Mining Capital Pty Ltd at a general meeting held on 22 July 2016 received shareholder approval to windup the company and to return surplus funds to shareholders. As a result of this decision IBML received $16,884.85 on 3 August 2016 as its share of surplus funds.

## Significant changes in state of affairs

**Omitiomire**

Farm Omitiomire is in the process of being sold. An access agreement will be negotiated with the new owner

On 8 February 2016, the Ministry of Mines and Energy sent Preparedness to Grant letter to Craton. This licence, ML 197, replaces the previous ML 183 but contains several additional terms and conditions. Craton has accepted the additional terms and conditions requested by the MME including the transfer of 5% equity in Craton to a Black Empowerment Group (BE).

Negotiations are taking place with a potential BE Group re the sale of 5% in Craton.

**Investment in Macquarie Gold Limited (MGL)**

As detailed in "IBML Investments" and "Principal Activities" above, IBML has invested $10 million in MGL for new shares representing 40% of MGL's issued capital. The subscription agreement also provides for the issue of 20 million options over ordinary shares exercisable at $0.375 per share on or before 15 July 2019.

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.

# Directors' Report (continued)

**Deregistration of subsidiary**

Following Board approval the following non-operating Australian subsidiaries were deregistered with ASIC on 30 August 2017:

- Maranoa Resources Pty Ltd
- Endolithic Resources Pty Ltd
- Tandem Resources Pty Ltd
- Craton Property Holdings Pty Ltd

## 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 6-10.

## After balance date events

On 25 August 2017, Tradeport Holdings lodged an offer to purchase 10% equity in Craton for a total commitment of N$50 million of equity investment and loan financing. The terms and conditions precedent are still to be negotiated. Discussions with Tradeport indicate that an acceptable investment would be an upfront payment of N$10 million with draw-down of the remaining N$40 million at project development milestones

The IBML Board has resolved to support in principle the 10% divestiture subject to satisfactory legal documentation, statutory approvals and final taxation advice.

There are no other matters or circumstances that have arisen since the end of the financial year which has significantly affected or which 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.

## 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

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

| | |
|---|---|
| Mr Hugh Ian Thomas | Non-executive Chairman |
| Dr Kenneth John Maiden | Non-executive Director – Technical and Chief Geologist |
| Mr Rui Liu | 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 and General Manager Technical |
| Mr Xianwu Deng | Alternate to Mr Jinhua Wang |
| Mr Karl Hartmann | Non-executive Director, Craton Mining and Exploration (Pty) Ltd |
| Mr Jordan Guocheng Li | Chief Executive Officer |
| Mr John Stone | Company Secretary |
| Mr Barry F Neal | Chief Financial Officer |
| 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
- 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

The following benefits and payments represent the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

### Remuneration – key management personnel of the Group 2017

| | Short-term benefits | Post-employment benefits | Share-based payments | | | |
|---|---|---|---|---|---|---|
| | Cash, salary and fees $ | Super-annuation $ | Equity $ | Options $ | Termination benefit $ | Total $ |
| **Non-executive Directors** | | | | | | |
| Mr Hugh Thomas[1] | 70,000 | - | - | - | - | 70,000 |
| Dr Kenneth John Maiden[1] | 65,370 | - | - | - | - | 65,370 |
| Mr Rui Liu | 35,000 | - | - | - | - | 35,000 |
| Mr Zehong Luo | 35,000 | - | - | - | - | 35,000 |
| | **205,370** | - | - | - | - | **205,370** |
| **Other Key Management Personnel** | | | | | | |
| Mr Karl Hartmann, Non-Executive Director[2] | 89,320 | - | - | - | - | 89,320 |
| Mr Aidong Yang, General Manager-Technical[1] | 144,500 | - | - | - | - | 144,500 |
| Mr John Stone, Company Secretary | 43,240 | - | - | - | - | 43,240 |
| Mr Jordan Guocheng Li, Chief Executive Officer[1] | 96,176 | - | - | - | - | 96,176 |
| Mr Barry F Neal, Chief Financial Officer[1] | 44,200 | - | - | - | - | 44,200 |
| Mrs Sigrid Hartmann, Company Secretary [3] | 93,895 | - | - | - | - | 93,895 |
| | **511,331** | - | - | - | - | **511,331** |
| **Total Key Management Remuneration** | **716,701** | | | | | **716,701** |

1 *Includes fees paid to related parties of key management personnel*
2 *Non-executive Director of controlled entity Craton Mining and Exploration (Pty) Ltd*
3 *Company Secretary of controlled entity Craton Mining and Exploration (Pty) Ltd*

*No cash or non-cash remuneration, including share based payments, were paid or payable to Mr Jinhua Wang, during the year ended 30 June 2017 (2016:Nil)*

### Remuneration – key management personnel of the Group 2016

| | 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[1] | - | - | - | - | 135,702 | 135,702 |
| **Non-executive Directors** | | | | | | |
| Mr Hugh Thomas[2] | 60,000 | - | - | - | - | 60,000 |
| Dr Kenneth John Maiden[3] | 205,918 | 15,101 | - | - | 55,480 | 276,499 |
| Mr Rui Liu | 35,000 | - | - | - | - | 35,000 |
| Mr Zehong Luo | 35,000 | - | - | - | - | 35,000 |
| Mr Alan John Humphris | 3,750 | - | - | - | - | 3,750 |
| | **339,668** | **15,101** | **-** | **-** | **191,182** | **545,951** |
| **Other Key Management Personnel** | | | | | | |
| Mr Karl Hartmann, Acting CEO and Exploration Manager IBML[4] | 251,235 | - | - | - | - | 251,235 |
| Mr Aidong Yang, General Manager-Technical[2] | 184,220 | - | - | - | - | 184,220 |
| Mr John Stone, Company Secretary | 45,560 | - | - | - | - | 45,560 |
| Mr Jordan Guocheng Li, General Manager Corporate Affairs[2] | 163,467 | - | - | - | - | 163,467 |
| Mr Barry F Neal, Chief Financial Officer[2] | 42,965 | - | - | - | - | 42,965 |
| Mrs Sigrid Hartmann, Company Secretary [5] | 88,103 | - | - | - | - | 88,103 |
| | **775,550** | **-** | **-** | **-** | **-** | **775,550** |
| **Total Key Management Remuneration** | **1,115,218** | **15,101** | **-** | **-** | **191,182** | **1,321,501** |

1 *Resigned as a Director on 30 March 2015*
2 *Includes fees paid to related parties of key management personnel*
3 *Made redundant 20 February 2016 as an Executive Director but remains as a Non-executive director*
4 *Appointment as Acting CEO and Exploration Manager IBML terminated 20 November 2015 with new contract executed 1 March 2016.*
5 *Company Secretary of controlled entity Craton Mining and Exploration (Pty) Ltd*

