INTERNATIONAL BASE METALS LIMITED

ABN: 73 100 373 635

Annual Report

2018

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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	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 Dennis Morton	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 Financial Officer

Mr Barry Neal

Company Secretary

Mr John Stone

Registered Office and Principal Place of Business

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29 Albert Avenue
Chatswood NSW 2067
Telephone: + 61 2 8412 8110
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 (IBML) I present to you, on behalf of the Board, the Company's Annual Report for 30 June 2018.

I wrote last year that the 2016/17 financial year was one of consolidation. This financial year has been about having to take control and planning. I will provide further details below, but I am delighted to state that both IBML's assets, Challenger Mine held though our 100% subsidiary Macquarie Gold Limited (MGL) and the Omitiomire mine held through our 100% subsidiary Craton Mining & Exploration Pty Ltd (CME) are both ready for production with all licencing and permits in place. This has been a long and arduous process however we are finally ready to commence production at both MGL and CME subject to financing.

Addressing each asset; MGL was unfortunately problematic and whilst we had hoped that the MGL Board and Executive had the requisite skills to oversee Challenger Mine to production this was sadly not the case. IBML showed significant patience and endeavoured to work with the MGL Board; this included IBML providing further financing to MGL in the form of secured debt. Ultimately the situation became untenable so the IBML Board made the decision to acquire the remaining equity in MGL by way of a merger. IBML is now the 100% shareholder of MGL. During this difficult period I worked closely with Mr Dennis Morton, the Chairman of MGL, who I thank for his professionalism and assistance during, and post the merger. If not for his dedication, the MGL situation I am sure would have been considerably worse. Post the merger, Mr Morton was invited to join the IBML Board; I am delighted to say he joined and has made a considerable contribution to IBML already.

On completion of the merger we disbanded the MGL Board and effectively put the Challenger mine into 'care and maintenance' so we could assess the real situation. IBML engaged third parties to conduct a full assessment of the Challenger assets inclusive of the most effective way to advance the mine and milling. This work is now complete and provides a compelling case that Challenger has the scope and opportunity to be a financially viable long-term asset for IBML. The same third-party consultants are now working on detailed plans for starting the operation which we hope to enact in November or December 2018. The plans include both a mid to long term strategy for the next 5-10 years plus some short-term strategies to generate early cashflow including the ability to process the available mullock through a tolling arrangement.

CME was also beset with some challenges; I am happy to report however that we are still aiming to commence the construction of the mini mine operation in calendar year 2018 with production commencing late 2019. All statutory requirements and licences, mining, exploration and environmental, are in place. The Tradeport deal we announced early in the year unfortunately failed to complete, which necessitated us looking for alternate funding. IBML/CME appointed one of Namibia's leading advisory houses to assist in raising funds for the project; they have been briefed to place the equivalent of approximately 20% of equity with new shareholders subject to final pricing. As I write we have just completed a roadshow with the Craton Board in both Namibia and South Africa which was well received. We have also identified a General Manager for Craton and contractors to commence upon a successful capital raise.

On completion of the capital raise, IBML will no longer be the sole shareholder in Craton. We have therefore taken action to start a reconstruction of the Craton Board to make it more market focused and aligned. As part of that process we announced the appointment of Mr Pimus Hango to the Craton Board. Primus brings a wealth of corporate knowledge and connections in Southern Africa having previously been CEO of one of Namibia's largest pension funds and Chairman of the Namibian Stock Exchange. So IBML has direct representation on the Craton Board, I have also joined the Board. I hope to announce some additional changes to the Board and staffing as we ready Craton for production.

The immediate focus of your Board is now securing the funding required to put Craton and MGL into production. We hope to make further announcements during the remainder of this calendar year and I will be delighted to give a further update at the Annual General Meeting to be held late November.

Finally, I would like to thank my fellow Board members and IBML staff for their ongoing service and dedication.

Hugh Thomas
Chairman

Review of Operations

Introduction

Craton Mining and Exploration (Pty) Ltd (Namibia)

In the FY2017 Annual Report, IBML referred to its frustrations at the ongoing delays to permitting of the Omitiomire Copper Project. In the absence of a clear timetable to development of the Project, IBML continued to cut costs through relinquishing exploration tenements, cutting exploration programmes, retrenching staff and terminating contracts.

A big step forward during FY2018 has been the grant of a Mining Licence (ML197) covering the Omitiomire copper resource and adjacent areas required for mining & processing infrastructure.

In the expectation that farm access can be resolved expeditiously, Craton is currently raising funds to initiate the "Mini Mining" Project at Omitiomire.

Challenger Mines Pty Ltd (NSW)

IBML acquired a 40% stake in Macquarie Gold Limited ('MGL') in 2016. Through a wholly-owned subsidiary, Challenger Mines Pty Ltd, MGL holds the Adelong Gold Project in southern New South Wales ('NSW'). During 2017, Challenger Mines attempted to commission a gold processing and extraction plant capable of initially processing 74,000 tonnes per annum ('tpa') of gold bearing ore. However, the processing plant failed to perform to expectations and was placed on care-and-maintenance while MGL undertook a full metallurgical review of the gold mill to determine what modifications were required in order to commission an efficient gold recovery mill and also to determine the amount of funding required to rectify the problems.

In early 2018, IBML and MGL agreed to a merger, making MGL a wholly-owned subsidiary of IBML. The Adelong Gold Project remains on a care-and-maintenance basis pending completion of the thorough review of the operation. It is anticipated that, when the review process is completed, IBML will raise sufficient funds to re-commission the project.

AuriCula Mines Pty Ltd (NSW)

Through its wholly-owned subsidiary, AuriCula Mines Pty Ltd, IBML has a 10% interest in two exploration licences in the Cobar district of NSW.

Company Strategy

In Namibia, the priorities are:

- to secure access to the farm Omitiomire;
- to carry out low cost work aimed at optimising the "Mini Mining" Project.

Other activities in Namibia are on hold and spending is being minimised until access to the farm has been secured. Once that issue is resolved, Craton can proceed to development of the Omitiomire Project. The Company's intentions are:

- to construct and operate the Omitiomire oxide copper "Mini Mining" Project;
- to complete a Definitive Feasibility Study ('DFS') on the Omitiomire sulphide copper resource;
- to continue exploration for additional near-mine copper resources.

At the Adelong Gold Project, the Company's intentions are:

- to complete the detailed review of the Project;
- to re-commission the processing plant and recommence mining & processing operations;
- to continue an active exploration program aimed at increasing the resources in the Project area.

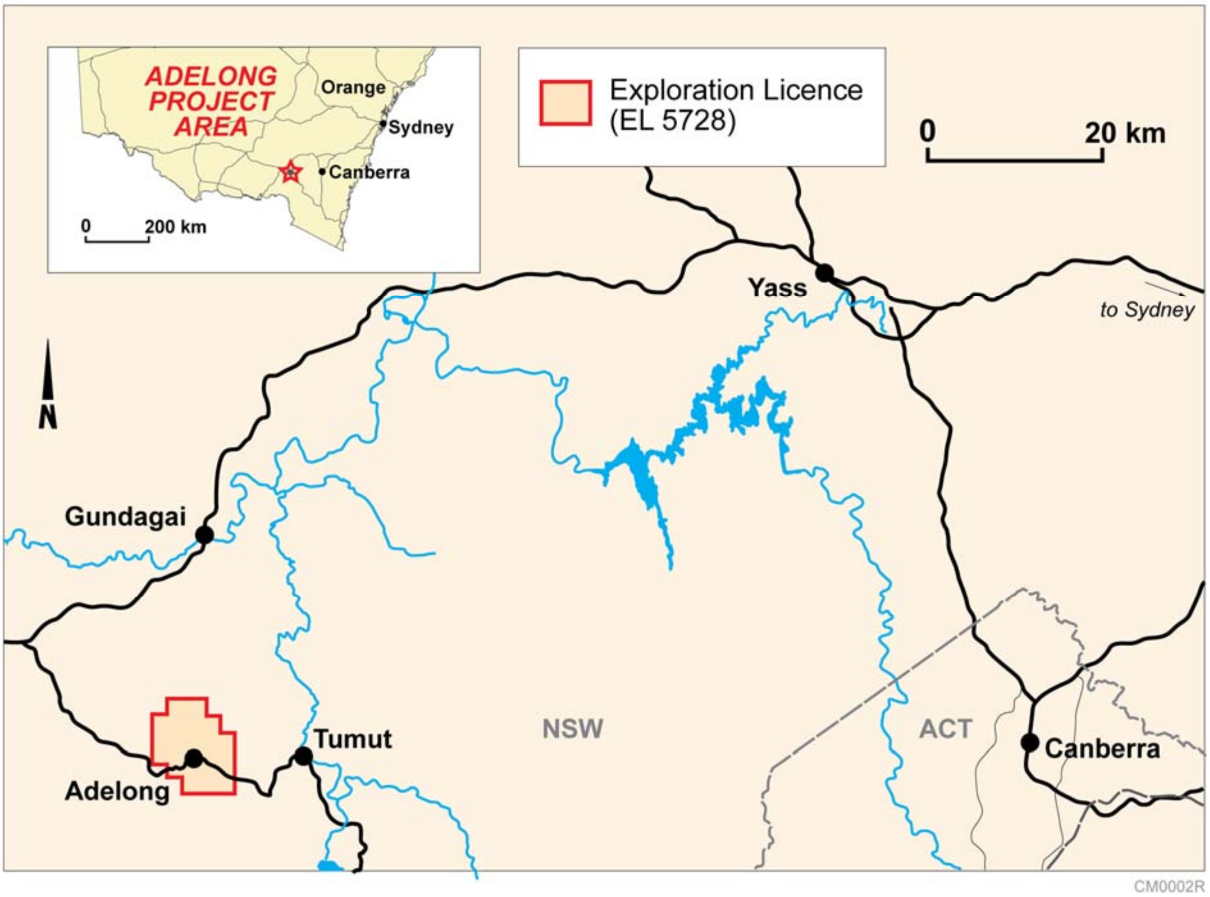
IBML will remain a passive minority partner in the exploration programs in the Cobar District of NSW.

The IBML Board will retain close control on expenditure.

Macquarie Gold Limited ('MGL')

Background

As previously reported, IBML acquired a 40% stake in MGL in 2016. Through a wholly-owned subsidiary, Challenger Mines Pty Ltd, MGL holds the Adelong Gold Project in southern New South Wales ('NSW').



Location map

In 2017, MGL commenced underground mining of the Challenger deposit, via access from an existing adit. MGL also constructed and attempted to commission a gold processing plant, consisting of a crushing and grinding circuit, a flotation circuit (to recover gold-bearing pyrite) and a gravity circuit (to recover free gold). During commissioning, "mullock" (waste rock) from historic mining operations was fed into the plant and small amounts of gold were produced. However, when ore from underground mining operations was fed into the plant, it quickly became apparent that the processing plant was not performing to expectations. The plant was placed on care-and-maintenance while MGL undertook a full metallurgical review of the gold mill to determine what modifications were required in order to commission an efficient gold recovery mill and also to determine the amount of funding required to rectify the problems.

Aerial view of the Adelong Project site: Processing plant in the foreground, crushing circuit immediately left behind it. The portal to the adit is behind the buildings in the top right of the photo. The site office is at the back left of the photo.

In early 2018, after a review of the Adelong Project and the upside resource potential, IBML agreed to a merger with MGL through the acquisition of all the shares in MGL.

Adelong Goldfield - Historical Background

Reef and alluvial gold were discovered in the Adelong area in 1857 and both alluvial and hard-rock (mainly underground) mining are reported from that date. Dredging of alluvial deposits from Adelong Creek continued until 1939; most underground (reef) mining ceased in 1947.

The Adelong Goldfield is recorded as having produced around 420,000 oz gold from alluvial deposits and 380,000 oz from hard rock mines. Ore grades in the Gibraltar Mine averaged 35 g/t Au; the Victoria Hill mine averaged 56 g/t Au; and the Fletchers / Donkey Hill workings averaged 41 g/t Au.

Unlike many other abandoned goldfields in Australia, the Adelong field has not been re-vitalised in the past 30 years. Several companies have explored the district, focussing on the Challenger and Currajong deposits. The other known deposits, and the many kilometres of strike length of gold-bearing reefs, have been subjected to very little exploration drilling.

Adelong Gold Project - Mineral Titles and Native Title

<u>Mining Lease ML1435</u>

ML1435, held by Challenger Mines Pty Ltd, was granted for 21 years on 28th September 1998. It covers an area of 145.9 hectares ('ha').

<u>Exploration Licence EL5728</u>

The licence, which surrounds ML1435, was granted to Challenger Mines Pty Ltd for three years commencing 16th May 2016. EL5728 carries a 2018-2019 work commitment of $131,000 (to be completed by May, 2019). To date, exploration expenditure is less than that required, as expenditure has been focussed on the gold mill construction and commissioning, and on underground mine development.

Mineral (Claim) Leases

Within the area covered by the Exploration Licence, Challenger Mines holds 16 small Mineral Claims, which cover historic mining areas. Each Claim covers an area of 2 ha or less. The Claims are current to 27th September 2019. Each of the Mining Claims carries an annual $2,000 work commitment.

Indigenous Land Use Agreement (ILUA)

In August 1998, an ILUA was signed by the then owners of the Project with the Walgalu and Wiradjuri Aboriginal People. In November 2001, additional Deeds bound Challenger Mines to the ILUA.

Adelong Gold Project - Review of Operations

IBML has commissioned Hunter Bay Partners to manage an in-depth review of the Adelong operations. The review aims to:

- Identify the problems at the Adelong Project;
- Recommend options for fixing the problems;
- Estimate the costs to eliminate the problems.

