



INTERNATIONAL BASE METALS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Contents

	Page
Directors' Report	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9
Directors' Declaration	14
Independent Review Report	15
Auditor's Independence Declaration	17

Directors' Report

Directors present their consolidated report on International Base Metals Limited, ("the Company"), and its controlled entities for the half year ended 31 December 2017 ("the period" or "the half-year").

Directors

The names of Directors who held office during or since the end of the half year:

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

Company Secretary

John Stone B.Ec.

Chief Financial Officer

Barry Neal B.Ec

Principal Activities

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

Operating Results

The net loss after tax of the consolidated entity for the half-year was \$2,509,482 (2016: corresponding period a loss of \$924,813). The loss for the current half year includes the impairment of a financial asset of \$1,198,824 as a result of the fair value options being valued at nil value. Refer to Note 8 - 'Events Subsequent to Reporting Date'. All exploration expenditure during the period was expensed. MGL is yet to commence production.

Dividends

No dividends were paid during the period and no recommendation is made as to payment of dividends.

Review of Operations

Macquarie Gold Limited

Macquarie Gold Limited (MGL) Adelong Gold Project in southern NSW is currently in care and maintenance pending a decision on a mill upgrade. Refer to the Macquarie Gold website www.macquariegold.com.au for further details.

As disclosed under 'Significant Changes in the State of Affairs, on 24 December 2017 a binding term sheet was signed with Macquarie Gold Limited to acquire all the issued shares in this entity.

Namibian Copper Project

The Omitiomire copper project, held by IBML's wholly-owned Namibian-registered subsidiary, Craton Mining & Exploration (Pty) Ltd ('Craton'), is the Company's main copper asset.

Review of Operations

Mining Licence

The Namibian Ministry of Mines and Energy (MME) had previously stated that a Mining Licence would be issued once Craton had distributed 5% equity shareholding to previously disadvantaged persons or entity in Namibia.

- Craton has signed an agreement to sell 10% of its equity to a Namibian company, Tradeport Holdings, for Namibian Dollars N\$50 million (approx. A\$5 million) payable in tranches.
- In December 2017, the MME issued ML197, covering the Omitiomire project area, to Craton.

The first and second tranches due under the Tradeport agreement have not been received at the date of this report.

Please refer to 'Events subsequent to the end of the reporting period'.

Farm Access

The farm Omitiomire has been sold. Craton is in the process of negotiating an access agreement with the new owner.

Mini Mining

- To comply with the MME requirement for expeditious mine development, Craton plans initial development of a small "mini-mining" operation, to bring the project into production quickly and at low cost.
- The "mini mining" scenario targets higher grade oxide copper within the top 11m of the Pan area of the Omitiomire deposit.
- Craton is currently preparing a Project Charter prior to appointing a Project Development team.
- The current schedule has a life of mine of 3.5 years, with unquantified extensions to the south, at depth and in other pits. The planned pit contains 431,000 tonnes (t) of ore at 0.93% Cu and 185,000t of waste.
- Processing is expected to have a recovery of 89% and produces an average of 84.7t of copper cathode per month.
- Mini Mining is planned to lead to a full scale sulphide copper mining project during or after the 3.5 year period.

Tenements and Exploration

- In the absence of a clear timetable to development of the Omitiomire Project during the past two years, Craton had continued to cut costs through relinquishing exploration tenements, cutting exploration programs, retrenching staff and terminating contracts.
- Craton has retained EPL3589 (Ekuja), which surrounds ML197, and has relinquished EPL4150 (Seeis).
- No exploration field work was conducted during the period under review.

Other Projects

The Company has remained a passive minority partner in exploration programmes on tenements south of Cobar in New South Wales ('NSW').

Share Issues

A share based payment of \$380,911 being 13,603,963 ordinary shares was made to a Director in lieu of consulting service provided. The issue price of the shares was determined by reference to the most recent off market share transfer.

No other capital has been raised in the current half-year.

Shares and options on issue

There were 557,762,504 ordinary shares on issue at 31 December 2017 there were no outstanding options.

Significant Changes in the State of Affairs

On 17 November 2017 Subscription and Shareholders agreements were signed with Atlantic Tradeport Holdings (Proprietary) Limited for this Namibian entity to subscribe for 10% of the shares in Craton Mining and Exploration (Proprietary) Limited (Craton) for a consideration of N\$50 million (approx. A\$5 million) which will provide significant impetus for the development of the Omitiomire Copper Project.