*No cash or non-cash remuneration, including share based payments, were paid or payable to Mr Jinhua Wang, during the year ended 30 June 2016 (2015:Nil)*

## Service Contracts

Remuneration and other terms of employment for Key Management Personnel of the Company and its 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 |
|---|---|---|---|
| Barry F. Neal, CFO | Contract 1 September 2015 and ongoing | A consulting fee of $130 p.h. plus GST | - |
| John Stone, Company Secretary | Contract 11 October 2015 and ongoing | A consulting fee of $68 p.h. plus GST | - |
| Jordan (Guocheng) Li, General Manager Commercial | Contract as from 1 October 2015 expiring on 30 September 2016 but ongoing. | $90,000 p.a. plus GST. | Agreement may be terminated by three months' notice by either party. |
| Karl Hartmann, Craton Exploration Manager | Consulting contract with from 1 March 2016 | A consulting fee of US$1,000 per day plus applicable VAT. Consultant guaranteed a minimum of fifteen days/quarter. | Agreement may be terminated at any time by either party with one month's notice. |
| Ziggy Hartmann, Craton Administrative Services | Consulting contract from 7 October 2016 | A consulting fee of N$35,000 per month plus applicable VAT. Consultant guaranteed a minimum of five days per month | Agreement may be terminated at any time by either party with one month's notice. |

## 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

| 2017 | 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 Kenneth Maiden, Non- executive Director | 10,613,001 | - | - | 10,613,001 |
| John Stone | 1,828,125 | - | - | 1,828,125 |
| Jordan Li | 800,000 | - | - | 800,000 |
| Karl Hartmann | 1,862,179 | - | - | 1,862,179 |
| Sigrid Hartmann | 280,146 | - | - | 280,146 |
| | **15,658,451** | - | - | **15,658,451** |

| 2016 | 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 Kenneth Maiden, Non-executive Director | 10,613,001 | - | - | 10,613,001 |
| John Stone | 1,828,125 | - | - | 1,828,125 |
| Jordan Guocheng Li | 800,000 | - | - | 800,000 |
| Karl Hartmann | 1,862,179 | - | - | 1,862,179 |
| Sigrid Hartmann | 280,146 | - | - | 280,146 |
| | **15,658,451** | - | - | **15,658,451** |

## 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.

### 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

At the 30 June 2017 there were no KMP unexpired remuneration options on issue (2016: Nil).

END OF 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 2017 has been received and is set out on page 27 of the financial report.

Signed in accordance with a resolution of the Board of Directors

Hugh Thomas
Chairman

Sydney, 29 September 2017

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# Auditor's Independence Declaration to the Directors of International Base Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of International Base Metals Limited for the year ended 30 June 2017, 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 Audit Pty Ltd
Chartered Accountants

I S Kemp
Partner - Audit & Assurance

Adelaide, 29 September 2017

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

## Report on the audit of the financial report

### Opinion

We have audited the financial report of International Base Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Grant Thornton

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**Responsibilities of the Directors' for the Financial Report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Iain Kemp

I S Kemp
Partner - Audit & Assurance

Adelaide, 29 September 2017

# Directors' Declaration

In the opinion of the Directors of International Base Metals Limited:

1. The consolidated financial statements and notes of International Base Metals Limited are in accordance with the Corporations Act 2001, including:

   (a) Giving a true and fair view of it financial positon as at 30 June 2017 and of its performance for the financial year ended on that date; and

   (b) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that International Base Metals Limited will be able to pay its debts as and when they become due and payable.

3. The consolidated financial statements comply with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of Directors:

Hugh Thomas
Chairman

29 September 2017

# Financial Statements

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

| | Note | 30 June 2017 $ | 30 June 2016 $ |
|---|---|---|---|
| Revenue | **4** | 138,077 | 608,240 |
| Other income | **5** | 32,031 | 18,549 |
| **Expenditure** | | | |
| Administrative expenses | | (709,004) | (859,121) |
| Exploration expenditure | | (319,905) | (1,380,699) |
| Depreciation and amortisation expense | **6** | (52,688) | (64,385) |
| Consultants' expense | | (96,176) | (194,967) |
| Financial and legal costs | | (48,030) | (42,059) |
| Occupancy expenses | | (26,575) | (75,089) |
| Contribution to the Craton Foundation | | (29,232) | (26,816) |
| Employee benefits expense | | (163,967) | (700,868) |
| Share of loss from associate | **10** | (487,747) | - |
| Fair value movement of derivative asset | | (124,387) | - |
| **Loss before income tax** | | **(1,887,603)** | **(2,717,215)** |
| Income tax | **7** | (629) | (62,667) |
| **Loss for the year** | | **(1,888,232)** | **(2,779,882)** |
| **Other Comprehensive Income** | | | |
| The items listed in Other Comprehensive Income may recycle subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | **17** | 93,883 | (635,247) |
| **Total Other Comprehensive Income** | | 93,883 | (635,247) |
| **Total Comprehensive (loss) for the year** | | **(1,794,349)** | **(3,415,129)** |
| Basic and diluted loss per Share (cents) | **27** | (0.35) | (0.51) |

*The accompanying notes form part of the financial statements*

# Consolidated Statement of Financial Position

As at 30 June 2017

| | Note | 30 June 2017<br>$ | 30 June 2016<br>$ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | **8** | 4,379,080 | 10,637,213 |
| Trade and other receivables | **9** | 23,722 | 90,434 |
| Loan from associate entity | **10** | - | 5,000,000 |
| **Total Current Assets** | | **4,402,802** | **15,727,647** |
| **Non-current Assets** | | | |
| Investment in associate entity | **10** | 8,189,042 | - |
| Available-for-sale financial assets | **11** | 40,782 | 40,782 |
| Financial assets | **12** | 1,198,824 | - |
| Plant and equipment | **13** | 58,738 | 123,423 |
| **Total Non-current Assets** | | **9,487,386** | **164,205** |
| **Total Assets** | | **13,890,188** | **15,891,852** |
| **Current Liabilities** | | | |
| Trade and other payables | **14** | 184,370 | 343,405 |
| Short-term provisions | **15** | 51,810 | 100,090 |
| Total current liabilities | | **236,180** | **443,495** |
| **Total Liabilities** | | **236,180** | **443,495** |
| **Net Assets** | | **13,654,008** | **15,448,357** |
| **Equity** | | | |
| Issued capital | **16** | 67,707,532 | 67,707,532 |
| Reserves | **17(a)** | (1,764,684) | (1,858,567) |
| Accumulated losses | **17(b)** | (52,288,840) | (50,400,608) |
| **Total Equity** | | **13,654,008** | **15,448,357** |