The review is progressing well and is expected to be completed during August 2018.

Adelong Gold Project - Care-and-Maintenance

The Adelong Project remains on care-and-maintenance pending completion of the review of operations. During this time:

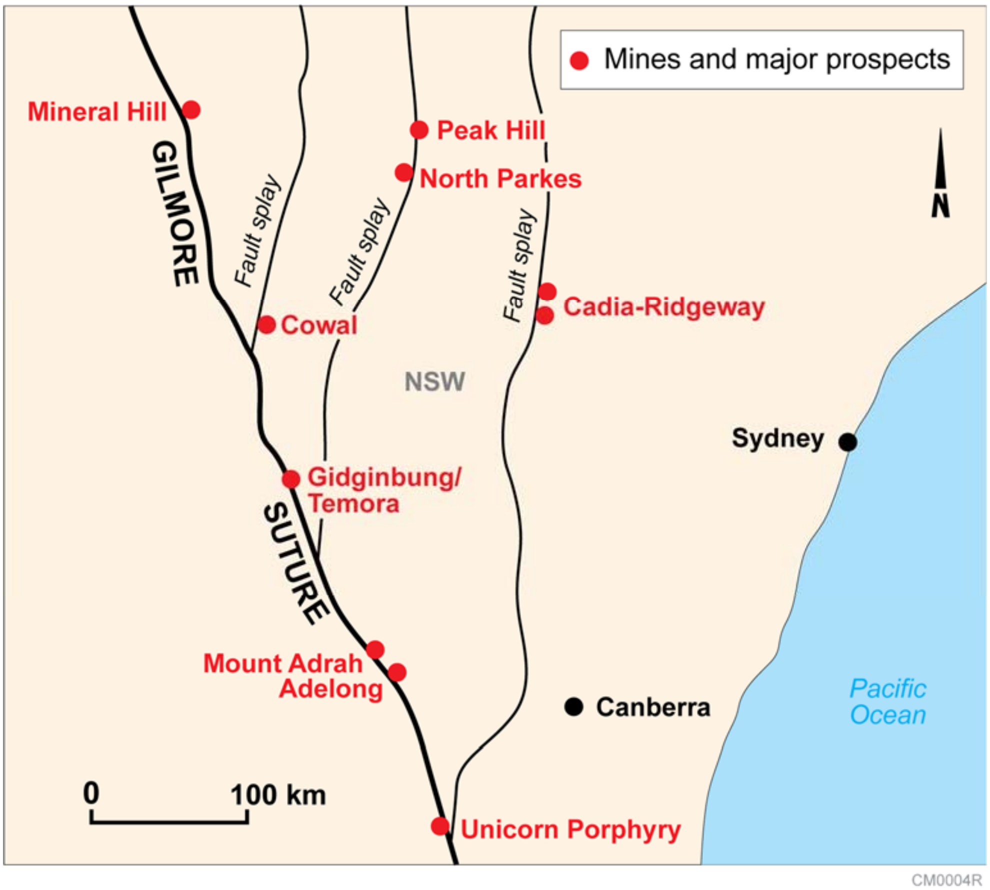
- The Adelong project office is manned;
- Hazardous chemicals and explosives are being removed from site;
- Regular maintenance of plant and equipment is being carried out;
- A Mining Engineering Manager (part-time), Mr Rod Gray, has been appointed;
- The Company is complying with all the regulations of the Division of Resources & Energy within the NSW Department of Planning & Environment.
- The Company is complying with the requirements of Environment Protection Licence 10265, granted by the NSW Environment Protection Authority.

Adelong Gold Project - Geology

Regional geological setting

The Adelong goldfield lies in the southern portion of the Lachlan Fold Belt, a Palaeozoic-age sequence of variably metamorphosed sedimentary and volcanic rocks which have been intruded by granitic rocks.

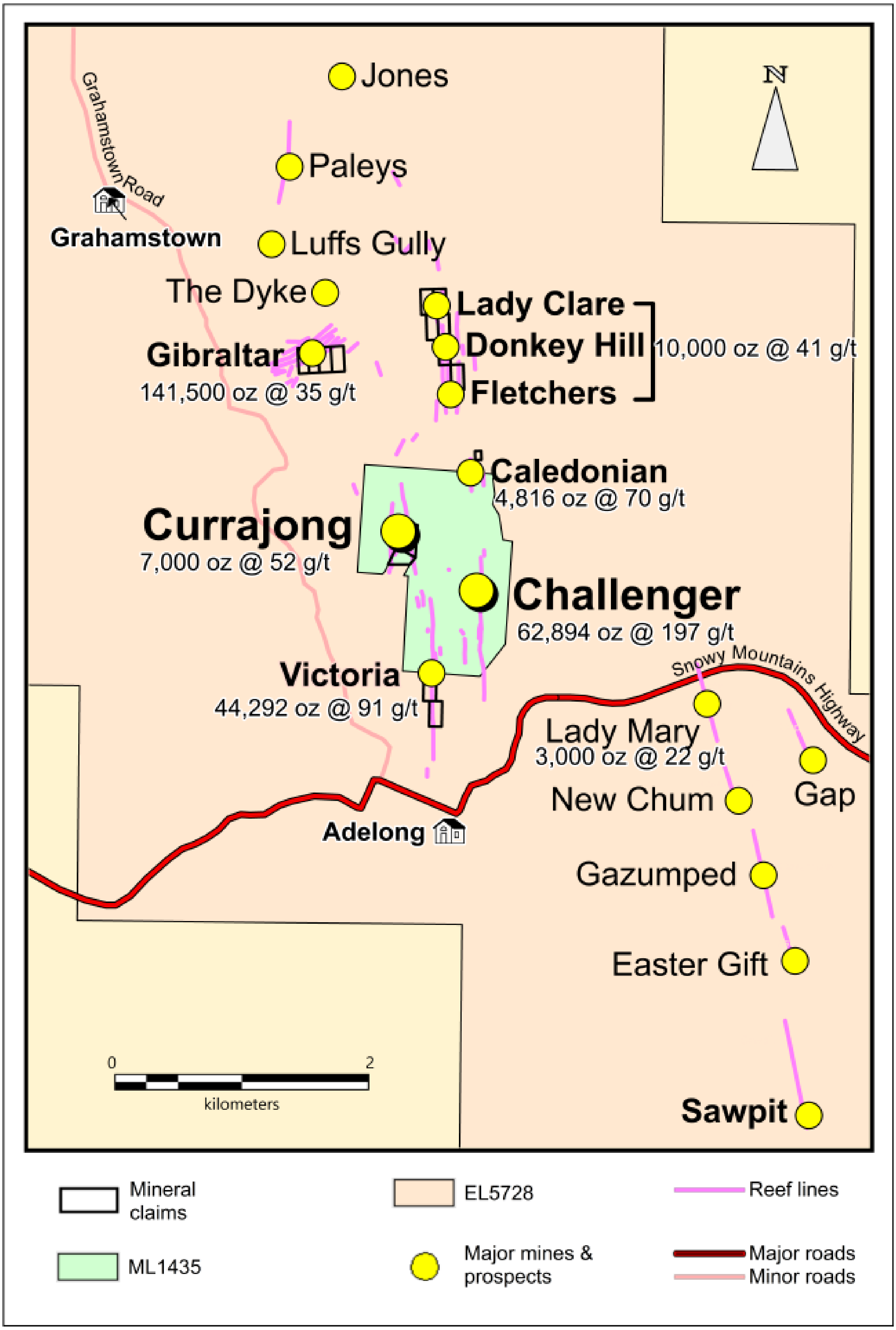
A major north-northwest (NNW)-trending structure, the Gilmore Suture, separates two distinct portions of the fold belt. It extends for over 200 km from Cobar in the north to beyond Adelong in the south. This structure, together with a series of north-trending fault splays, controls many of the gold and gold-copper deposits of the Lachlan Fold Belt.



The Gilmore Suture and related structures, showing significant gold & gold-copper deposits

Gold-bearing lines of lode

In the Adelong Goldfield, gold-bearing reefs occur in a series of "lines of lode" which are evident from the distribution of old mine workings. The reefs are developed within both granitic and mafic (norite) host rocks and are commonly associated with sheared and altered mafic dykes.



Challenger Mines' exploration and mining tenements, location of old mines, and reported historic gold production

The main lines of lode are:

- The Old Reef line which strikes NNW and contains the Challenger, Caledonian and other deposits;
- The Victoria line, which also strikes NNW and contains the Victoria deposit;
- The Currajong Reef, which is slightly offset from the Victoria line;

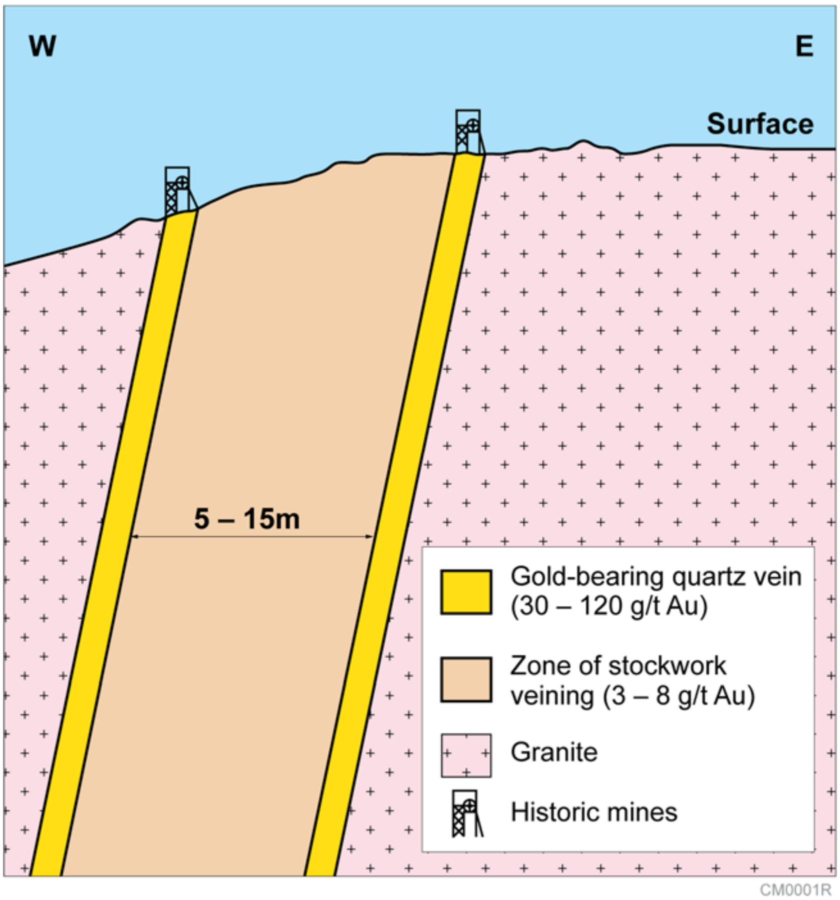
- A cluster of parallel reefs, also striking NNW, in the Donkey Hill – Fletchers area;
- The Sawpit line, which also strikes NNW;
- The Gibraltar line, a cluster of northeast-striking reefs.

Mullock heap indicating old mine workings near Donkey Hill

<u>Gold-bearing reefs</u>

The reefs vary in style from simple quartz veins to complex structures, consisting of multiple quartz veins within sheared and altered granitic and mafic rocks. Higher grade gold is restricted to the quartz veins but lower grade gold extends out into sheared and altered wall rocks. The high grade portions of reefs are generally less than 1m in width but the gold-bearing zones bulge out to significantly greater widths.

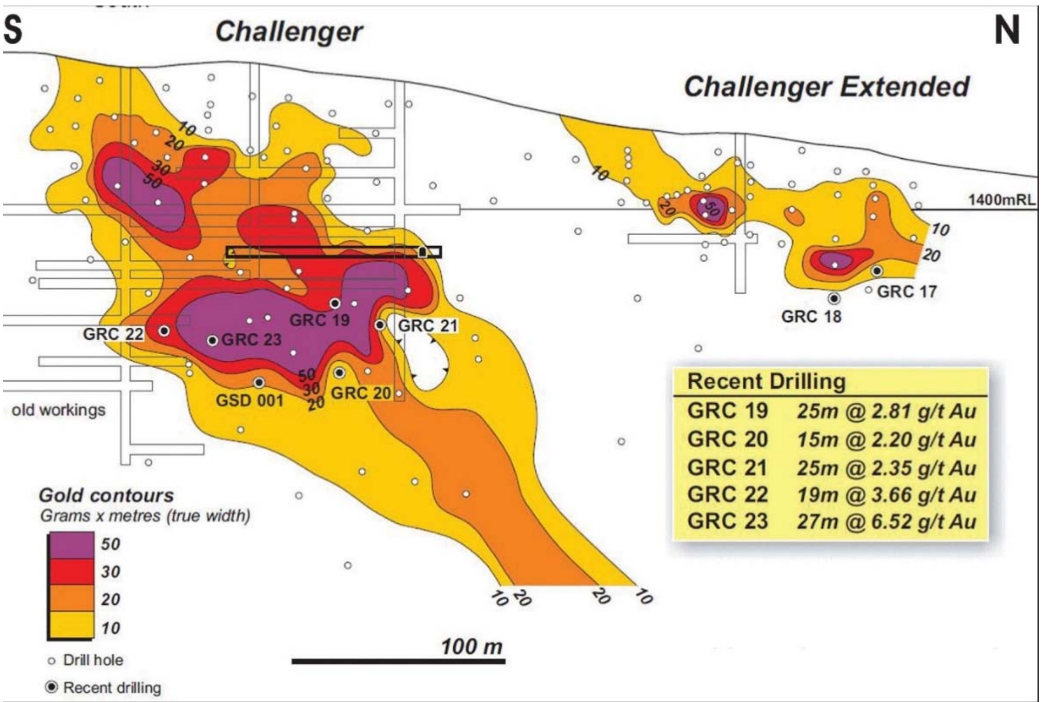
At the Challenger deposit, historic mining extracted high grade ore (~ 1 oz/t Au = ~ 32 g/t Au) from two gold-bearing quartz veins which are separated by a zone of stockwork veining in sheared and altered rock. The zone of stockwork veining, up to 15m wide, contains lower grade material (3 – 8 g/t Au) which provides the current resource at Challenger.