Tradeport is to subscribe for shares in Craton in tranches for new shares to be issued as subscriptions amount are received.

The first tranche subscription of N\$10 million (approx. A\$1 million) is to be paid within 30 days of the signing of the agreement, with the second tranche of N\$20 million (A\$2 million) to be paid at the time the Omitiomire Mining licence has been issued and access to the farm has been concluded and the third tranche of N\$20 million (A\$2 million) to be paid when Craton orders the heavy equipment for the commencement of mining operations. The first tranche of N\$10 million (approx. A\$1 million) was not received by the due date.

On 24 December 2017 a binding term sheet was signed with Macquarie Gold Limited to acquire all the issued shares in this entity to be settled with the issue of 131,550,000 ordinary shares in IBML equivalent to the issue of 2.1925 to each MGL shareholder.

The offer is subject to 100% acceptance by MGL shareholders and also a loan facility agreement from IBML to MGL being executed.

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

Events subsequent to the end of reporting period

On 15 January 2018 the acquisition of Macquarie Gold Limited (MGL) was completed with 131,550,000 ordinary fully paid shares issued to MGL shareholders. MGL and this company's subsidiary Challenger Mines Pty Ltd are now fully owned subsidiaries of IBML.

A loan facility agreement was also signed with MGL with the total of all secured loans including accrued interest capped at \$10 million.

The Head Office of MGL in Sydney was closed on 31 January 2018 and moved to IBML's Head office in Chatswood.

The fair value of the 20 million MGL options issued to IBML and the 30 million options originally issued to MGL shareholders exercisable at \$0.375 and expiring on 15 July 2019 have been assessed as having nil value and thus impaired. These options were cancelled according to a resolution of the Board. A binding term sheet was signed with Macquarie Gold Limited on 24 December 2017 to acquire all the issued shares and options.

As per the Subscription and Shareholders agreements signed with Atlantic Tradeport Holdings (Proprietary) Limited the first tranche subscription of N\$10 million (approx. A\$1 million) and the second tranche of N\$20 million (A\$2 million) have not been paid by the due dates. Legal action is now being taken for recovery of the amount owing under the agreement.

There are no other matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the entities, the results of those operations, or state of affairs of the entities in future financial periods.

Expected future developments

The Craton Omitiomire Copper Project envisages mining the oxide ore at the rate of 10,000 per month will commence following the signing of a subscription agreement with Atlantic Tradeport Holdings (Proprietary) Limited.

It is planned to further develop the Adelong gold mine in Southern New South Wales, which is owned by Macquarie Gold Limited's subsidiary Challenger Mines Pty Ltd in order to bring this mine into full production.

IBML remains committed to actively evaluating other projects with the aim of proceeding with a transaction that provides liquidity/listing for shareholders.

Environment Regulation

The consolidated entity's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and Namibia. The consolidated entity is at all times in full environmental compliance with the conditions of its licences.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor's Independence

A copy of the independence declaration by the lead auditor under Section 307C of the Corporations Act is included on page 16 of this financial report.

Signed on 7 March 2018 in accordance with a resolution of the Board of Directors



Hugh Ian Thomas
Chairman

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year ended 31 December 2017

	Note	Half Year ended	
		31 Dec 2017	31 Dec 2016
		\$	\$
Revenue	2	58,613	94,260
Expenditure			
Administrative expenses		(392,947)	(318,359)
Exploration expenses		(232,319)	(160,072)
Depreciation and amortisation expense		(42,976)	(27,699)
Consultants' expense		(412,179)	(60,990)
Financial and legal advice		(37,417)	(37,878)
Occupancy expenses		(18,502)	(20,832)
Contribution to Craton Foundation		(28,608)	(28,423)
Employee benefits expense		(74,092)	(112,596)
Impairment of financial asset		(1,198,847)	-
Share of loss from associate	6	(130,208)	(251,612)
Loss before income tax		(2,509,482)	(924,201)
Income tax (expense)		-	(612)
Loss for the period		(2,509,482)	(924,813)
Other Comprehensive income			
Exchange differences on translation of foreign operations		9,123	105,659
Total Other Comprehensive income		9,123	105,659
Total Comprehensive (Loss) for the half-year attributable to owners of International Base Metals Limited		(2,500,359)	(819,154)
Basic loss per share (cents)		(0.46)	(0.17)
Diluted loss per share (cents)		(0.46)	(0.17)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position
As at 31 December 2017**