*The accompanying notes form part of the financial statements*

# Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

**Consolidated Group**

| | Share Capital<br>$ | Accumulated Losses<br>$ | Foreign Exchange Transaction Reserve<br>$ | Total Equity<br>$ |
|---|---|---|---|---|
| **Balance at 1 July 2015** | **67,707,532** | **(47,620,726)** | **(1,223,320)** | **18,863,486** |
| Loss for the year | - | (2,779,882) | - | (2,779,882) |
| Other comprehensive income | - | - | (635,247) | (635,247) |
| Total comprehensive (loss)/income for the year | - | (2,779,882) | (635,247) | (3,415,129) |
| **Balance at 30 June 2016** | **67,707,532** | **(50,400,608)** | **(1,858,567)** | **15,448,357** |
| **Balance at 1 July 2016** | **67,707,532** | **(50,400,608)** | **(1,858,567)** | **15,448,357** |
| Loss for the year | - | (1,888,232) | - | (1,888,232) |
| Other comprehensive income | - | - | 93,883 | 93,883 |
| Total comprehensive (loss)/income for the year | - | (1,888,232) | 93,883 | (1,794,349) |
| **Balance at 30 June 2017** | **67,707,532** | **(52,288,840)** | **(1,764,684)** | **13,654,008** |

*The accompanying notes form part of the financial statements*

# Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

| | Note | 30 June 2017 $ | 30 June 2016 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers inclusive of GST collected on sales | | - | 5,311 |
| Payments to suppliers and employees | | (1,183,209) | (2,782,976) |
| Payments for exploration expenditure | | (319,905) | (1,369,182) |
| Interest received | | 190,616 | 622,176 |
| **Net cash (outflow) from operating activities** | **25** | **(1,312,498)** | **(3,524,671)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of plant and equipment | | - | (2,185) |
| Proceeds from the sale of plant and equipment | | 37,485 | 28,987 |
| Proceeds from the sale of investments | | 16,880 | - |
| Loan repayment by joint venture | | - | 4,439 |
| Investment in associate entity | | (5,000,000) | (5,000,000) |
| **Net cash (outflow) from investing activities** | | **(4,945,635)** | **(4,968,759)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Net inflow from financing activities** | | **-** | **-** |
| Net (decrease) in cash held | | (6,258,133) | (8,493,430) |
| Cash at the beginning of the financial year | | 10,637,213 | 19,130,643 |
| **Cash at the end of the financial year** | **8** | **4,379,080** | **10,637,213** |

*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 24.

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 2017 was $1,888,232 (2016:$2,779,882).

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

**(i)** the Group had $4,379,080 (2016: $10,637,213) cash on hand at 30 June 2017 and positive net assets of $13,778,395 (2016:$15,448,357).

**(ii)** the Company has invested $10 million in Macquarie Gold Limited (MGA) for a 40% interest in this entity;

**(iii)** the Company expects to receive dividend income from the investment in MGL once production commences;

**(iv)** the Company has an offer to purchase 10% equity in its fully owned subsidiary Craton for N$50 million with N$10 payable upfront and the remaining N$40 million payable at project development milestones;

**(v)** 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 the ability to assert 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.

# Notes to the Financial Statements

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

# Notes to the Financial Statements

## 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 after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable

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. 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.

# Notes to the Financial Statements

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(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.

**(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.

**Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**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 Other Comprehensive Income. 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

# Notes to the Financial Statements

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

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

**(q) Employee benefits**

**Short-term obligations**

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

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

**(r) Contributed equity**

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

# Notes to the Financial Statements

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(s) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the 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.

**(t) 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.

**(u) Derivative Financial Instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives are classified as current or non-current depending on the expected period of realisation.

**(v) 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 using the fair value less disposal costs or value in use approach, whichever is more appropriate for the underlying asset.

**Impairment of other receivables**

At 30 June 2017 $23,509,189 (2016: $23,948,918) owing by controlled entities was impaired with a reversal of the previous impairment by $434,685 provided in previous years (2016: $3,727,101). Refer to Note 17(b).

The amount owing by de-registered subsidiaries Maranoa Resources Pty Limited, Endolithic Resources Pty Ltd and Craton Property Holdings Pty Ltd totalling $1,889,702 has been fully impaired in the books of the parent and the debts forgiven in the books of the subsidiaries.

**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, the fair value has not changed compared with the previous closing price of the securities on the ASX.

**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.

# Notes to the Financial Statements

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Key judgements – MGL Convertible Note**

The MGL investment has been accounted for as Investment in an Associate. While the Company has MGL Board representation it does not have control with 40% equity.

The investment in MGL has been considered for impairment and a decision made by Directors that no provision for impairment should be made.

**Key judgements – exploration expenses**

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

**Key judgements –Fair Value of derivative financial instruments**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

**(w) 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 less any accumulated impairment.

The carrying value of the investments in subsidiaries is assessed for impairment at each year end. Where impairment is identified, the impairment expense is recognised in profit or loss for the year.

**(x) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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 July 2018).***

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 de-recognition 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 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 July 2018).**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The directors anticipate that the adoption of AASB 15 will have no impact on the Group's financial statements.

# Notes to the Financial Statements

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(iii) AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 July 2019).**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will not impact the Group's financial statements as it has presently has no finance leases.

**(v) AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).**

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of contro over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor’s interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group’s financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

The Directors anticipate that the adoption of AASB 11 will not affect 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.

# Notes to the Financial Statements

## NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

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 2017 $ | Consolidated Group 2016 $ |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | 4,379,080 | 10,637,213 |
| Trade and other receivables | 23,722 | 90,434 |
| Convertible notes receivable | - | 5,000,000 |
| Available-for-sale financial assets | 40,782 | 40,782 |
| Financial assets – derivative | 1,198,824 | - |
| | 5,642,408 | 15,768,429 |
| **Financial liabilities** | | |
| Trade and other payables | 184,370 | 343,405 |

***(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 17 N$ | 30 June 16 N$ |
|---|---|---|
| Cash at bank | 6,921,406 | 32,058,377 |
| Other receivables | 5,904 | 233,580 |
| Payables | (157,049) | (328,810) |
| | **6,770,261** | **31,963,147** |

*Group sensitivity*

Based on the financial instruments held at 30 June 2017, 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 $75,030 higher / $61,388 lower (2016: $323,066 higher / $264,326 lower 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 24.10%

| | Impact on other components of equity 2017 | Impact on other components of equity 2016 |
|---|---|---|
| S&P/ASX Metals and Mining Index – increase 24.10% (2016: decrease 22.69%) | 9,827 | (9,254) |

***(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 0.98% (2016:1.48%).

*Group sensitivity*

At 30 June 2017 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 $690 higher/lower (2016: $2,983 higher/ lower as a result of higher/lower interest income from cash and cash equivalents.