Schematic section of the Challenger Reef

Gold is mostly very fine-grained, occurring as free gold and as inclusions in sulphide minerals, mainly pyrite.

At the Challenger deposit, the resource is within a reef which strikes north and dips steeply to the west. The reef is known over a strike length of 700m and over a vertical depth of 300m. The longitudinal section of the deposit suggests north-plunging ore shoots within the reef structure.



Challenger deposit: Longitudinal section

Adelong Gold Project - Resources

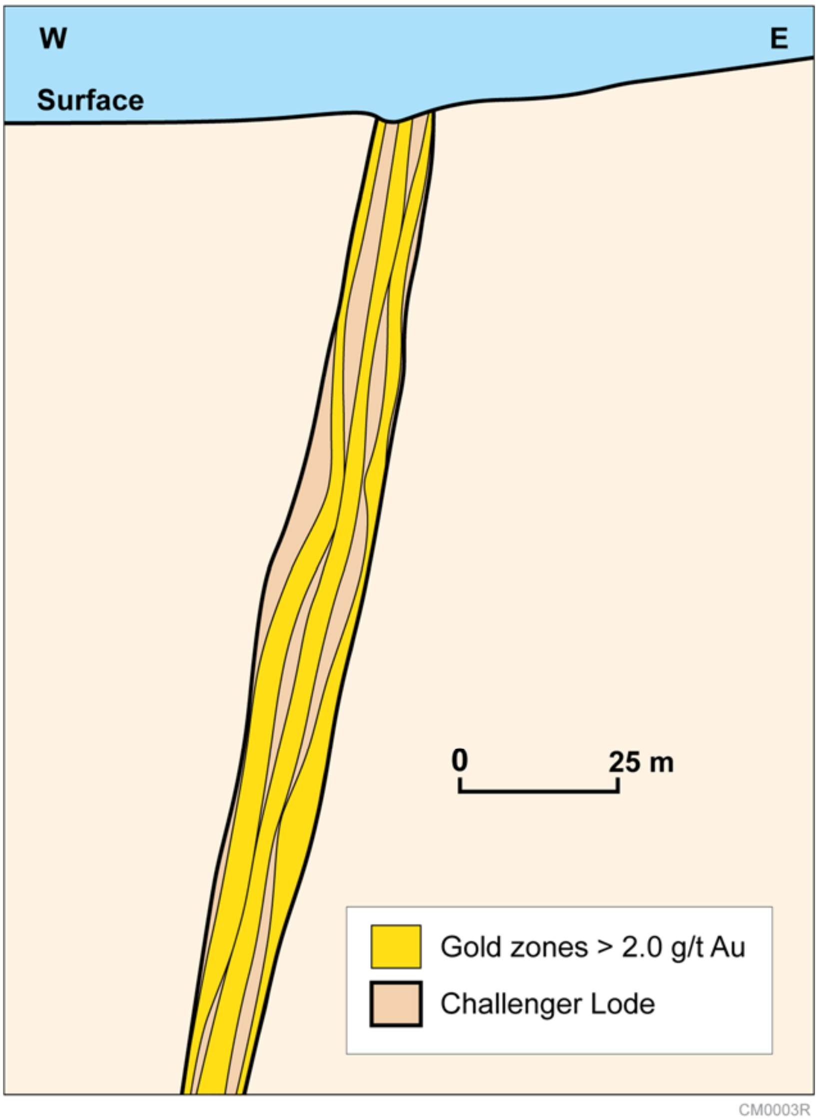
Resources have been estimated for the Challenger deposit as follows:

Deposit	Resource	Cut-off grade	Tonnes	Gold	
	Class %	(g/t Au)	(t)	(g/t) (oz)	
Challenger	Measured 59%	1.0	459,000	3.07	45,000
Challenger	Indicated 21%	1.0	188,000	2.70	16,000
Challenger	Inferred 19%	1.0	203,000	2.26	15,000
Challenger	**All**	**1.0**	**850,000**	**2.80**	**76,000**
Challenger Ext	Measured 0%	1.0			
Challenger Ext	Indicated 56%	1.0	81,000	2.62	7,000
Challenger Ext	Inferred 44%	1.0	87,000	1.92	5,000
Challenger Ext	**All**	**1.0**	**168,000**	**2.26**	**12,000**
Challenger Total	Measured 51%	1.0	459,000	3.07	45,000
Challenger Total	Indicated 26%	1.0	268,000	2.67	23,000
Challenger Total	Inferred 23%	1.0	290,000	2.16	20,000
TOTAL	**All**	**1.0**	**1,017,000**	**2.71**	**89,000**

Adelong Challenger and Challenger Extended JORC 2012 Mineral Resource (GeoRes, 2016)

A cut-off grade of 1.0 g/t Au was selected on the basis of proposed open-cut mining. The resource model interprets the Challenger lode as a single north-striking and steeply west-dipping orebody. However, a cut-off grade of 1.0 g/t Au is too low for the planned underground mine. Detailed underground mapping and analysis of assay data shows that the Challenger lode system contains zones of higher grade material separated by low grade / waste material.

Current review work identifies three parallel higher-grade domains within the mineralised lode. Although a new resource model has not yet been developed, these higher grade domains, at a cut-off grade of 2.0 g/t Au, are anticipated to define resources of lower tonnage but significantly higher grade (around 5.0 g/t Au), which will be appropriate for planning underground mine development.



Cross section showing three high grade zones within the Challenger Reef

At Currajong, the resource is within four parallel reefs which strike northerly and dip steeply to the west. The individual reefs range up to 10m in width and are known over a strike length of 300m and to a vertical depth of 250m.

Resources have been estimated for the Currajong deposit as follows:

Deposit	Resource	Cut-off grade	Tonnes	Gold	
	Class %	(g/t Au)	(t)	(g/t)	(oz)
Currajong	Measured 0%	1.0			
Currajong	Indicated 22%	1.0	106,000	2.42	8,000
Currajong	Inferred 78%	1.0	232,000	3.97	30,000
Currajong	All	**1.0**	338,000	3.48	38,000

Adelong Currajong JORC 2012 Mineral Resource (GeoRes, 2016)

The technical information relating to the Challenger and Currajong resources has been summarised from a report, dated 3rd August 2016, by Mr Robin Rankin of GeoRes..

Mr Rankin is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience to qualify as a Competent Person as defined in the September 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)".

Mr Rankin consents to the inclusion of the information in the form and context in which it appears.

The Currajong resource is based on limited drilling. In particular, results of drilling on the eastern lode(s) have not been included in the resource. The resources at both Challenger and Currajong remain open along strike and at depth.

Typical high grade reef material

Discovery Potential

<u>Extensions to existing resources</u>

There is good potential at both Challenger and Currajong to expand the resource along strike and down dip. Currajong, in particular, has been very inadequately drilled. An apparent northerly plunge on higher grade ore shoots at Challenger could guide the siting of drill holes.

<u>Other known deposits</u>

There has been very limited drilling on the other known deposits, and most of that has been shallow. The fact that the early miners focussed on high grade portions of the reefs indicates good potential to identify lower grade material which is mineable at today's (much higher) gold price. The priority targets are Victoria, Gibraltar, Donkey Hill, Fletchers and Caledonian. Targeted drilling on these deposits could quickly produce resource estimates.

<u>Unexplored areas along the lines of lode</u>

Between the known deposits, there has been almost no drilling along the reef structures. A recent detailed magnetic survey has provided new insights into the geological structure of the project area. The new structural interpretation is assisting in siting drill holes.

<u>Open-cut potential</u>

- Currajong, with four parallel veins aggregating 30m width at around 3.2 g/t Au (including waste between veins) presents a priority open-cut target.
- A second priority target is the Henry Parkes - Cadzos area, where surface geochemical sampling shows an area of 160m x 60m of elevated gold which could indicate potential for open-cut mining.
- Other open-cut targets are Sawpit, Fletchers and Luffs Gully stockwork.
- Ongoing exploration in the project area could identify other targets, including porphyry-style gold.

In summary, the Adelong Goldfield provides sufficient resource potential to achieve mine production of 200,000 tpa and to maintain that level of production well into the future.

Exploration Activities

During early 2018, the Company's consultants carried out a field inspection of exploration targets previously identified from detailed ground magnetic surveying. Several targets warrant further exploration, including drilling.

An EL5728 Annual Report for 2018 was prepared and submitted by the due date to the NSW Mines Department in fulfilment of that requirement.

Planned Exploration

The exploration strategy consists of three strands:

1. To delineate further ore reserves to support mining at the Challenger mine. This will require underground development and drilling from underground.
2. To identify and delineate additional resources from other known deposits. The proposed approach is to focus on three open-cut targets – Currajong, Donkey Hill and Sawpit – where exploration success is almost guaranteed.
3. To commit sufficient funds to exploration of EL5728 and the 16 small Mining Claims to keep these tenements in good standing.

Craton Mining & Exploration (Pty) Ltd ('Craton')

Craton - Background

IBML's wholly-owned Namibian subsidiary, Craton Mining and Exploration (Pty) Ltd ('Craton'), holds the Omitiomire copper deposit in central Namibia. Drilling by the Company has identified a JORC Indicated and Inferred resource of 137 million tonnes ('Mt') of ore at 0.54% Cu for 740,000 t contained copper at a 0.25% Cu cut-off grade (Bloy, August 2014).

Craton has reviewed a two-stage process to develop the Omitiomire resource:

- Phase 1 - a small project based on a near-surface, mainly oxide copper resource. A definitive feasibility study ('DFS') was conducted during 2014. This has now been revised to a smaller "Mini Mining" proposal in order to expedite project development;
- Phase 2 - a much larger project based on the deeper sulphide copper resource. This was the subject of a preliminary feasibility study ('PFS') in 2010 and a revised study in 2015.

The Company has had a number of frustrating delays during the past several years, relating to:

- Access to funds;
- Access to the farm Omitiomire;
- The grant of a Mining Licence.

The Mining Licence (ML197) has now been granted and the Environmental Clearance Certificate has been updated. The directors and staff of Craton have continued to work towards resolving the remaining issues. 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.

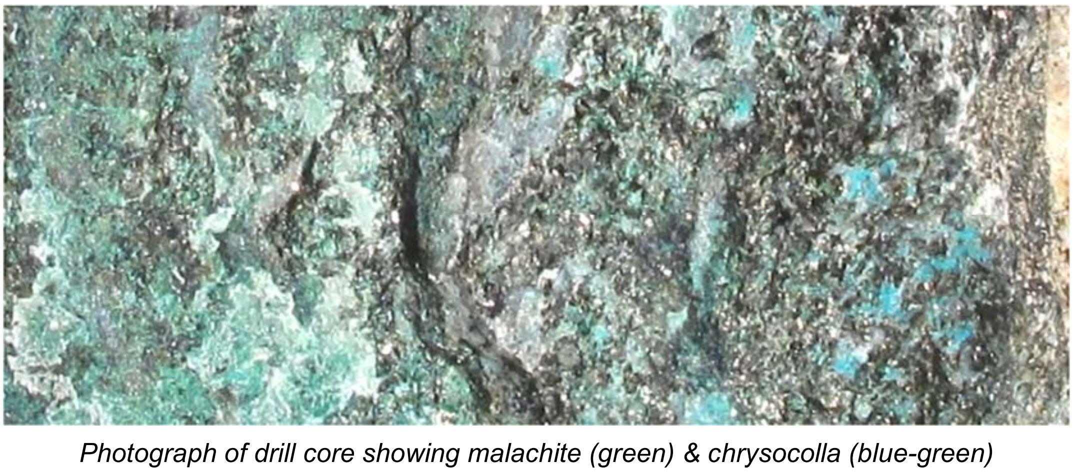
Omitiomire Copper Project - Surface Access

The farm Omitiomire was sold during 2017. Craton is in discussions with the new owner regarding an Access Agreement.

Omitiomire Copper Project - Mini Mining

Craton plans initial development of a small, shallow "Mini-Mining" operation, to bring the project into production quickly and at low cost.