	Note	31 Dec 2017 \$	30 Jun 2017 \$
Current Assets			
Cash and cash equivalents		3,536,877	4,379,080
Trade and other receivables		72,221	23,722
Total Current Assets		3,609,098	4,402,802
Non-current Assets			
Investment in associate entity	6	8,058,834	8,189,042
Available-for-sale financial assets		40,782	40,782
Financial assets		-	1,198,824
Property, plant and equipment		54,286	58,738
Total Non-current Assets		8,153,902	9,487,386
Total Assets		11,763,000	13,890,188
Current Liabilities			
Trade and other payables		174,198	184,370
Short-term provisions		61,742	51,810
Total Current Liabilities		235,940	236,180
Total Liabilities		235,940	236,180
Net Assets		11,527,060	13,654,008
Equity			
Issued capital	5	68,080,943	67,707,532
Reserves		(1,755,561)	(1,764,684)
Accumulated losses		(54,798,322)	(52,288,840)
Total Equity		11,527,060	13,654,008

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2017**

	Contributed Equity \$	Reserves \$	Accumulated losses \$	Total Equity \$
Balance at 1 July 2016	67,707,532	(1,858,567)	(50,400,608)	15,448,357
Loss for the half year	-	-	(924,813)	(924,813)
Other comprehensive income	-	105,659	-	105,659
Total Comprehensive loss for the half-year	-	105,659	(924,813)	(819,154)
Balance at 31 December 2016	67,707,532	(1,752,908)	(51,235,421)	14,629,203
Balance at 1 July 2017	67,707,532	(1,764,684)	(52,288,840)	13,654,008
Loss for the half year	-	-	(2,509,482)	(2,509,482)
Other comprehensive income	-	9,123	-	9,123
Total Comprehensive loss for the half-year	-	9,123	(2,509,482)	(2,500,359)
Transactions with owners, in their capacity as owners, and other transfers				
Share based payment made during the period net of share issue costs	373,411	-	-	373,411
Total transactions with owners	373,411	-	-	373,411
Balance at 31 December 2017	68,080,943	(1,755,561)	(54,798,322)	(11,527,060)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows For the Half-Year ended 31 December 2017

	Note	Half Year ended	
		31 Dec 2017	31 Dec 2016
		\$	\$
Cash flow from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(624,697)	(711,596)
Payments for exploration expenditure		(232,319)	(160,071)
Income tax paid		-	(3,220)
Interest received		60,286	113,517
Net cash (outflow) from operating activities		(796,730)	(761,370)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		-	38,221
Purchase of property, plant and equipment		(37,973)	-
Proceeds from liquidation of investments		-	16,885
Investment in associates		-	(5,000,001)
Net cash (outflow) from investing		(37,973)	(4,944,895)
Cash flows from financing activities			
Cost of share issue		(7,500)	-
Net cash (outflow) from financing activities		(7,500)	-
Net (decrease) in cash held		(842,203)	(5,706,265)
Cash at beginning of the period		4,379,080	10,637,213
Cash at end of the period		3,536,877	4,930,948

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of International Base Metals Limited and its controlled entity (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

c. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent International Base Metals Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 9.

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

d. Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the associate. In addition, the Group’s share of the profit or loss of the associate is included in the Group’s profit or loss.

The carrying amount of equity-accounted investments is tested for impairment if events or changes in circumstances indicate that they might be impaired.

e. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the Group’s 2017 Annual Financial Report.