# Notes to the Financial Statements

**NOTE 2: FINANCIAL RISK MANAGEMENT (continued)**

***(iv) 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:

| | Carrying amount Consolidated | |
|---|---|---|
| | **2017 $** | **2016 $** |
| Cash and cash equivalents | | |
| AA- Standard & Poor's, Moody's Aa2 | 3,000,145 | 2,861,409 |
| A+ Standard & Poor's, Moody's A+ | 332 | 4,148,808 |
| Moody's Baa3 | 690,336 | 2,916,254 |
| Aa2 Standard & Poor's, Moody's AA- | 688,267 | 710,662 |
| | 4,379,080 | 10,637,133 |
| Trade receivables | | |
| Counterparts without external credit rating | | |
| Group 1* | 4,991 | 57,782 |
| | 4,991 | 57,782 |

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

***(iv) 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.

# Notes to the Financial Statements

## NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

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 2017 | Less than 1 Year $ | 1 to 5 Years $ | More than 5 Years $ | Total contractual cash flows $ | Carrying Value $ |
|---|---|---|---|---|---|
| Trade and other payables | 184,370 | - | - | 184,370 | 184,370 |
| **Total financial liabilities** | 184,370 | - | - | 184,370 | 184,370 |

| As at 30 June 2016 | Less than 1 Year $ | 1 to 5 Years $ | More than 5 Years $ | Total contractual cash flows $ | Carrying Value $ |
|---|---|---|---|---|---|
| Trade and other payables | 343,405 | - | - | 343,405 | 343,405 |
| **Total financial liabilities** | 343,405 | - | - | 343,405 | 343,405 |

### *(v) 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

### *(v) Fair value estimation (continued)*

| | | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | Footnote | Carrying Value $ | Net Fair Value $ | Carrying Value $ | Net Fair Value $ |
| **Financial assets** | | | | | |
| Cash and cash equivalents | (i) | 4,379,080 | 4,379,080 | 10,637,213 | 10,637,213 |
| Trade and other receivables | (i) | 23,722 | 23,722 | 90,434 | 90,434 |
| Financial assets held to maturity | (ii) | - | - | 5,000,000 | 5,000,000 |
| Available-for-sale financial assets at fair value: | | | | | |
| - listed investments | (iii) | 40,782 | 40,782 | 40,782 | 40,782 |
| Financial asset – derivatives | (iv) | 1,198,824 | 1,198,824 | - | - |
| **Total Financial assets** | | 5,642,408 | 5,642,408 | 15,768,429 | 15,768,429 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (i) | 184,370 | 184,370 | 343,405 | 343,405 |
| **Total Financial liabilities** | | 184,370 | 184,370 | 343,405 | 343,405 |

(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) Convertible notes held for conversion into shares in the issuer whose carrying value is equivalent to fair value.

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

(iv) For Financial asset derivatives, fair value is determined using the Black Scholes model, comparing to comparable listed companies close to production.

# Notes to the Financial Statements

## NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

### 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 2017 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Available-for-sale financial assets: | | | | |
| - Listed investments | 40,782 | - | - | 40,782 |
| Financial asset – derivatives | - | - | 1,198,824 | 1,198,824 |
| | 40,782 | - | 1,198,824 | 1,239,606 |

| Consolidated 2016 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Available-for-sale financial assets: | | | | |
| - Listed investments | 40,782 | - | - | 40,782 |
| | 40,782 | - | - | 40,782 |

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.

Include in level 3 of the hierarchy are the MGL options. The value of the financial assets derivative has been determined using the Black Scholes model, comparing MGL to comparable listed companies close to production.

## 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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Australia $ | Namibia $ | Total $ | Australia $ | Namibia $ | Total $ |
| **REVENUE** | | | | | | |
| External services | - | - | - | -- | - | - |
| Other revenue (including finance revenue) | 5,320,508 | 77,678 | 5,398,186 | 3,528,384 | 254,212 | 3,782,596 |
| Total segment revenue | 5,320,508 | 77,678 | 5,398,186 | 3,528,384 | 254,212 | 3,782,596 |
| Reconciliation of segment revenue to group revenue | | | | | | |
| Inter-segment elimination** | (5,228,078) | - | (5,228,078) | (3,155,807) | - | (3,155,807) |
| Total group revenue and income | 92,430 | 77,678 | 170,108 | 372,577 | 254,212 | 626,789 |

* 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 $Nil (2016: $Nil) and other Australian revenue was interest earned and other revenue. Namibian revenue $77,678 (2016: $254,212) in the reporting period other revenue was profit on sale of plant and equipment, and interest earned.

# Notes to the Financial Statements

## NOTE 3: SEGMENT INFORMATION (continued)

### NET PROFIT (LOSS) BEFORE TAX

| | 2017 Australia $ | 2017 Namibia $ | 2017 Total $ | 2016 Australia $ | 2016 Namibia $ | 2016 Total $ |
|---|---|---|---|---|---|---|
| Net profit (loss) Before Tax * | 2,278,647 | (1,792,797) | 485,850 | (1,513,223) | (2,531,319) | (4,044,542) |
| *Reconciliation of segment net loss before tax to group net loss before tax* | | | | | | |
| Inter-segment eliminations | (3,838,266) | 1,464,184 | (2,374,082) | (194,795) | 1,459,455 | 1,264,660 |
| **Operating Net Loss before tax** | **(1,559,619)** | **(328,613)** | **(1,888,232)** | **(1,708,018)** | **(1,071,864)** | **(2,779,882)** |

* Australian net loss includes $186,510 on Australian exploration expenditure, $1,823,360, impairment charges on loans to subsidiaries, an exchange loss by Australia on a loan to Craton in Namibia; and interest expense by Namibia on loan from Australia.

### (c) Segment assets

| | 2017 Australia $ | 2017 Namibia $ | 2017 Total $ | 2016 Australia $ | 2016 Namibia $ | 2016 Total $ |
|---|---|---|---|---|---|---|
| Segment assets current* | 3,698,354 | 704,447 | 4,402,801 | 12,788,696 | 2,938,950 | 15,727,646 |
| Segment assets non-current** | 19,429,645 | 59,236 | 19,488,881 | 10,044,937 | 119,298 | 10,164,235 |
| Inter-segment eliminations*** | (10,000,014) | (1,480) | (10,001,494) | (10,000,019) | (10) | (10,000,019) |
| **Total group assets** | 13,127,985 | 762,203 | 13,890,188 | 12,833,614 | 3,058,238 | 15,891,852 |

* 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 associate and in other listed entities, and office plant and equipment.