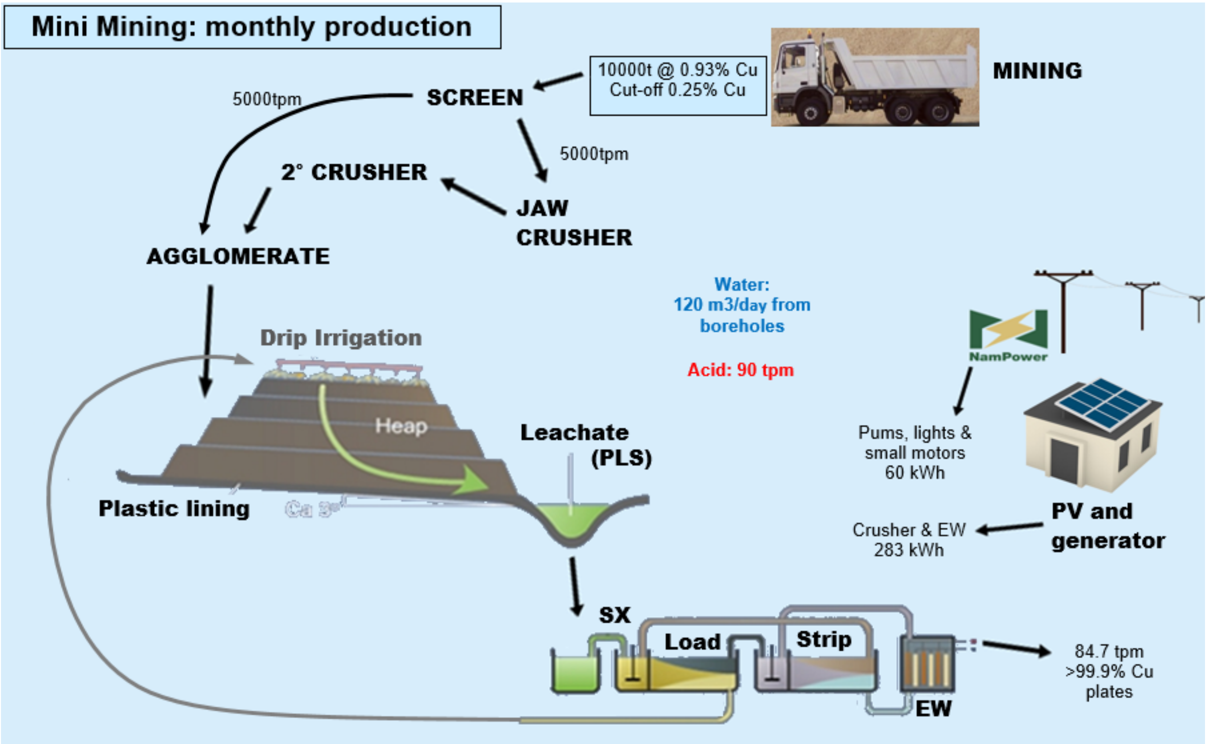
The deposit is oxidised from surface to 20m depth and partially oxidised to 40m depth. In this "oxide copper" zone, copper occurs mainly as the mineral malachite (hydrated copper carbonate) with minor chrysocolla (hydrated copper silicate) and tenorite (copper oxide). These minerals are readily leached (dissolved) in dilute sulphuric acid, making the oxide zone amenable to treatment by acid leach - solvent extraction ('SX') - electro-winning ('EW') technology.



Photograph of drill core showing malachite (green) & chrysocolla (blue-green)

The plan involves mining a modest tonnage (10,000 tonnes per month - 'tpm') of oxide copper 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 - SX - EW to produce cathode copper. Extensive bench-scale tests show 89% leach recovery of copper, low acid consumption, and a final cathode copper product of about 99.99% Cu. Craton plans metallurgical testing on a bulk sample to ascertain the need for agglomeration and to confirm the bench-scale test results.



Proposed processing route for oxide copper ore

The financial model shows a maximum draw-down of about N$50 million, two months after production start-up and an undiscounted payback period of two years at a copper price of US$ 2.50 /lb. These financials are indicative at this stage; some costs need to be confirmed in order to update the financial model.

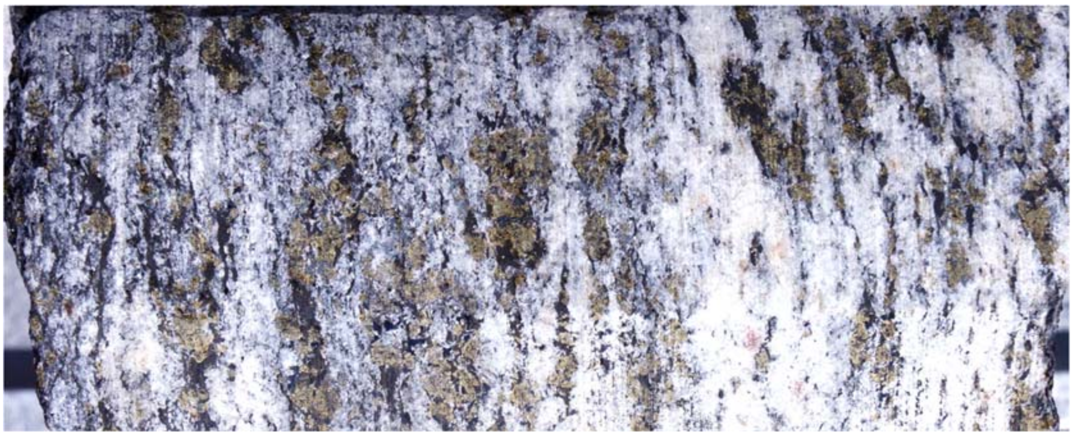
The planned work program to commencement of production is:

- Complete the sale of a minority stake in Craton to approved Namibian group(s);
- Complete an access agreement with the farm Omitiomire;
- Collect a bulk sample and conduct metallurgical tests;
- Carry out external studies of the project including a review of the metallurgical process;
- Revise the capital & operating costs and finalise the financial model;
- Carry out detailed mine and process plant design;
- Proceed to construction.

Once access to the site and the sale of a minority stake in Craton is complete, the time to full production is expected to be 15 months.

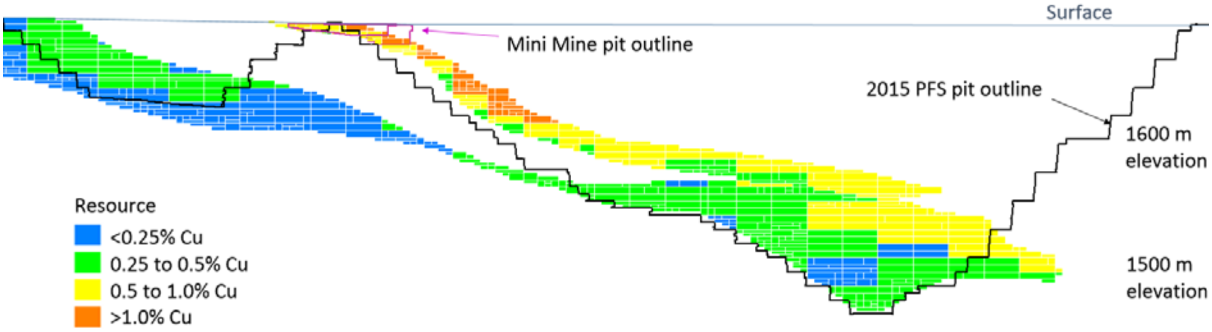
Omitiomire Copper Project - Phase 2 Development

Within the main (unoxidised) part of the deposit, copper occurs mainly as chalcocite (Cu_2S) with minor bornite (Cu_5FeS_4), which have been intersected in drilling to depths of over 300m. Copper minerals are hosted in dark ('mafic') schists, which are visually distinct and of higher density than the surrounding barren light-coloured ('felsic') rocks. This characteristic enables dense medium separation ('DMS') to be considered as an effective pre-concentration technique.

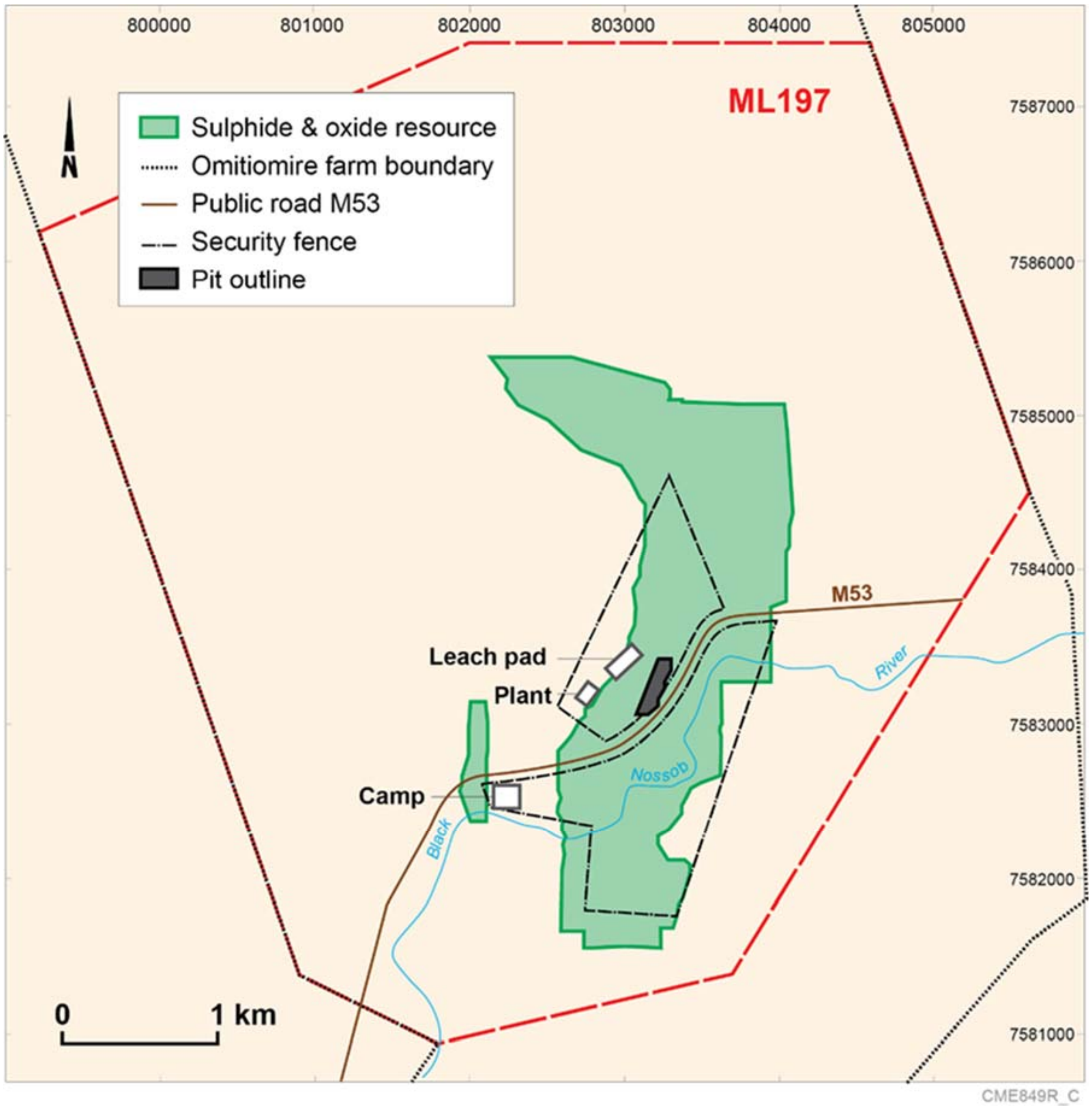


Photograph of drill core showing primary copper ore. The silvery-grey mineral is chalcocite

During the 3.5-year life of the Mini Mining Project, Craton intends to carry out a DFS on the much larger sulphide copper resource and prepare for a full-scale Phase 2 Sulphide Copper Project. Should additional time be required, the life of the Mini Mining Project can be extended for several years by accessing nearby oxide copper resources.



Section 3170: showing resource blocks and the Mini Mining pit outline relative to a Phase 2 pit outline.



The planned Mini Mine pit (dark grey) in relation to the entire Omitiomire resource. ML197 covers the entire Omitiomire resource and adjacent areas required for mining & processing infrastructure

The 2010 PFS, which envisioned treating both oxide and sulphide copper by means of flotation, was revised in 2015 to treat the sulphides by flotation and oxides by leaching and electro-winning. Results of the 2015 study included:

- A sulphide plant which runs in parallel with an oxide plant;
- A sulphide plant with a capacity of 7,225 mtpa at 0.49% Cu;
- 13.5 years life of mine from the start of Phase 2 mining, producing 420,000 t copper metal;
- The best-case break-even copper price, at a discount rate of 10%, was US$2.68/lb;
- Cash costs less initial capex of US$2.13 /lb representing the "all-in" operating costs of the mine once capital has been sunk;
- Mining OPEX (including diesel) plus CAPEX accounted for almost 40% of the discounted costs;
- Maximum drawdown of US$217 million (at 2015 costs).

Preparations for a Phase 2 DFS will require collection of a sulphide copper sample for pilot plant test work and sterilisation drilling. The sample collection and DFS, between them, are estimated to take at least 18 months to complete.

Omitiomire - Resource Statement

Bloy Resource Evaluation produced a report, dated August 2014, which stated:

"The Mineral Resource has been classified and reported in accordance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012) using a cut-off of 0.25% Cu. The Measured and Indicated constitutes 71% of the deposit. The table below summarises the Mineral Resource Estimate as of 31st August 2014.

Cut-off Grade	Resource Class	Tonnes	Grade	Cont. metal
		(t)	(%)	(t)
0.25%	Measured	4 427 281	0.85	37 525
	Indicated	93 380 056	0.52	486 237
	Inferred	39 098 770	0.56	217 261
	Total	**136 906 107**	**0.54**	**741 023**

Exploration Target material at a cut-off grade of 0.25% Cu is reported to be in the range of 76 to 155 Mt for 430 to 650 kt of metal between 0.4 and 0.6 % grade. This represents areas that have been drilled but do not meet the confidence criteria for resource classification. The material this relates to is an extension to the currently defined mineralised zones of the deposit and Exploration Targets, Mamba and Tiger, in close proximity to the west and south west respectively of the deposit. The potential quantity and grade of the Exploration Target material remains conceptual in nature and may or may not be realised in the future."

In-pit resources have been estimated as follows: Resources within designed pit outlines, including the planned Mini Mining Project and Phase 2 Project, which is based on the revised PFS of 2015.