Determination of MGL Investment as an associate

IBML is able to appoint two of the four Directors of Macquarie Gold Mines Limited. However, having only 40% of the voting rights, and with key decisions requiring either unanimous agreement at Board level, or Shareholder Approval, IBML considers that it does not have the ability to control Macquarie Gold Mines Limited as at reporting date. It does have significant influence and therefore has accounted for its investment as an Investment in Associate. Also refer to Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

f. Material uncertainty related to going concern

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

The net loss after income tax for the consolidated entity for the half year ended 31 December 2017 was \$2,509,482 (2016: \$924,813) and the Group had net cash outflows from operating activities of \$796,730 (2016: \$761,370)

The Directors have considered the following in their assessment of going concern:

- (i) the Group had \$3.5 million cash on hand at 31 December 2017;
- (ii) Subscription and Shareholders agreements have been signed with Atlantic Tradeport Holdings (Proprietary) Limited for this Namibian entity to subscribe for 10% of the shares in Craton Mining and Exploration (Proprietary) Limited (Craton) for a consideration of N\$50 million (approx. A\$5 million). This would provide significant impetus for the development of the Omitiomire Copper Project. Please also refer to “Events subsequent to the end of the reporting period” regarding the fact that the first tranche and the second tranche have not been paid at the date of this report;
- (iii) Capital raisings or issues of convertible notes are planned during the next 12 months, as needed; and
- (iv) Costs can be reduced if the forecast cash inflows and capital injections do not fully materialise.

In the event that the consolidated entity is unable to obtain sufficient funds to meet anticipated expenditure, there is a material uncertainty that may cast significant doubt upon the Company and the consolidated entity’s ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

At the date of approval of this financial report, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2017.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

NOTE 2: REVENUE

	31 Dec 2017	31 Dec 2016
	\$	\$
From continuing operations		
Other revenue		
Interest received – other entities	58,613	62,667
Other	-	31,593
TOTAL REVENUE	58,613	94,260

NOTE 3: DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 4: SEGMENT REPORTING

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

Accounting policies

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both an exploration and a geographic perspective and has identified two reportable segments as disclosed below.

International Base Metals Limited and its controlled entities are involved in mineral exploration without an income stream at this stage. Cash flow management including the raising of capital from time to time to fund investment and working capital needs, therefore is an important function. The two reportable segments are Australia and Namibia which also equate to the geographic location.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: SEGMENT REPORTING (CONTINUED)

(b) Segment performance

	Half Year Dec 2017			Half Year Dec 2016		
	Australia \$	Namibia \$	Total \$	Australia \$	Namibia \$	Total \$
REVENUE						
External sales	-	-	-	-	-	-
Other revenue (including finance revenue)	1,737,348	22,270	1,759,618	755,431	49,535	804,966
Total segment revenue	1,737,348	22,270	1,759,618	755,431	49,535	804,966
Reconciliation of segment revenue to Group revenue						
Inter-segment elimination**	(1,698,815)	(2,190)	(1,701,005)	(710,706)	-	(710,706)
Total Group revenue	38,533	20,080	58,613	44,725	49,535	94,260

** Represents interest charged by Australia to Namibia on intercompany loan

NET PROFIT/(LOSS) BEFORE TAX

	Half Year 2017			Half year Dec 2016		
	Australia \$	Namibia \$	Total \$	Australia \$	Namibia \$	Total \$
Net Profit/(loss) Before Tax *	(2,274,266)	(993,001)	(3,267,267)	1,263,568	(901,478)	362,090
Reconciliation of segment net profit before tax to Group net profit before tax						
Inter-segment eliminations* *	-	757,785	757,785	(1,997,609)	710,706	(1,286,903)
Operating Net Loss before tax	(2,274,266)	(235,216)	(2,509,482)	(734,041)	(190,771)	(924,813)

* Australian net loss includes interest earned including interest charged to a subsidiary

** Represents provision for impairment of intercompany loans, interest revenue and an exchange loss by Australia on a loan to Namibia; and interest expense by Namibia on loan from Australia.

	Half Year Dec 2017			Half Year Dec 2016		
	Australia \$	Namibia \$	Total \$	Australia \$	Namibia \$	Total \$
Segment assets current*	3,100,266	508,831	3,609,097	4,124,543	832,935	4,957,478
Segment assets non-current**	18,116,149	37,755	18,153,904	19,791,500	82,512	19,874,012
Inter-segment eliminations***	(10,000,001)	-	(10,000,001)	(10,000,019)	(11)	(10,000,030)
Total Group assets	11,216,414	546,586	11,763,000	13,916,024	915,436	14,831,460

* Australian current assets are cash and receivables. Namibian current assets are cash and receivables.