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

Eliminations in segment assets include loans from the Parent to the controlled entities of $23,509,189 (2016:$23,943,874) which has been matched against the impairment of these loans and impairment of investment in subsidiaries of $2,705,129(2016:2,705,129).

### (d) Segment liabilities

| | 2017 Australia $ | 2017 Namibia $ | 2017 Total $ | 2016 Australia $ | 2016 Namibia $ | 2016 Total $ |
|---|---|---|---|---|---|---|
| Segment liabilities* | 708,882 | 23,037,957 | 23,746,839 | 2,692,430 | 21,694,211 | 24,386,641 |
| *Reconciliation of segment liabilities to group liabilities* | | | | | | |
| Inter-segment eliminations** | (500,398) | (23,010,261) | (23,510,659) | (2,332,532) | (21,610,614) | (23,943,145) |
| **Total group liabilities** | **208,484** | **27,696** | **236,180** | **359,898** | **83,597** | **443,495** |

* Australian liabilities include payables and loans extended to subsidiaries

** Eliminations in segment liabilities include loans from the Parent to the controlled entities of $23,509,189 (2016:$23,943,874).

## NOTE 4: REVENUE

| | Consolidated Group 2017 $ | 2016 $ |
|---|---|---|
| **From continuing operations** | | |
| **Other revenue** | | |
| Interest received | 138,077 | 596,705 |
| Other revenue | - | 11,535 |
| **TOTAL REVENUE** | **138,077** | **608,240** |

## NOTE 5: OTHER INCOME

| | 2017 | 2016 |
|---|---|---|
| Net gain on disposal of plant and equipment | 15,151 | 14,110 |
| Proceeds from liquidation of investment | 16,880 | - |
| Other income | - | 4,439 |
| **TOTAL OTHER INCOME** | **32,031** | **18,549** |

# Notes to the Financial Statements

## NOTE 6: EXPENSES

**Loss before income tax includes the following specific expenses**:

| | | |
|---|---|---|
| *Depreciation* | | |
| Office equipment | - | 385 |
| Furniture & fitting | 1,599 | 1,792 |
| Plant and equipment | 15,371 | 17,037 |
| Computer software and equipment | 15,413 | 18,525 |
| Motor vehicles | 20,305 | 26,646 |
| Total Depreciation | 52,688 | 64,385 |
| Total rental expense relating to operating leases | 26,575 | 75,089 |

## NOTE 7: INCOME TAX

| | | Consolidated Group | |
|---|---|---|---|
| | | 2017<br>$ | 2016<br>$ |
| (a) | **Income tax expense** | | |
| | Current tax | (631,131) | 271,256 |
| | Deferred tax | | |
| | Deferred tax assets not recognised | 631,131 | (208,859) |
| | | - | 62,667 |
| (b) | **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| | The prima facie tax on (loss) before income tax is reconciled to the income tax as follows | | |
| | Prima facie tax payable on profit/(loss) before income tax at 27.5% (2016:28.5%): | (519,091) | (774,406) |
| | Tax effect of amounts which are not deductible (taxable) in calculating taxable income | | |
| | - Exploration expenditure incurred – Namibia (Note 7c below) | 673,589 | 998,072 |
| | - Other allowable items | - | (49,880) |
| | - Non allowable items | (41,941) | 30 |
| | - Provisions and accruals | (598,271) | 330,123 |
| | Difference in overseas tax rates | (179,624) | (232,683) |
| | Timing differences not recognised | 34,207 | - |
| | Tax losses not recognised | 631,131 | (208,589) |
| | Income tax expense | - | 62,667 |
| (c) | **Unrecognised temporary differences** | | |
| | **Deferred tax assets (at 30%) –** Australian entities | | |
| | Carry forward tax losses | 5,039,007 | 3,562,064 |
| | Temporary differences | 934,231 | 963,034 |
| | | **5,973,238** | 4,525,098 |

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. $31,214,489 (2016:$30,894,584) of accumulated exploration expenditure to utilise.

## NOTE 8: CASH AND CASH EQUIVALENTS

| | Consolidated Group | |
|---|---|---|
| | 2017<br>$ | 2016<br>$ |
| Cash at bank and in hand | 4,379,080 | 10,637,213 |
| **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 | 4,379,080 | 10,637,213 |

### Interest rate exposure

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

# Notes to the Financial Statements

## NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

| | Consolidated Group 2017 $ | 2016 $ |
|---|---|---|
| Trade receivable | 4,991 | 57,782 |
| Other receivables | 512 | 25 |
| Deposits paid | 100 | 321 |
| VAT/GST refund due | 18,119 | 32,066 |
| Prepayments | - | 240 |
| **Total Trade and other receivables** | **23,722** | **90,434** |

**Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. No receivable are past due at year end.

## NOTE 10: INVESTMENT IN ASSOCIATES

Set out below are details of the Group's investment in an associate Macquarie Gold Limited (MGL). An unlisted public company with a gold mine currently in the commissioning stage prior to full production. As an unlisted company there is no quoted market price available for MGL shares.

In the prior year, MGL issued an unsecured convertible note for $10 million with the note to be converted to new shares at $0.375 per share in MGL representing 40% of the total issued capital.

Through the shareholder agreement IBML is guaranteed two of the four seats on the Board of MGL which ensures that IBML participates in all significant financial and operating decisions. The Group has therefore determined that is has significant influence over this entity.

| Name | Classification | Place of Business | Proportion of Ordinary Share Interests/Participating Share | | Measurement Method | Carrying Amount | |
|---|---|---|---|---|---|---|---|
| | | | June 17 | June 2016 | | 2017 $ | 2016 $ |
| Macquarie Gold Limited | Associate | Sydney, Australia | 40% | - | Equity Method | 9,512,253 | 5,000,000 |

| **Summarised statement of comprehensive income** | 2017 $ | 2016 $ |
|---|---|---|
| Revenue | 66,617 | - |
| Loss from continuing operations | (1,219,368) | - |
| Total comprehensive income | (1,219,368) | - |
| **Group's share of Total comprehensive income** | (487,747) | **-** |

| **Reconciliation of carrying amounts** | | |
|---|---|---|
| Cost of investment in associate | 8,676,789 | 5,000,000 |
| Group' share of associates loss after tax from continuing operations | (487,747) | - |
| **Carrying amount of the investment in associate** | **8,189,042** | **5,000,000** |

## NOTE 11: CURRENT AND NON-CURRENT ASSETS FINANCIAL ASSETS

| **Non-Current assets** | | |
|---|---|---|
| Shares in listed entities at fair value – Available for sale | 40,782 | 40,782 |
| Less provison for impairment | - | - |
| | 40,782 | 40,782 |

* The Directors resolved at 30 June 2015 that a provision for impairment should be made for this investment in Africa Mining Company Pty Ltd (AMC). Post reporting date the shareholders of AMC voted in general meeting to wind up the company and distribute surplus funds to shareholders. IBML received $16,884.85 on 3 August 2016 as its share of surplus funds.