In-Pit Resource:

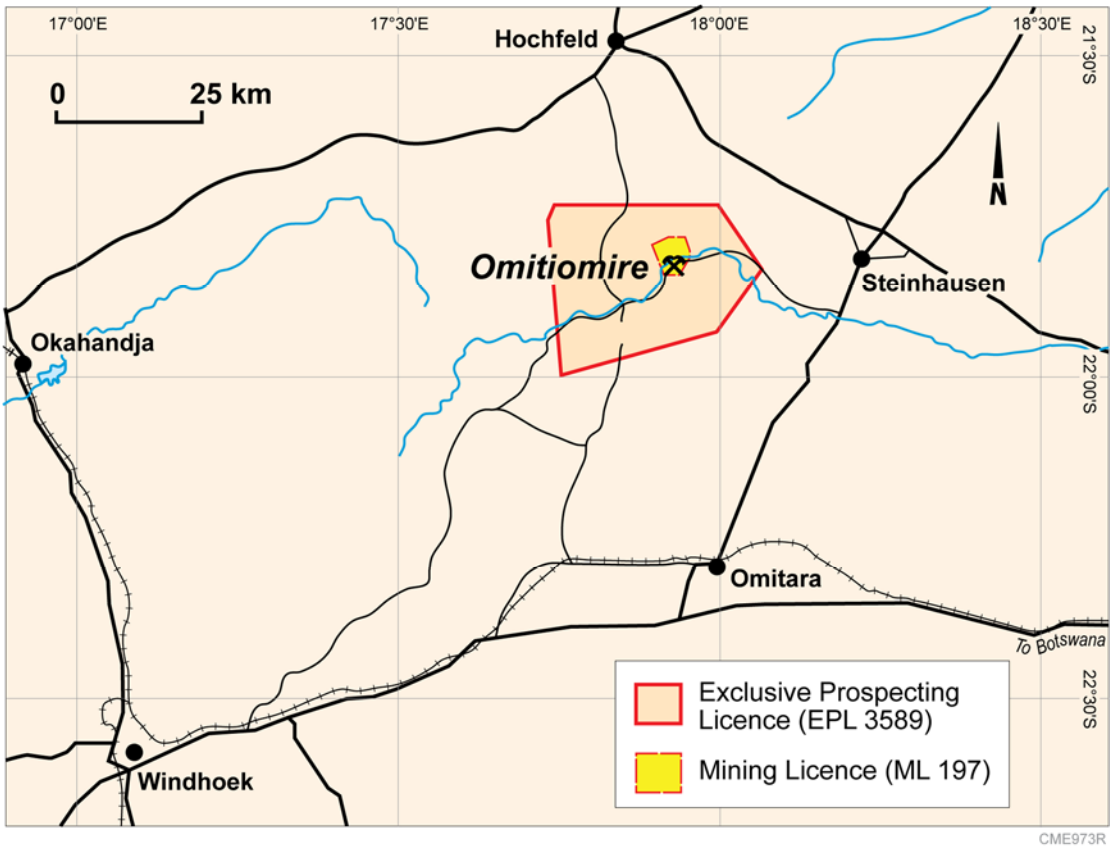
Study	Date	Ore type	Tonnage(Mt)	Grade (% Cu)	Contained Cu (t)
PFS	Jun 2010	All	69.3	0.55	381,000
DFS	Sep 2013	Mixed Ore	3.1	0.83	29,000
Revised PFS	Sep 2015	Mixed Ore & Sulphide	97.2	0.52	505,000
Mini Mining	Jan 2018	Mainly Oxide	0.43	0.93	4,014

Namibian 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).

Apart from review of data no exploration field work was conducted during the period under review.



Craton's mineral tenements as at end-June 2018

Auricula Mines Pty Ltd

Background

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)

Exploration activities during the year included:

- Completion of two surface diamond drill holes;
- Downhole electromagnetic ('EM') surveys of both holes;
- A surface EM survey;
- Core processing including structural interpretation;
- Data entry and validation.

Weak copper mineralisation was intersected in both holes but there were no significant base metal assays. Several EM targets were identified. The results are regarded as encouraging and follow-up drilling is planned.

Mount Hope Project (EL6907)

Ground access was restricted due to above average rainfall and the need to secure a land access agreement with a new property owner. A ground magnetic survey is scheduled.

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 and a Fellow of the Australasian Institute of Mining and Metallurgy. 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.

Mineral Tenements

Licence Code	Name	Area (km^2)	Expiry Date	Status
Omitiomire Project (Craton)				
ML 197	Omitiomire	29 km^2	06-03-2036	Granted
EPL 3589	Ekuja	735 km^2	25-04-2018	Renewal application lodged
Adelong Project (Challenger Mines)				
ML 1435		145.9 ha	28-09-2019	Granted
16 Mineral Claims		Each 2 ha or less	27-09-2019	Granted
EL 5728		25 units	16-05-2019	Granted
AuriCula Mines JV Projects				
EL 6223	Shuttleton	13 units	05-04-2020	JV with CMPL
EL 6907	Mt Hope	23 units	11-10-2019	JV with CMPL

Note: NSW Exploration Licences: a "unit" is an area of 1 Minute of Latitude x 1 Minute of Longitude.

The Mineral Claims are MCLs 279 – 291 and 311 - 313

Abbreviations

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, worldviews 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 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.

Environmental Regulations

The Group's operations are subject to significant environmental and other regulations under the laws of the Australian Commonwealth, the State of New South Wales and the Republic of Namibia. The Group has a policy of engaging appropriately experienced contractors and consultants, and has an environmental consultant to advise on and ensure compliance with environmental regulations in respect of its exploration and mining activities for the Challenger Mines Pty Ltd, Adelong mine.. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

In its exploration and mining 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 and licence conditions.
- 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

Challenger Mines Pty Ltd.-Adelong Mine

Challenger has previously signed access agreements with neighbouring farmers which have expired but will be re-negotiated prior to further exploration work taking place.

Craton Mining and Exploration (Pty) Ltd

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

During 2017, more than 2500 students from the Monte Christo Primary School and Havana Primary School were eye screened with the assistance of Tobich Optics and Lions Club Windhoek. Of the more than 2500 students, more than 100 students were identified with sight challenges and were transported by the Craton Foundation to Tobich Optics for more extensive eye tests. Of the more than 100 students, more than 50 students received glasses.

The Havanna Primary School and parents requested the Foundation to assist with medical screening for their students. Drs Baumann and Kruger, general physicians, conducted the examinations at the school.

The reading glasses were donated and handed over to the pupils with sight challenges during the latter part of 2017 at the Havanna Primary School in Katutura, Windhoek.

Under the banner of Craton Foundation's "EYE SEE THE WORLD", dignitaries, trustees, students and the parents gathered to receive the reading glasses.

The welcoming remarks were made by the Ministry of Education's Mr Gerard N. Vries who said "I am delighted to share in the joy and celebration of yet another milestone in the life of the fast-evolving Havana Primary School. I am saying another milestone, because in the year 2008 I was witness to the meagre beginnings of this school in tents. Thanks to the Craton Foundation, these students will be able to perform better now that they can see properly".

During the latter part of 2017 the Craton Foundation bid a sad farewell to one of their trustees, Roswitha Pelle who left for South Africa to take up a position there. During October 2018 the Craton Foundation welcomed Mildy Samaria as trustee.

The Craton Foundation is currently collaborating with the Ministry of Education to erect classrooms at a planned combined primary and secondary school on Farm 508, Ivory Coast Road, Katutura, Windhoek.

This is a significant project for the Craton Foundation as the vacant plot of land has been allocated to the Ministry of Education without the near-future possibility of erecting both schools at the same time on the plot of land. The Foundation is seeking additional partners to erect several classrooms which will enable the Ministry of Education to place more than 600 students at the school during the first quarter of 2019.

IBML Investments

Macquarie Gold Limited – Adelong Gold Project

During FY2017 IBML acquired a 40% stake in Macquarie Gold Limited (MGL), which holds the Adelong Gold Project in southern NSW and on 15 January 2018 acquired the remaining 60%. MGL and is now a fully owned subsidiary of IBML

Macquarie Gold Limited - Corporate

Mr Ted Ambler resigned from the MGL Board and Dr Ken Maiden was appointed as a non-executive director. The Board of MGL now comprises Dennis Morton (Chairman), Hugh Thomas, Aidong Yang and Ken Maiden. The Company Secretary is Mr John Stone and the CFO is Mr Barry Neal. MGL's Sydney office has been closed and MGL operates out of the IBML office in Chatswood, NSW.

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

Craton Corporate Activities

Craton Board

Mr Otto Shikongo resigned as a Director of Craton after seven years. The IBML and Craton Boards recorded their thanks to Mr Shikongo for his contribution and service during this time.

Post the end of the reporting period two new non-executive directors have been appointed to the Craton Board:

- Mr Hugh Thomas: IBML's Executive Chairman strengthens IBML's representation on the Craton Board;
- Mr Primus Hango**:** Mr Hango holds a BA degree from the National University of Lesotho and has completed the Executive Management Program at Harvard Business School. His previous positions include:
    - Secretary of the Tender Board of Namibia;
    - Chief Executive Officer of the Government Institutions Pension Fund;
    - Chairman of the Namibian Stock Exchange.

Craton Shareholders

Craton is a wholly-owned subsidiary of IBML. As previously reported, during 2016, Craton received a letter from the Namibian Ministry of Mines and Energy ('MME') stating its Preparedness to Grant a Mining Licence (ML197) covering the Omitiomire Project area, once certain terms and conditions had been met. Those conditions included making a minimum 5% equity shareholding available to approved Namibian citizens or companies.

Subsequently, a Heads of Agreement was signed with a Namibian company, Atlantic Tradeport Holdings (Pty) Ltd ('Tradeport'), for the placement / sale of a 10% equity in Craton. The contracted amount was Namibian Dollars N$50 million. A Subscription Agreement and Shareholders' Agreement between Tradeport and Craton / IBML were signed during the December quarter, whereupon the MME issued Mining Licence ML197 to Craton. The ML is valid to 6th March 2036.

However, Tradeport has failed to comply with the terms of these agreements so has not been issued shares in Craton. Craton's directors and consultants are currently in discussions with Namibian groups which satisfy the MME's requirements.

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.

No field exploration activity has taken place over the past year and the company has been pursuing an acquisition and a capital raising.

The company's shares are currently suspended on the ASX.

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

WestStar Industrial Limited (WSI) (IBML 0.02%)

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. During the financial year the company entered the property development business

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 2018 corporate governance statement is dated as at 30 June 2018 and reflects the corporate governance practices in place during the 2018 financial year. The corporate governance statement was approved by the Board on 20 June 2018. 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 2018.

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

Executive Chairman

Qualifications:	BA, Grad Dip Finance,
Experience:	Hugh has had significant experience in the resources sector as a company director, senior 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:	13,603,963
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 (resigned 22 November 2017)

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 Dennis James Morton (appointed 23 January 2018)
Non-executive Director

Qualifications:	BSc (Hons)
Experience:	Dennis Morton was co-founder and until late in 2007 Managing Director of Eastern Star Gas Limited. He is presently the Managing Director of Gas2Grid Limited, an oil and gas exploration company listed on the Australian Securities Exchange. He has extensive experience in the management of oil and gas exploration entities. He was previously in senior executive positions with Bow Valley (Australia) Ltd, Capital Energy Limited, Hartogen Energy Limited, and Esso Australia Limited. He was a director of Orion Petroleum Limited (now Petrel Energy Limited) from July 2007 to June 2011
Interest in shares:	29,598,094
Other listed Directorships in last 3 years:	Gas2Grid Limited

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. 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:	Zamia Metals Limited

Directors' Report (continued)

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 is the Chairman of the Board of Supervisors of China Kings Resources Group Company Ltd., China
Interest in shares:	-
Other listed Directorships in last 3 years:	-

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 one 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	-	-	1	1
Dr Kenneth John Maiden	5	5	-	-	-	-	-	-
Mr Rui Liu	5	5	2	2	-	-	1	1
Mr Dennis Morton	2	2	-	-	-	-	-	-
Mr Jinhua Wang	5	-	-	-	-	-	-	-
Mr Zhehong Luo	5	-	-	-	-	-	-	-
Mr Qiang Chen as alternate for Mr Zhehong Luo	5	5	2	1	-	-	1	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 metals in Namibia and development of the Challenger Gold mine.

Following IBML's 40% investment in Macquarie Gold Limited (MGL) in FY2017, the remainder 60% was acquired on 15 January 2018. MGL's Challenger Gold Mine is currently under care and maintenance pending a review of operations and an upgrade of the mill.

Craton Ming and Exploration (Pty) Ltd was issued a mining licence (ML197) by the Namibian Ministry of Mines and Energy following confirmation to the Ministry that Craton would divest 5% equity in the company to previously disadvantaged persons or entities in Namibia.

Craton consequently signed an agreement to sell 10% equity to a Namibian company which agreement has not been honoured.

Craton is now planning an alternate capital raising to conform with the mining licence conditions and to enable it to proceed with the development of Omitiomire mini mine which targets higher grade oxide copper ore.

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 2018 financial year (2017: no dividend declared).

Review of Operations and Activities

Financial

For the financial year ended 30 June 2018, the consolidated entity's net loss after taxation was $11,837,433 (2017:$1,888,232). The loss for the year includes extra ordinary expense items resulting from the acquisition of Macquarie Gold Limited - Impairment of financial assets of $1,239,627, loss on fair value of interest in MGL $7,972,153 and impairment of goodwill $885,855.

Exploration expenditure on Australian and Namibian tenements in the 2018 financial year was $370,770 (2017:$319,905) 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 7-26.

Share Issues

No capital was raised in the 2018 financial year.

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.

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

Options

With IBML's 40% investment in MGL apart from shares IBML was also issued 20 million options over MGL ordinary shares exercisable at $0.375 and expiring on 15 July 2019.