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

*** Eliminations in segment assets include loans from the Parent to the controlled entities as at 31 December 2017 \$25,208,003 (June 2017: \$25,509,189) which has been offset against the impairment of these loans

NOTE 5: ISSUED CAPITAL

	31/12.2017	30.6.2017	31/12.2017	30.6.2017
	No of Shares	No of Shares	\$	\$
Fully paid ordinary shares 557,762,504 (30 June 2017: 544,158,541)	557,762,504	544,158,541	68,080,943	67,707,532

(a) Movements in ordinary share capital

Date	Details	No of shares	\$
30 June 2017	Balance	544,158,541	67,707,532
	Share based payment net of issue costs	13,603,963	373,411
		557,762,504	68,080,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: ASSOCIATES

Set out below are details of the Group's investment in an associate Macquarie Gold Limited (MGL). An unlisted private 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. Also refer to Note 8.

Name	Classification	Place of Business	Proportion of Ordinary Share Interests/Participating Share		Measurement Method	Carrying Amount	
			Dec 2017	June 2017		Dec 2017 \$	June 2017 \$
Macquarie Gold Limited	Associate	Sydney, Australia	40%	40%	Equity Method	8,058,834	8,189,042

Summarised statement of comprehensive income	Dec 2017 \$	June 2017 \$
Revenue	5,320	66,617
Loss from continuing operations	(330,839)	(1,209,368)
Total comprehensive income	(325,519)	(1,209,368)
Group's share of Total comprehensive income	(130,208)	(487,747)
Reconciliation of carrying amounts	Dec 2017 \$	June 2017 \$
Cost of investment in associate	8,189,042	8,676,789
Group's share of associates loss after tax from continuing operations	(130,208)	(487,747)
Carrying amount of the investment in associate	8,058,834	8,189,042

NOTE 7: CONTINGENT LIABILITIES

There are no contingent liabilities at balance sheet date.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 15 January 2018 the acquisition of Macquarie Gold Limited (MGL) was completed with 131,550,000 ordinary fully paid shares issued to MGL shareholders. MGL and this company's subsidiary Challenger Mines Pty Ltd are now fully owned subsidiaries of IBML.

A loan facility agreement was also signed with MGL with the total of all secured loans including accrued interest capped at \$10 million.

The Head Office of MGL in Sydney was closed on 31 January 2018 and moved to IBML's Head office in Chatswood.

The fair value of the 20 million MGL options issued to IBML and the 30 million options originally issued to MGL shareholders exercisable at \$0.375 and expiring on 15 July 2019 have been assessed as having nil value and thus impaired. These options were cancelled according to a resolution of the Board. A binding term sheet was signed with Macquarie Gold Limited on 24 December 2017 to acquire all the issued shares and options.

As per the Subscription and Shareholders agreements signed with Atlantic Tradeport Holdings (Proprietary) Limited the first tranche subscription of N\$10 million (approx. A\$1 million) and the second tranche of N\$20 million (A\$2 million) have not been paid by the due dates. Legal action is now being taken for recovery of the amount owing under the agreement.

There are no other matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the entities, the results of those operations, or state of affairs of the entities in future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2017. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest	
			December 2017	June 2017
Parent entity				
International Base Metals Limited	Australia	Ordinary	100%	100%
Controlled entities				
AuriCula Mines Pty Ltd (incorporated 15 March 2004)	Australia	Ordinary	100%	100%
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	Ordinary	100%	100%
Omitiomire Mining Company (Pty) Ltd (incorporated 4 March 2009)	Namibia	Ordinary	100%	100%
Kopermyn Explorations (Pty) Ltd	Namibia	Ordinary	-	100%

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 5-13
 - a. comply with Accounting Standard AASB 134 'Interim Financial Reporting', and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date, and
2. there are reasonable grounds to believe that International Base Metals Limited will be able to pay its debts as and when they become due and payable.

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



Hugh Ian Thomas
Executive Chairman

Dated this 7 March 2018

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of International Base Metals Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 7 March 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of International Base Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of International Base Metals Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(f) in the financial statements, which indicates that the Group incurred a net loss of \$2,509,482 during the period ended 31 December 2017, and had net cash outflows from operating activities of \$796,730. As stated in Note 1(f), these events or conditions, along with other matters as set forth in Note 1(f), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Base Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner - Audit & Assurance

Sydney, 7 March 2018