## NOTE 11: CURRENT AND NON-CURRENT ASSETS FINANCIAL ASSETS (continued)

**Fair value**

Shares in listed entities have been valued at market value based on closing bid price on 30 June 2017 resulting in no change in the Available-for-sale investments fair value. (2016: $NIL).

**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 for the medium to long term.

## NOTE 12: FINANCIAL ASSETS DERIVATIVES

The derivate asset relates to 20 million options granted by Macquarie Gold Limited (MGL) to the Company on 21 July 2016 which are recorded at fair value and form part of the Company's investment in MGL. They are to be revalued at each reporting period with any change being recorded in profit and loss. The options are non-transferable unlisted options with an exercise price of $0.375 per share on or before 15 July 2019. The assumptions used in the valuation are the following:

| | At Grant Date | 2017 |
|---|---|---|
| Grant date | 22 July 2016 | 22 July 2016 |
| Vesting period ends | 15 July 2019 | 15 July 2019 |
| Share price at date of grant | $0.17 | $0.22 |
| Volatility | 90% | 75% |
| Option life | 3 years | 3 years |
| Dividend yield | 0% | 0% |
| Risk free investment rate | 1.46% | 1.71% |
| Fair value at grant date | $1,323,211 | - |
| Fair value at balance date | - | $1,198,824 |
| Exercise price at date of grant | $0.375 | $0.375 |
| Exercisable from | 22 July 2016 | 22 July 2016 |
| Exercisable to | 15 July 2019 | 15 July 2019 |
| Weighted average remaining contractual life | 3.0 years | 2.1 years |

| | Consolidated Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Fair value at grant date | 1,323,211 | - |
| Loss on fair value movement of derivative asset | (124,387) | - |
| **Total** | **1,198,824** | - |

# Notes to the Financial Statements

## NOTE 13: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

| | Office Equipment | Furniture & Fittings | Plant & Equipment | Motor Vehicles | Computer Equipment | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Year ended 30 June 2016** | | | | | | |
| Opening Net book value | **740** | **5,543** | **70,811** | **102,700** | **50,442** | **230,236** |
| Additions | - | - | 2,185 | - | 0 | 2,185 |
| Disposal | (263) | (54) | (1,762) | (12,798) | - | (14,877) |
| Foreign exchange loss on conversion | (92) | (732) | (9,583) | (13,819) | (5,510) | (29,736) |
| Depreciation charge | (385) | (1,792) | (17,037) | (26,646) | (18,525) | (64,385) |
| **Closing Net book value** | **-** | **2,965** | **44,614** | **49,437** | **26,407** | **123,423** |
| **At 30 June 2016** | | | | | | |
| Cost or fair value | 4,630 | 7,543 | 125,090 | 115,834 | 83,235 | 336,331 |
| Accumulated depreciation | (4,630) | (4,578) | (80,476) | (66,397) | (56,828) | (212.909) |
| **Net book value** | **-** | **2,965** | **44,614** | **49,437** | **26,407** | **123,423** |
| **Year ended 30 June 2017** | | | | | | |
| Opening Net book value | **-** | **2,965** | **44,614** | **49,437** | **26,407** | **123,423** |
| Additions | - | - | - | - | - | - |
| Disposal | - | - | (4,169) | (18,164) | - | (22,333) |
| Foreign exchange loss on conversion | - | 248 | 3,940 | 4,289 | 1,859 | 10,336 |
| Depreciation charge | - | (1,599) | (15,371) | (20,305) | (15,413) | (52,688) |
| **Closing Net book value** | **-** | **1,614** | **29,014** | **15,257** | **12,853** | **58,738** |
| **At 30 June 2017** | | | | | | |
| Cost or fair value | 4,718 | 8,270 | 125,411 | 87,554 | 89,611 | 315,564 |
| Accumulated depreciation | (4,718) | (6,656) | (96,397) | (72,298) | (76,757) | (256,826) |
| **Net book value** | **-** | **1,614** | **29,014** | **15,256** | **12,854** | **58,738** |

## NOTE 14: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Trade payables | 56,680 | 139,931 |
| Sundry payable and accrued expenses | 127,690 | 203,474 |
| | 184,370 | 343,405 |

## NOTE 15: CURRENT LIABILITIES – SHORT TERM PROVISIONS

| | | |
|---|---|---|
| Employee benefits | 51,809 | 100,090 |

# Notes to the Financial Statements

## NOTE 16: ISSUED CAPITAL

| | 2017<br>No of Shares | 2016<br>No of Shares | 2017<br>$ | 2016<br>$ |
|---|---|---|---|---|
| Fully paid ordinary shares 544,158,541 (FY2016:544,158,541) | 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.

**(a) Movements in ordinary share capital**

| Date | Details | No of shares | $ |
|---|---|---|---|
| 30 June 2016 and 2017 | Balance | 544,158,541 | 67,707,532 |

**(b) Options**

No options were issued during the financial year. There are no unexpired options on issue (2016:nil).

**(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.

All ordinary shares issued are fully paid up.

**(d) 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 seek debt to fund operations.

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 17: RESERVES AND ACCUMULATED LOSSES

**(a) Foreign Exchange Translation Reserves**

| | Consolidated<br>2017<br>$ | 2016<br>$ |
|---|---|---|
| Balance at beginning of financial year | (1,858,567) | (1,223,320) |
| Currency translation differences arising during the year | 93,883 | (635,247) |
| Balance at end of financial year | **(1,764,684)** | (1,858,567) |

**(b) Accumulated losses**

| | | |
|---|---|---|
| Movements in retained losses were as follows: | | |
| Balance 1 July | (50,400,608) | (47,620,726) |
| Net (loss) attributable to members of the Company | (1,763,845) | (2,779,882) |
| Balance 30 June | (52,164,453) | (50,400,608) |