On IBML's acquisition of the remaining 60% in MGL they also acquired the 30 million options previously issued to MGL shareholders on the same terms as the options previously issued to IBML.

On 8 February 2018 the Directors of MGL resolved to cancel these 50 million options.

Loans

MGL has the following outstanding loans: -

- Loan signed 16 November 2015 with MGL Directors and other lenders with subsequent variations with current loan outstanding $1,894,836 plus interest accrued at 13.3% p.a. and not paid of $840,375. The loan expires on 31 March 2019.
- Loan signed September 2017 with MGL Directors and other lenders with $1 million drawn down. Interest at 10% p.a. payable six monthly in arrears. The loan expires on 15 February 2019.

Directors' Report (continued)

- Loan facility signed 15 January 2018 with IBML for a maximum amount of $10 million. Interest at 10% pa payable six monthly in arrears. At reporting date $655,875 has been drawn down on the loan and interest paid of $25,558. The loan expires on 15 February 2019.
- Security on all loans is a first ranking general security granting security over the borrower's assets.

Investments in Listed and Unlisted Entities

IBML's 40% investment in MGL as investment in an associate was converted to investment in a subsidiary on IBML's acquisition of the remaining 60% in MGL on 15 January 2018.

IBML's investment in Zamia Metals Limited (ZGM) has been fully impaired on the basis that the company's shares are currently suspended on the ASX.

There were no other changes 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 MGL as described above.

Significant changes in state of affairs

Investment in Macquarie Gold Limited (MGL)

During FY2017 IBML acquired a 40% stake in Macquarie Gold Limited (MGL), which holds the Adelong Gold Project in southern NSW and on 15 January 2018 acquired the remaining 60%. MGL and is now a fully owned subsidiary of IBML.

Craton – Omitiomire Project

Farm Omitiomire has been sold and an access agreement is being negotiated with the new owner.

On 8 February 2016, the Ministry of Mines and Energy sent a " Preparedness to Grant" letter to Craton. This licence, ML197, replaces the previous ML183 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).

On 17 November 2017 Subscription and Shareholders agreements were signed with Atlantic Tradeport Holdings (Proprietary) Limited for this BE entity to subscribe for 10% of the shares in Craton Mining and Exploration (Proprietary) Limited for a consideration of N$50 million. Tradeport was to subscribe for share in Craton in tranches for new shares to be issued as subscription amounts are received. Tradeport has not met the deadlines for the payment of subscriptions and Craton is now considering its legal options for recovery of losses.

To meet the conditions of the mining licence Craton will now need to find an alternative BE Group re the sale of 5% in Craton.

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

Likely developments and expected results of operations

Additional comments on likely and expected results of operations of the Group are included in this annual report under the 'Review of Operations' on pages 5-23.

After balance date events

The Directors resolved at the Board meeting held on 9 October 2018 that if funds are not available to pay the loans and accrued interest they would re-negotiate the loans with the lenders.

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 Republic of 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	Executive Chairman
Dr Kenneth John Maiden	Non-executive Director – Technical and Chief Geologist
Mr Rui Liu	Non-executive Director
Mr Dennis James Morton	Non-executive Director (appointed 23 January 2018)
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 (resigned 30 September 2017)
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 2018

	Short-term benefits	Post-employment benefits	Share-based payments			
	Cash, salary and fees $	Super-annuation $	Equity $	Options $	Termination benefit $	Total $
Directors						
Mr Hugh Thomas (1)	122,250	-	380,911	-	-	503,161
Dr Kenneth John Maiden (1)	107,020	-	-	-	-	107,020
Mr Rui Liu	38,765	-	-	-	-	38,765
Mr Dennis Morton (appointed 23 Jan 2018) (1)	16,675	-	-	-	-	16,675
Mr Qiang Chen (Alternate to Zehong Luo) (1)	38,765	-	-	-	-	38,765
	323,475	**-**	**380,911**	**-**	**-**	**704,386**
Other Key Management Personnel						
Mr Karl Hartmann, Non-Executive Director (1) (2)	88,630	-	-	-	-	88,630
Mr Aidong Yang, General Manager-Technical(1)	116,000	-	-	-	-	116,000
Mr John Stone, Company Secretary	56,064	-	-	-	-	56,064
Mr Jordan Guocheng Li, Chief Executive Officer (3)	29,446	-	-	-	-	29,446
Mr Barry F Neal, Chief Financial Officer (1)	91,791	-	-	-	-	91,791
Mrs Sigrid Hartmann, Company Secretary(4)	42,232	-	-	-	-	42,232
Total Key Management Remuneration	**747,638**	**-**	**380,911**	**-**	**-**	**1,128,549**

(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) Resigned 30 September 2017
(4) 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, and Mr Xianwu Deng during the year ended 30 June 2018 (2017:Nil)

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 Qiang Chen (Alternate to Zehong Luo) (1)	35,000	-	-	-	-	35,000
	205,370	-	-	-	-	**205,370**
Other Key Management Personnel						
Mr Karl Hartmann, Non-Executive Director (1) (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)

Service Contracts

Remuneration and other terms of employment for Key Management Personnel of the Company and its fully owned subsidiaries, are formalised in service agreements.

The major provisions of the agreements are set out below:

Name	Term of agreement	Base fees	Termination Benefit
Hugh Thomas, Executive Chairman	Remuneration Committee decision 29 September 2017 and ongoing	A consulting fee of $78,000 per annum plus GST	-
Barry F. Neal, CFO	Contract 1 September 2015 and ongoing	A consulting fee of $137 p.h. plus GST	-
John Stone, Company Secretary	Contract 11 October 2015 and ongoing	A consulting fee of $72 p.h.	-
Karl Hartmann, Craton Exploration Manager	Consulting contract 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

2018	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
Hugh Thomas	-	13,603,963	-	13,603,963
Kenneth Maiden, Non- executive Director	10,613,001	-	-	10,613,001
John Stone	1,828,125	-	-	1,828,125
Dennis Morton (appointed 23 January 2018)	-	-	29,598,094	29,598,094
Jordan Li (resigned 30 September 2017)	800,000	-	(800,000)	-
Karl Hartmann	1,862,179	-	-	1,862,179
Sigrid Hartmann	280,146	-	-	280,146
	15,383,451	13,603,963	28,798,094	**57,785,508**

* No longer a KMP holding after resignation

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
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
	15,383,451	-	-	**15,383,451**

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 and 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 2018 there were no KMP unexpired remuneration options on issue (2017: Nil).

END OF REMUNERATION REPORT (Unaudited)

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 indemnify, 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 2018 has been received and is set out on page 38 of the financial report.

Signed in accordance with a resolution of the Board of Directors

Hugh Thomas
Chairman

Sydney, 23 October 2018

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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 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 23 October 2018

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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 at 30 June 2018, 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 consolidated 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 2018 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.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial statements, which indicates that the Group incurred a net loss of $11,837,433 during the year ended 30 June 2018, had net cash outflows from operating activities of $1,353,824 and is a net current liability position of $1,161,230. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), 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.

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 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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. We have nothing to report in this regard.

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*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 intend to liquidate the Group or to cease operations, or have 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

N P Smietana
Partner – Audit & Assurance

Sydney, 23 October 2018

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 its financial position as at 30 June 2018 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

23 October 2018

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Revenue	**4**	96,475	138,077
Other income	**5**	1,062,457	32,031
Expenditure			
Administrative expenses		(944,460)	(709,004)
Exploration expenditure		(370,770)	(319,905)
Depreciation and amortisation expense	**6**	(64,420)	(52,688)
Consultants' expense		(659,832)	(96,176)
Financial costs		(174,737)	
Legal costs		(63,591)	(48,030)
Occupancy expenses		(86,905)	(26,575)
Contribution to the Craton Foundation		(29,983)	(29,232)
Employee benefits expense		(218,910)	(163,967)
Acquisition costs	**26(c)**	(156,588)	-
Share of loss from associate	**11**	(130,208)	(487,747)
Loss on fair value of interest in associate	**11**	(7,972,153)	-
Impairment of financial assets		(1,239,627)	-
Impairment of goodwill on acquisition of subsidiary	**26**	(885,855)	-
Fair value movement of derivative asset		-	(124,387)
Loss before income tax		(11,839,107)	**(1,887,603)**
Income tax	**7**	1,674	(629)
Loss for the year		**(11,837,433)**	**(1,888,232)**
Other Comprehensive Income			
The items listed in Other Comprehensive Income may recycle subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**19**	51,163	93,883
Total Other Comprehensive Income		51,163	93,883
Total Comprehensive (loss) for the year		**(11,786,270)**	**(1,794,349)**
Basic and diluted loss per Share (cents)	**30**	(1.94)	(0.35)

The accompanying notes form part of the financial statements

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Current Assets			
Cash and cash equivalents	**8**	2,980,500	4,379,080
Trade and other receivables	**9**	102,951	23,722
Total Current Assets		**3,083,451**	**4,402,802**
Non-current Assets			
Security deposits	**10**	461,785	-
Investment in associate entity	**11**	-	8,189,042
Available-for-sale financial assets	**12**	-	40,782
Financial assets		-	1,198,824
Plant and equipment	**13**	1,420,853	58,738
Mines under development	**14**	2,930,618	-
Total Non-current Assets		**4,813,256**	**9,487,386**
Total Assets		**7,896,707**	**13,890,188**
Current Liabilities			
Trade and other payables	**15**	428,058	184,370
Short-term provisions	**16**	81,411	51,810
Borrowings	**17**	3,735,212	-
Total current liabilities		**4,244,681**	**236,180**
Non-Current Liabilities			
Long-term provisions	**16**	395,000	**-**
Total Non-Current Liabilities		**395,000**	**-**
Total Liabilities		**4,639,681**	**236,180**
Net Assets		**3,257,026**	**13,654,008**
Equity			
Issued capital	**18**	69,096,820	67,707,532
Reserves	**19(a)**	(1,713,521)	(1,764,684)
Accumulated losses	**19(b)**	(64,126,273)	(52,288,840)
Total Equity		**3,257,026**	**13,654,008**

The accompanying notes form part of the financial statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

Consolidated Group

	Share Capital $	Accumulated Losses $	Foreign Exchange Transaction Reserve $	Total Equity $
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**
Balance at 1 July 2017	**67,707,532**	**(52,288,840)**	**(1,764,684)**	**13,654,008**
Loss for the year	-	(11,837,433)	-	(11,837,433)
Other comprehensive income	-	-	51,163	51,163
Total comprehensive (loss)/income for the year	**-**	**(11,837,433)**	**51,163**	**(11,786,270)**
Transactions with owners, in their capacity as owners, and other transfers				
Share based payment to a related party made during the period net of share issue costs	373,411	-	-	373,411
Fair value of shares issued for the acquisition of subsidiary	1,015,877	-	-	1,015,877
Total transactions with owners	**1,389,288**	**-**	**-**	**1,389,288**
Balance at 30 June 2018	**69,096,820**	**(64,126,273)**	**(1,713,521)**	**3,257,026**

The accompanying notes form part of the financial statements

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts – Research and Development Grant		1,062,457	-
Payments to suppliers and employees		(2,113,195)	(1,183,209)
Payments for exploration expenditure		(294,731)	(319,905)
Income tax paid		(1,674)	-
Interest received		100,984	190,616
Interest paid		(107,665)	-
Net cash (outflow) from operating activities	**29**	**(1,353,824)**	**(1,312,498)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(42,480)	-
Proceeds from the sale of plant and equipment		-	37,485
Deposits paid		(23,112)	-
Cash received on acquisition of subsidiaries		28,336	-
Proceeds from the sale of investments		-	16,880
Investment in associate entity		-	(5,000,000)
Net cash (outflow) from investing activities		**(37,256)**	**(4,945,635)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue costs		(7,500)	-
Net cash (outflow) from financing activities		**(7,500)**	**-**
Net (decrease) in cash held		(1,398,580)	(6,258,133)
Cash at the beginning of the financial year		4,379,080	10,637,213
Cash at the end of the financial year	**8**	**2,980,500**	**4,379,080**

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 27.

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.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(b) 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 year ended 30 June 2018 was $11,837,433 (2017: $1,888,232), the Group had net cash outflows from operating activities of $1,353,824 (2017: $1,312,498) and is in a net current liability position of $1,161,230.

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

(i) the Group had $2.98 million cash on hand at 30 June 2018;

(ii) In order to proceed with plans to upgrade the Adelong gold mine and mill and develop the Craton Omitiomire mini mine the Group will need to raise funds;

(iii) The Group has borrowings of $3,735,212 which are payable in the short term. The Group has commenced negotiations with the lenders to extend the maturity of the loans;

(iv) Capital raisings or issues of convertible notes are planned during the next 12 months, as needed; and

(v) 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 and/or to extend the repayment of the loans beyond 12 months from the date of the financial report, 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 30 June 2018. 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.

(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, 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.

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.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Research and Development Grants

Mine development costs may be eligible for a Government Research and Development Grant with such grants being taken up as income in the statement of income and expenditure (Refer Note 1(g).

(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 expenditure

AASB 6 provides that an entity's accounting policy for the treatment of its exploration and evaluation expenditures shall be in accordance with the following requirements. For each area of interest, expenditures incurred in the exploration for and evaluation of mineral resources shall be:

(a) expensed as incurred;

(b) partially or fully capitalised and recognised as an exploration and evaluation asset if the requirements of paragraph Aus7.2 are satisfied namely that an exploration and evaluation asset shall only be recognised in relation to an area of interest if the following conditions are satisfied

- (i) rights to tenure of the area of interest are current; and
- (ii) one of the following conditions is met
  - (a) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
  - (b) exploration and/or evaluation activities in the area of interest have not at balance date yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

(j) Mineral Development expenditure

Capitalised expenditure is transferred from 'Exploration and evaluation expenditure' to 'Mines under development' once the work completed to date supports the future development of the property. After transfer of the exploration and evaluation assets, all subsequent expenditure on the development is capitalised in 'Mines under development'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under development' are then transferred to 'Producing mines'.
Mine development costs may be eligible for a Government Research and Development Grant with such grants being taken up as income in the statement of income and expenditure.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Restoration, rehabilitation and environmental protection expenditure

Where applicable, a provision for material restoration obligations is recognised for exploration licences. The amount recognised includes costs of reclamation and site rehabilitation after taking into account restoration works which are carried out during exploration. The provision for restoration costs are determined from an estimate of future costs and are capitalised as exploration expenditure.

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Management has reassessed and provided for restoration as required for any disturbance during the field exploration and development work, which has been recognised as part of mines under development.

(l) Convertible notes

The net proceeds received from the issue of convertible note are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity and is not remeasured. The liability component is carried at amortised cost. The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(q) 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 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 in 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 of non-mining assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period or the lease or the estimated useful lives of the improvements.

The depreciation rate used for each class of depreciable assets are:

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

Depreciation on mining assets commences when the asset is put into use and is based on the units of production method which results in a decreasing charge over the useful life of the asset.

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.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) Borrowing Costs

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

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

(t) 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

(u) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and accumulating annual 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.

(v) 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.

(w) 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.

(x) 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.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

(z) 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 2018 $25,367,868 (2017: $23,509,189) owing by controlled entities was impaired. Refer to Note 20(a) (i).

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 and have resolved to fully impair this asset as the company concerned remains suspended on the ASX.

Key judgements – Income tax

The Group principal activity at this stage of its development is mineral exploration and a mine which has not yet reached the production stage and has no 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.

Key judgements – exploration expenses

The Directors have elected to expense rather than capitalise expenditure on exploration, evaluation and development on all the Group'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(i).

Key judgements – mine construction and development costs

Mine construction and development costs have been capitalised as per AASB 116 and AASB 138 as the Directors believe that these costs are recoverable from the mining and processing of the Adelong tenements and will be expensed over the life of the mine following commencement of production.

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.

(z1) Parent entity financial information

The financial information for the parent entity, International Base Metals Limited, disclosed in Note 20 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z2) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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 in this respect but the Directors are still considering the possible effect in relation to classification and measurement but do not expect to have an impairment.

(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 until the mines under development come into production.

(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 impact the Group's financial statements in relation to operating leases.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) 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 control 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 10 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, loans received and trade and other payables.

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

	Consolidated Group	
	2018	**2017**
	$	**$**
Financial Assets		
Cash and cash equivalents	2,980,500	4,379,080
Trade and other receivables	102,951	23,722
Security deposits	461,785	-
Available-for-sale financial assets	-	40,782
Financial assets – derivative	-	1,198,824
	3,545,236	5,642,408
Financial liabilities		
Borrowings	3,735,212	-
Trade and other payables	428,058	184,370
	4,163,270	184,370

Notes to the Financial Statements

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(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 18 N$	**30 June 17 N$**
Cash at bank	2,929,661	6,921,406
Other receivables	359,959	5,904
Payables	(214,240)	(157,049)
	3,075,380	**6,770,261**

Group sensitivity

Based on the financial instruments held at 30 June 2018, 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 $33,588 higher / $27,481 lower (2017: $75,030 higher / $61,388 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 listed companies.

The Directors have resolved to fully impair these investments with the result that the carrying value is nil.

The Group is not exposed to commodity price risk.

(iii) Interest rate risk

As the Group borrowings are at fixed rates of interest there is no rate risk from these loans.

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 and from other assets (prepayments and security deposits). The average interest rate applicable during the reporting period 1% (2017:0.98%).

Group sensitivity

At 30 June 2018 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 $391 lower/higher (2017: $690 higher/ lower as a result of higher/lower interest income from cash and cash equivalents.

(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 currently has no mines in production, the group and the parent generally do not have trade receivables. The Group however does receive 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 currently only involved in mineral exploration and development 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.

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

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 2018 $	2017 $
Cash and cash equivalents		
AA- Standard & Poor's, Moody's Aa2	1,058,600	3,000,145
A+ Standard & Poor's, Moody's A+	337	332
Moody's Baa3	287,972	690,336
Moody's Aa2	4,821	-
Aa2 Standard & Poor's, Moody's AA-	1,628,770	688,267
	2,980,500	4,379,080
Trade receivables		
Counterparts without external credit rating		
Group 1*	-	4,991
	-	4,991

* 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's preference is to use capital raising rather than borrowings to balance cash flow requirements. However, with the acquisition of Macquarie Gold Limited the Group has acquired short term financial liabilities.

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 2018	Less than 1 Year $	1 to 5 Years $	More than 5 Years $	Total contractual cash flows $	Carrying Value $
Trade and other payables	428,058	-	-	428,058	428,058
Borrowings	3,987,408	-	-	3,987,408	3,987,408
Total financial liabilities	4,415,466	-	-	4,415,466	4,415,466

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

(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.

Notes to the Financial Statements

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

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

		2018		2017	
		Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
		$	$	$	$
Financial assets					
Cash and cash equivalents	(i)	2,980,500	2,980,500	4,379,080	4,379,080
Trade and other receivables	(i)	102,951	102,951	23,722	23,722
Other assets	(ii)	461,785	461,785	-	-
Available-for-sale financial assets at fair value:					
- listed investments	(iii)	-	-	40,782	40,782
Financial asset – derivatives	(iv)	-	-	1,198,824	1,198,824
Total Financial assets		3,545,236	3,545,236	5,642,408	5,642,408
Financial liabilities					
Trade and other payables	(i)	428,058	428,058	184,370	184,370
Borrowings	(v)	3,735,212	3,735,212	-	-
Total Financial liabilities		4,163,270	4,163,270	184,370	184,370

(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) Security deposits and prepayments 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.

(v) Borrowings are a fixed interest rates and due to their short-medium term nature have not been discounted as the carrying value approximates fair value.

Financial Instruments Measured at Fair Value

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

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

There were no financial instruments measured at fair value in 2018.

Consolidated	Level 1	Level 2	Level 3	Total
2017	$	$	$	$
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

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.

Notes to the Financial Statements

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 and development without an income stream at this stage. Cash flow including the raising of capital to fund exploration and the development of mines is presently therefore the main focus rather than profit.

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

(b) Segment performance

2018	Unallocated $	Namibia Mining $	Australia Mining $	Total $
REVENUE				
Other revenue (including finance revenue)	1,660,348	34,990	1,067,121	2,762,459
Total segment revenue	1,660,348	34,990	1,067,121	2,762,459
Reconciliation of segment revenue to group revenue				
Inter-segment elimination**	(1,601,001)	(2,526)	-	(1,603,527)
Total group revenue and income	59,347	32,464	1,067,121	1,158,932

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

** Represents interest charged by Australia to Namibia and Macquarie Gold Mining Limited.

MAJOR CUSTOMERS

Australian revenue from external sales of $Nil (2017: $Nil) and other Australian revenue was interest earned and other revenue. Namibian revenue $32,464 (2017: $77,678) in the reporting period other revenue was interest charged by Australia to Namibia and R&D Grant received.

2017	Unallocated $	Namibia Mining $	Australia Mining $	Total $
REVENUE				
Other revenue (including finance revenue)	5,320,508	77,678	-	5,398,186
Total segment revenue	5,320,508	77,678	-	5,398,186
Reconciliation of segment revenue to group revenue				
Inter-segment elimination**	(5,228,078)	-	-	(5,228,078)
Total group revenue and income	92,430	77,678	-	170,108

NET PROFIT (LOSS) BEFORE TAX

2018	Unallocated $	Namibia Mining $	Australia Mining	Total $
Net profit (loss) Before Tax *	(21,706,512)	(1,989,277)	516,951	(23,178,838)
Reconciliation of segment net loss before tax to group net loss before tax				
Inter-segment eliminations	9,736,204	1,577,968	25,559	11,339,731
Operating Net Loss before tax	**(11,970,308)**	**(411,309)**	**542,510**	**(11,839,107)**

* Australian net loss includes exploration expenditure Australia $183,595 and Namibia $186,699, impairment charges on loans to subsidiaries $11,239,605, fair value adjustment of investment in subsidiaries, an exchange loss by Australia on a loan to Craton in Namibia; and interest expense by Namibia on loan from Australia.

Notes to the Financial Statements

NOTE 3: SEGMENT INFORMATION (continued)

2017	Unallocated $	Namibia Mining $	Australia Mining $	Total $
Net profit (loss) Before Tax *	2,279,326	(1,792,798)	(678)	485,850
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)
Operating Net Loss before tax	**(1,558,940)**	**(328,614)**	**(678)**	**(1,888,232)**

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

(c) Segment assets

2018	Unallocated $	Namibia Mining $	Australia Mining $	Total $
Segment assets current*	1,746,283	323,256	1,013,915	3,083,454
Segment assets non-current**	1,134,148	18,272	20,581,777	21,734,197
Inter-segment eliminations***	(1,102,560)	-	(15,818,384)	(16,920,944)
Total group assets	1,777,871	341,528	5,777,308	7,896,707

* 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 $25,367,868 (2017:$23,509,189) which has been matched against the impairment of these loans and impairment of investment in subsidiaries of $12,705,129(2017:$2,705,129).

2017	Unallocated $	Namibia Mining $	Australia Mining $	Total $
Segment assets current*	3,692,206	704,460	6,036	4,402,802
Segment assets non-current**	19,429,645	59,235	-	19,488,880
Inter-segment eliminations***	(10,000,014)	(1,480	-	(10,001,494)
Total group assets	13,121,837	762,215	6,036	13,890,188

* 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

2018	Unallocated $	Namibia Mining $	Australia Mining $	Total $
Segment liabilities*	284,038	24,238,386	19,354,657	43,877,081
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations**	-	(24,217,327)	(15,020,073)	(39,237,400)
Total group liabilities	**284,038**	**21,059**	**4,334,584**	**4,639,681**

'Australian liabilities include payables and loans extended to subsidiaries

Eliminations in segment liabilities include loans from the Parent to the controlled entities of $25,367,868 (2017:$23,509,189).

Notes to the Financial Statements

NOTE 3: SEGMENT INFORMATION (continued)

2017	Unallocated $	Namibia Mining $	Australia Mining $	Total $
Segment liabilities*	208,235	23,037,957	500,647	23,746,839
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations**	-	(23,010,261)	(500,398)	(23,510,659)
Total group liabilities	**208,235**	**27,696**	**249**	**236,180**

* 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 2018 $	2017 $
From continuing operations			
Other revenue			
Interest received		96,475	138,077
TOTAL REVENUE		**96,475**	**138,077**

NOTE 5: OTHER INCOME

Net gain on disposal of plant and equipment		-	15,151
Proceeds from liquidation of investment		-	16,880
R&D Grant received		1,062,457	-
TOTAL OTHER INCOME		**1,062,457**	**32,031**

NOTE 6: EXPENSES

Loss before income tax includes the following specific expenses:

Depreciation			
Office equipment		4,257	-
Furniture & fitting		20,953	1,599
Plant and equipment		14,629	15,371
Computer software and equipment		12,613	15,413
Motor vehicles		11,968	20,305
Total Depreciation	6	64,420	52,688
Share of loss from associate	11	130,208	487,747
Interest cost		174,737	-
Acquisition costs		156,588	-
Loss on fair value of interests in associates	11	7,972,153	-
Impairment of financial assets		1,239,627	-
Impairment of goodwill on acquisition of subsidiary		885,855	
Total rental expense relating to operating leases		57,076	26,575

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. This share based payment has been included in the statement of profit or loss and other comprehensive income under Consultant's fees.

Notes to the Financial Statements

NOTE 7: INCOME TAX

		Consolidated Group 2018 $	2017 $
(a)	**Income tax expense**		
	Current tax	107,140	(631,131)
	Deferred tax	-	-
	Deferred tax assets not recognised	(108,814)	631,131
		(1,674)	-
(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 (loss) before income tax at 27.5% (2017:27.5%):	(3,255,755)	(519,091)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	- Exploration expenditure incurred – Namibia (Note 7c below)	744,017	673,589
	- Other allowable items	(413)	-
	- Non allowable items	600	(41,941)
	-Goodwill arising from acquisition	243,610	-
	- Provisions and accruals	2,573,721	(598,271)
	Difference in overseas tax rates	(198,640)	(179,624)
	Timing differences not recognised	-	34,207
	Tax losses not recognised	(108,814)	631,131
	Income tax expense	(1,674)	-
(c)	**Unrecognised temporary differences**		
	Deferred tax assets (at 27.5%) – Australian entities		
	Carry forward tax losses	4,831,399	5,039,007
	Temporary differences	2,767,031	934,231
		7,598,430	**5,973,238**

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. $33,961,602 (2017:$31,214,489) of accumulated exploration expenditure to utilise.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group 2018 $	2017 $
Cash at bank and in hand	2,980,500	4,379,080
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to cash at the end of the financial year as follows:		
Cash at bank and in hand	2,980,500	4,379,080

Interest rate exposure

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

Non-cash transactions

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivable	-	4,991
Other receivables	-	512
Deposits paid	-	100
VAT/GST refund due	52,309	18,119
Prepayments	50,642	-
Total Trade and other receivables	102,951	23,722

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.

Notes to the Financial Statements

NOTE 10: NON-CURRENT ASSETS – DEPOSITS

	Consolidated Group 2018 $	2017 $
Deposits paid re office leases	32,665	-
Deposits paid re mining leases*	429,120	-
Total Deposits paid	461,785	-

* Fixed deposits with banks as collateral security guarantees for security deposits required re exploration/mining leases

Fair value and credit risk

The carrying amount is assumed to approximate their fair value.