**(b) Nature and purpose of reserves**

***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.

# Notes to the Financial Statements

## NOTE 18: PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

| | Parent Entity 2017 $ | 2016 $ |
|---|---|---|
| Current assets | 3,686,118 | 12,771,549 |
| Total assets | 23,240,150 | 22,816,486 |
| Current liabilities | 202,147 | 359,898 |
| Total liabilities | 202,147 | 359,898 |
| **Shareholders' equity** | | |
| Contributed equity | 67,707,532 | 67,707,532 |
| Retained losses | (44,669,529 | (45,250,944) |
| **Total equity** | **23,038,003** | **23,456,588** |
| Profit/(loss) for the year | 581,415 | (3,215,347) |
| **Total Comprehensive Income** | **581,415** | **(3,215,347)** |
| **Loans by parent to controlled entities** | | |
| Amounts owing by controlled entities | 23,509,189 | 23,948,918 |
| Provision for impairment of receivables | (23,509,189) | (23,948,918) |
| | - | - |

### (a) Impaired receivables and receivables past due

At 30 June 2017 $23,509,189 (2016: $23,948,918) owing by controlled entities was impaired with a reversal of the previous impairment of $439,729 provided in previous years. (2016: $3,727,101). The impairment has resulted from the Parent Entity advancing working capital to Controlled Entities which have no income and therefore are not in a position at this exploration stage to meet their liability to the Parent Entity.

The amount owing by de-registered subsidiaries Maranoa Resources Pty Limited, Endolithic Resources Pty Ltd and Craton Property Holdings Pty Ltd totalling $1,889,702 has been fully impaired in the books of the parent and the debts forgiven in the books of the subsidiaries.

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up the above mentioned loans totalling $23,509,189 (2016: $23,948,918) 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) Impaired investment in subsidiaries

The group's accounting policy is consistent with accounting standards that financial assets are carried at fair value in accordance with AASB139.

The accounting policies for the Parent Entity (IBML) are the same as those of the group, other than investments in subsidiary which are carried at their cost, less any impairment.

At 30 June 2017 the parent company's investment in Craton Mining and Exploration (Pty) Ltd was $10M (2016: $10M). The Directors have considered whether all or part of this investment is impaired and have resolved that the current book value equates to fair value and no impairment if necessary.

### (c) Fair values

After provisioning for impairment for the amount owing by a controlled entities in the current and past years of $23,509,189, the carrying amount is assumed to approximate the fair value of the loans to controlled entities. of $23,509,189. Information about the Group's exposure to credit and interest risk is provided in Note 2.

## NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Key management personnel compensation

| | Consolidated 2017 $ | 2016 $ |
|---|---|---|
| Short-term employee benefits | 716,701 | 1,149,035 |
| Post-employment benefits | - | 18,018 |
| Termination benefits | - | 154,448 |
| | **716,701** | **1,321,501** |

Details of key management personnel remuneration are included in the remuneration report on page 22-25.

# Notes to the Financial Statements

## NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

**(b) Shareholdings of key management personnel**

Details of shareholdings of key management personnel are disclosed in the remuneration report on page 22-25.

**(c) Option holdings of key management personnel**

No options are held by KMP's (2016: Nil).

## NOTE 20: REMUNERATION OF AUDITORS

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| ***Auditor to the parent company*** | | |
| **Audit and review of financial statements** | | |
| Grant Thornton Audit Pty Ltd | 60,705 | 54,561 |
| **Auditors of subsidiaries** | | |
| Grant Thornton Neuhaus | 20,698 | 22,008 |
| ***Other services to the subsidiaries*** | | |
| Taxation services – Ernst Young | 3,703 | - |
| | 85,106 | 76,559 |

## NOTE 21: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

## NOTE 22: 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 offices facilities under a non-cancellable operating leases expiring within six months. The lease has not expired and rent is being paid on a month by month basis.

**(b) Service agreement**

IBML as an administrative services agreement with Zamia Metals Limited ("ZGM") whereby Zamia Metals Limited provides equipment, premises and office services. IBML has agreed on a month by month basis to pay $3,500 plus GST as their share of rent and additional to pay one half of the cost of Zamai providing office facilities.

**(c) Exploration and Development**

Exploration tenements granted in Australia and Namibia are issued with a minimum annual expenditure commitment. The total minimum expenditure on existing exploration tenements in the next financial year is $0.2 which expenditure has been already exceeded. There is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms. This excludes commitments for the ML197 licence application which has not been re-issued. (Minimum annual expenditure for tenements in Namibia is translated at the rate of 1A$=10.62N$)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| - Namibia Tenement Payable not later than one year | - | 260,916 |
| - Australia Tenement Payable not later than one year | - | - |
| | - | 260,916 |

**(d) Loans to Controlled entities**

The Company has issued Letters of Support to its Controlled Entities agreeing not to call up loans totalling $23,509,189 (2016: $23,943,874) 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.

# Notes to the Financial Statements

## NOTE 23: RELATED PARTY TRANSACTIONS

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

***(a) Parent entity***

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

***(b) Subsidiaries***

Interests in subsidiaries are set out in Note 24.

***(c) Key management personnel***

Disclosures in relation to key management personnel are set out in Note 19 and on pages 22-25 of the Directors' Report.

***Other transactions with related parties of Parent***

As disclosed in Note 22(b), the Company has an administrative services agreement with Zamia Metals Limited ("ZGM") whereby Zamia Metals Limited provides equipment, premises and office services. IBML has agreed on a month by month basis to pay $3,500 plus GST as their share of rent and additional to pay one half of the cost of Zamia providing office facilities.

Under the service agreement Zamia Metals Limited billed the Company $53,354 (excluding GST) for rent and service fees during the financial year.

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:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Amounts recognised as revenue – technical service fees | | - |
| Amounts recognised as expense - rent and service fees | 53,354 | 90,612 |
| ***Outstanding balances arising from sale of services*** | | |
| Current receivables – service fees and expenses recouped | 5,685 | 4,401 |

## NOTE 24: INTEREST IN OTHER ENTITIES

**(a) Subsidiaries**

The group's principal subsidiaries at 30 June 2017 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 | Nature of Operations | Country of Incorporation | Ownership Interest 2017 | Ownership Interest 2016 |
|---|---|---|---|---|
| ***Parent entity*** | | | | |
| International Base Metals Limited | Holding Company | Australia | 100% | 100% |
| ***Controlled entities*** | | | | |
| AuriCula Mines Pty Ltd | Exploration | Australia | 100% | 100% |
| Maranoa Resources Pty Ltd | Exploration | Australia | - | 100% |
| Endolithic Resources Pty Ltd 2007) | Exploration | Australia | - | 100% |
| Tandem Resources Pty Ltd | Intermediate Holding Company | Australia | - | 100% |
| Craton Property Holdings Pty Ltd | Property | Australia | - | 100% |
| Craton Mining and Exploration (Pty) Ltd | Exploration | Namibia | 100% | 100% |
| Omitiomire Mining Company (Pty) Ltd | Exploration | Namibia | 100% | 100% |
| Kopermyn Explorations (Pty) Ltd | Exploration | Namibia | 100% | 100% |

**(b) Interests in Associates and Joint Ventures**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| MGL convertible note | - | 5,000,000 |
| MGL investment | 8,676,789 | - |
| Investment in in African Mining Capital Pty Ltd. | - | 300,000 |
| Less Provision for Impairment of investment | (487,747) | (300,000) |
| | 8,189,042 | 5,000,000 |

In July 2016 Macquarie Gold Limited (MGL) converted the convertible notes held by IBML to equity in MGL and issued to IBML 40 million fully paid ordinary shares in MGL and 20 million options exercisable at $0.375 per shares on or before 15 July 2019. IBML's shareholding in MGL represents 40% of the number of MGL shares on issue pre listing of MGL on the ASX.

# Notes to the Financial Statements

## NOTE 24: INTEREST IN OTHER ENTITIES (continued)

The Directors of African Mining Capital Pty Ltd at a general meeting held on 22 July 2017 received shareholder approval to windup the company and to return surplus funds to shareholders. As a result of this decision IBML received $16,884.85 on 3 August 2016 as its share of surplus funds.

**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 2017 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 | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | | | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| Tandem JV Pty Ltd | Australia | - | 31% | Associate | Equity method | - | - | - | - |
| Macquarie Gold Limited[1] | Australia | 40% | - | Associate | Amortised cost | 9,512,253 | 5,000,000 | 9,512,253 | 5,000,000 |

[1] *Private or Unlisted public company – no quoted price available*

MGL’s profit before tax and comprehensive income for the year was a loss of $1,219,368 (2016:$755,580)

## NOTE 25: SUBSEQUENT EVENTS

On 25 August 2017, Tradeport Holdings lodged an offer to purchase 10% equity in Craton for a total commitment of N$50 million of equity investment and loan financing. The terms and conditions precedent are still to be negotiated. Discussions with Tradeport indicate that an acceptable investment would be an upfront payment of N$10 million with draw-down of the remaining N$40 million at project development milestones

The IBML Board has resolved to support in principle the 10% divestiture subject to satisfactory legal documentation, statutory approvals and final taxation advice.

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Operating profit/(loss) after income tax | (1,888,232) | (2,779,882) |
| Non-cash items included in profit and loss: | | |
| - depreciation and amortization | 52,688 | 64,385 |
| Net (gain) on sale of property, plant and equipment | (15,151) | (14,110) |
| Reversal of provision for loss impairment | (300,000) | - |
| Investment loss | 283,120 | - |
| Share of loss from associate | 487,747 | - |
| Fair value movements as derivative asset | 124,387 | - |
| Loan forgiveness | - | (4,439) |
| Net foreign exchange difference | 83,547 | (605,510) |
| Change in assets and liabilities | | |
| Decrease in receivables | 66,712 | 130,676 |
| (Decrease) in payables | (159,035) | (244,835) |
| (Decrease) in provisions | (48,281) | (70,956) |
| **Net cash (outflow) from operating activities** | **(1,312,498)** | **(3,524,671)** |

# Notes to the Financial Statements

## NOTE 27: LOSS PER SHARE

| | Consolidated Group 2017 Cent per Share | 2016 Cents per Share |
|---|---|---|
| Basic loss per share | (0.35) | (0.51) |
| Diluted loss per share | (0.35) | (0.51) |

### *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:

| | 2017 $ | 2016 $ |
|---|---|---|
| Loss (i) | (1,888,232) | (2,779,882) |
| Weighted average number of ordinary shares (ii) | 544,158,541 | 544,158,541 |

(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 2017 (2016:Nil) 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.

# Shareholder Information

Statement of issued securities as at 12 September 2017

There are 320 shareholders holding a total of 544,158,541 ordinary fully paid shares on issue by the Company.eligible 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 12 September 2017

Ordinary fully paid shares

| Range of holding | | Number of holders | Total Units |
|---|---|---|---|
| 1 - | 1,000 | - | - |
| 1,001 - | 5,000 | 3 | 7,500 |
| 5,001 - | 10,000 | 6 | 51,655 |
| 10,001 - | 100,000 | 125 | 7,092,113 |
| 100,001 - | and over | 186 | 537,007,273 |
| Total holders | | 320 | 544,158,541 |

**Substantial shareholdings as at 12 September 2017 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 12 September 2017**

| Holder Name | Shares held | % |
|---|---|---|
| RUI KING RESOURCES LIMITED | 150,000,000 | 27.57% |
| WEST MINERALS PTY LIMITED | 118,326,492 | 21.74% |
| HEILONGJIANG HEILONG RESOURCES INVESTMENT CO LTD | 25,022,723 | 4.60% |
| CHINA KINGS RESOURCES GROUP CO LTD | 22,500,000 | 4.13% |
| CHINA SUN INDUSTRY PTY LTD | 20,000,000 | 3.68% |
| MANICA MINERALS LTD | 15,000,000 | 2.76% |
| PEARL GLOBAL INVESTMENT LIMITED | 13,333,333 | 2.45% |
| BLACKMANS & ASSOCIATES PTY LTD <SUPER FUND A/C> | 13,000,000 | 2.39% |
| JIAN XU | 10,718,379 | 1.97% |
| MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN <MAIDEN FAMILY S/F A/C> | 10,521,751 | 1.93% |
| GREAT SEA WAVE INVESTMENT PTY LTD | 9,167,333 | 1.68% |
| THETA ASSET MANAGEMENT LIMITED <AUSTUS RESOURCES FUND A/C> | 8,333,333 | 1.53% |
| MACQUARIE BANK LTD | 8,333,333 | 1.53% |
| PEAK SUCCEED INVESTMENTS LIMITED | 6,666,667 | 1.23% |
| HUNAN CENTRAL SOUTH BIOHYDROMETALLURGY COMPANY LTD | 6,250,000 | 1.15% |
| GOLDVANCE PTY LTD <BMR A/C> | 5,047,200 | 0.93% |
| AUSTRALIAN GEOSCIENTISTS PTY LTD | 2,932,500 | 0.54% |
| HSBC CUSTODY NOMINEES | 2,856,667 | 0.52% |
| SUN JIA DEVELOPMENT LIMITED | 2,727,272 | 0.50% |
| MULATO NOMINEES PTY LTD | 2,500,000 | 0.46% |
| SOS INITIATIVES PTY LTD <SEABORN SUPER FUND A/C> | 2,343,750 | 0.43% |
| | 452,724,066 | 82.69% |
| **Total of Securities** | **544,158,541** | |