NOTE 11: ASSOCIATES AND JOINT ARRANGEMENTS

(a) Investment in Associate

In the prior year, MGL issued an unsecured convertible note for $10 million which note was converted to new shares in MGL representing 40% of the total issued capital.

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

On 15 January 2018 IBML acquired the remaining 60% of the issued capital of MGL which then became a fully owned subsidiary of IBML.

Name	Classification	Place of Business	Proportion of Ordinary Share Interests/Participating Share		Measurement Method	Carrying Amount	
			June 18	June 2017		2018 $	2017 $
Macquarie Gold Limited	Associate	Sydney, Australia	-	40%	Equity Method	-	8,189,042

Summarised statement of comprehensive income	2018 $	2017 $
Revenue	5,320	66,617
Loss from continuing operations	(330,839)	(1,219,368)
Total comprehensive income	(325,519)	(1,219,368)
Group's share of Total comprehensive income*	**(130,208)**	(487,747)

Reconciliation of carrying amounts	2018 $	2017 $
Cost of investment in associate	8,189,042	8,676,789
Group' share of associates loss after tax from continuing operations	(130,208)	(487,747)
Fair value loss	(7,972,153)	-
Transfer to investment in subsidiary	(86,681)	-
Carrying amount of the investment in associate	**-**	**8,189,042**

(b) Joint Ventures

Cobar/Actway Joint Venture

AuriCula Mines Pty Ltd, 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 tenement, EL 6907 (Mt Hope Project), is held by Actway. CMPL manages the projects.

Notes to the Financial Statements

NOTE 12: AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated Group 2018 $	2017 $
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

Fair value

The Directors resolved at 30 June 2018 that a provision for impairment should be made for this investment in a listed entity which has been suspended on the ASX for more than one year and after year end was delisted.

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 13: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Office Equipment $	Furniture & Fittings $	Land & Buildings	Plant & Equipment $	Motor Vehicles $	Computer Equipment $	Total $
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**
Year ended 30 June 2018							
Opening Net book value	**-**	**1,614**	**-**	**29,014**	**15,256**	**12,854**	**58,738**
Acquisition of subsidiary	-	-	330,000	1,036,050	18,000	-	1,384,050
Additions	4,257	35,903	-	-	-	2,320	42,480
Foreign exchange loss on conversion	-	10	-	(109)	34	70	5
Depreciation charge	(4,257)	(20,953)	-	(14,629)	(11,969)	(12,612)	(64,420)
Closing Net book value	**-**	**16,574**	**330,000**	**1,050,326**	**21,321**	**2,632**	**1,420,853**
At 30 June 2018							
Cost or fair value at acquisition date	8,961	44,052	330,000	1,159,644	104,285	90,879	1,737,821
Accumulated depreciation	(8,961)	(27,478)	-	(109,318)	(82,964)	(88,247)	(316,968)
Net book value	**-**	**16,574**	**330,000**	**1,050,326**	**21,321**	**2,632**	**1,420,853**

NOTE 14: MINES UNDER DEVELOPMENT

Movement in the carrying amounts of the Adelong Mine under development are:-

	2018 $	2017 $
Opening book value	-	-
On acquisition of a subsidiary*	2,930,618	-
Balance at end of year 30 June 2018	**2,930,618**	**-**

* Macquarie Gold Limited and its subsidiary Challenger Mines Pty Lid was acquired by IBML on 15 January 2018. The fair values of mine assets at date of acquisition were Mines under development $2,930,618, Land and Buildings $330,000, Plant and equipment $1,036,050 and Motor Vehicles $18,000 and are shown in Note 13. Refer Note 26 re acquisition.

Notes to the Financial Statements

NOTE 14: MINES UNDER DEVELOPMENT (continued)

Recoupment of the carrying values of the development expenditure is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest and mine properties.

Once production commences mine development and plant and equipment will be amortised over the shorter of the useful life of the individual assets and the life of the mine

Impairment testing

For the purpose of annual impairment testing the whole of the Adelong Gold Project, included under mines under development, is treated as one area of interest and a single cash generating unit (CGU) which is expected to benefit from the development of the area of interest and production and sale of gold.

The recoverable amount of the mines under development was determined based on fair value less costs of disposal as the mine is still in process of development and does not currently generate cash inflows. The valuation was performed Using the income method whereby the present value of the CGU has been calculated on the basis of future discounted cash flows expected from the current mine resource.

The recoverable amount of the cash-generating unit has been determined to be its fair value less costs to sell.

Management is not currently aware of probable changes that would necessitate changes in its key estimates and does not consider that impairment of mine under development is required at this stage.

NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade payables	194,351	56,680
Sundry payable and accrued expenses	233,707	127,690
	428,058	**184,370**

NOTE 16: PROVISIONS

Current		
Employee benefits	**81,411**	**51,810**
Opening balance	51,810	100,090
Balance at acquisition date of subsidiary	2,445	-
Additions in the year	27,156	(48,280)
Balance at end of year	**81,411**	**51,810**
Non-current		
Restoration and rehabilitation costs		
Balance at acquisition date of subsidiary	372,000	-
Additions in the year	23,000	-
Balance at end of year	**395,000**	**-**

NOTE 17: BORROWINGS -CURRENT

Loans from Directors	604,976	-
Accrued interest on loans from Directors and Directors' related entities	198,017	-
Loans from shareholders	2,289,860	-
Accrued interest on loans from shareholders	642,359	-
	3,735,212	**-**

The following borrowings have been incurred by Macquarie Gold Limited, a subsidiary of IBML from 15 January 2018:-

- Loan signed 16 November 2015 from MGL Directors and shareholders with subsequent variations with current loan outstanding $1,894,836 plus interest accrued at 13.3% p.a. and not paid of $840,375. The loan expires on 31 March 2019.
- Loan signed September 2017 from MGL Directors and other lenders with $1 million drawn down. Interest at 10% pa payable six monthly in arrears. Interest paid during the reporting period $82,100. The loan expires on 15 February 2019.
- On 15 January 2018 IBML signed a loan facility agreement with MGL for a maximum limit amount of $10 million. Interest at 10% p.a. payable six monthly in arrears. At reporting date $655,875 has been drawn down on the loan and interest paid of $25,558. The loan expires on 15 February 2019. This intercompany loan has been eliminated in the group consolidation.

Security on all loans is a first ranking general security granting security over the borrower's assets.

Notes to the Financial Statements

NOTE 18: ISSUED CAPITAL

	2018 No of Shares	2017 No of Shares	2018 $	2017 $
Fully paid ordinary shares 689,312,504 (FY2017:544,158,541)	689,312,504	544,158,541	69,096,820	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 2017	Balance	544,158,541	67,707,532
19 December 2017	Share based payment to a related party net of share issue costs	13,603,963	373,411
15 January 2018	Fair value of shares issued for the acquisition of subsidiary	131,550,000	1,015,877
30 June 2018	Balance	**689,312,504**	**69,096,820**

(b) Options

No options were issued during the financial year. There are no unexpired options on issue (2017: 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 19: RESERVES AND ACCUMULATED LOSSES

(a) Foreign Exchange Translation Reserves

	Consolidated 2018 $	 2017 $
Balance at beginning of financial year	(1,764,684)	(1,858,567)
Currency translation differences arising during the year	51,163	93,883
Balance at end of financial year	**(1,713,521)**	**(1,764,684)**

(b) Accumulated losses

Movements in retained losses were as follows:		
Balance 1 July	(52,288,840)	(50,400,608)
Net (loss) attributable to members of the Company	(11,837,433)	(1,888,232)
Balance 30 June	**(64,126,273)**	**(52,288,840)**

(c) 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 20: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	Parent Entity 2018 $	2017 $
Current assets	1,752,402	3,686,118
Non-Current assets	1,119,092	-
Total assets	**2,871,494**	**23,240,150**
Current liabilities	275,102	202,147
Total liabilities	**275,102**	**202,147**
Shareholders' equity		
Contributed equity	69,096,820	67,707,532
Retained losses	(66,500,428)	(44,793,916)
Total equity	**2,596,392**	**23,038,003**
(Loss)/Profit for the year	(21,706,512)	581,415
Total Comprehensive Income	**(21,706,512)**	**581,415**
Loans by parent to controlled entities		
Amounts owing by controlled entities	25,367,868	23,509,189
Provision for impairment of receivables	(25,367,868)	(23,509,189)
	-	-

(i) Impaired receivables and receivables past due

At 30 June 2018 $25,367,868 (2017:$23,509,189) owing by controlled entities was impaired. The impairment has resulted from the Parent Entity and a controlled 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 or controlled entity.

The Company has issued a Letter of Support to its Controlled Entity Craton Mining and Exploration (Pty) Ltd agreeing not to call up the above-mentioned loans totalling $24,217,327 (2017: $23,808,791) until this Controlled Entities is able to pay its debts as and when they fall due; and to provide further funding as is necessary to enable the Controlled Entities to pay its debts as and when they become due and payable.

(ii) 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 2018 the parent company's investment in Craton Mining and Exploration (Pty) Ltd was $10M (2017: $10M). The Directors have considered whether all or part of this investments is impaired and have resolved to fully impair this investment.

At 30 June 2018 the parent company's investment as an associate in Macquarie Gold Limited (MGL) $8,058,834 was considered for impairment and impaired to its fair value of $86,681.

(iii) Fair values

After provisioning for impairment for the amount owing by controlled entities in the current and past years of $25,367,868 the carrying amount is assumed to approximate the fair value of the loans to controlled entities of $Nil. Information about the Group's exposure to credit and interest risk is provided in Note 2.

Notes to the Financial Statements

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated 2018 $	2017 $
Short-term employee benefits	747,638	716,701
Share based payments	380,911	-
	1,128,549	**716,701**

Details of key management personnel remuneration are included in the remuneration report on page 35.

(b) Shareholdings of key management personnel

Details of shareholdings of key management personnel are disclosed in the remuneration report on page 36.

(c) Option holdings of key management personnel

No options are held by KMP's (2017: Nil).

There have been no other transactions involving equity instruments other than those described in the table above. For details of other transactions with KMP's (including loans) refer to Note 25 Related Party Transactions.

NOTE 22: REMUNERATION OF AUDITORS

	Consolidated 2018 $	2017 $
Auditor to the parent company		
Audit and review of financial statements		
Grant Thornton Audit Pty Ltd	106,753	60,705
Auditors of subsidiaries		
Grant Thornton Neuhaus	9,260	20,698
Other services to the subsidiaries		
Taxation services – Ernst Young	11,037	3,703
Taxation services - Willtax	4,750	-
	131,800	**85,106**

NOTE 23: CONTINGENT LIABILITIES

At reporting date as a result of the acquisition of Macquarie Gold Limited the Group and its subsidiary Challenger Mines Pty Ltd has a contingent liability to pay a royalty to the vendor of Challenger Mines Pty Ltd at the rate of 1% of the gold produced from the first 250,000 ounces produced from the tenements of the Adelong Gold Project.

There were no other contingent liabilities at reporting date.

NOTE 24: COMMITMENTS

(a) Non-cancellable operating leases

A lease was signed on premises for a Sydney Head Office of the Group on 1 December 2017 for a lease term of three years and with option to renew for a further two years with commitments as set out below:

	2018 $	2017 $
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
- Not later than twelve months	55,708	-
- Not later than three years	81,581	-
	137,289	**-**

The Namibian subsidiary office lease has expired and not resigned. Rent is now payable monthly in advance.

(b) Service agreement

On 13 November 2017 IBML gave six months notice to Zamia Metals Limited of their intention to terminate the service agreement under which Zamia Metals Limited had provided equipment, premises and office services to IBML. The agreement was terminated on 31 December 2017 with IBML's move to their own leased premises.

Notes to the Financial Statements

NOTE 24: COMMITMENTS (continued)

(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 $0.2 which expenditure has been already exceeded. There is some flexibility in expenditure patterns over the life of the tenements where shortfalls in any single year can be made good in aggregate terms. (Minimum annual expenditure for tenements in Namibia is translated at the rate of 1A$=10.62N$)

The expenditure commitments to maintain and renew rights to tenure in the exploration licence, mining lease and mining claim leases as at 30 June 2018 have not been provided for in the financial statements and are due:

	2018 $	**2017 $**
- Namibia Tenement Payable not later than one year	1,081	260,916
- Namibia Tenement Payable one year or longer and no later than three years	1,572	-
- Namibia Tenement Payable later than three years	8,347	
- Australia Tenement Payable not later than one year	500,593	-
- Australia Tenement Payable one year or longer and no later than three years	49,111	-
	560,704	260,916

The Macquarie Gold's subsidiary Challenger Mines Pty Ltd has an obligation to restore land disturbed during exploration and mining under the terms and conditions of licences. The Group has provided bank guarantees of $429,120 (2017: $406,120) to the Minister for Mineral Resources for the State of New South Wales as security for the fulfilment of those obligations.

(d) Loans to Controlled entities

The Company has issued a Letter of Support to its Controlled Entity Craton Mining and Exploration (Pty) Ltd agreeing not to call up the above-mentioned loans totalling $24,217,327(2017: $23,509,189) until this Controlled Entities is able to pay its debts as and when they fall due; and to provide further funding as is necessary to enable the Controlled Entities to pay its debts as and when they become due and payable.

IBML, the parent entity, has provided a loan facility to its fully owned subsidiary Macquarie Gold for a maximum amount of $10 million. Interest at 10% pa is payable six monthly in arrears. At reporting date $655,875 has been drawn down on the loan and interest paid of $25,558. The loan expires on 15 February 2019.

NOTE 25: 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 27.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 21 and on pages 34-36 of the Directors' Report.

Other transactions with related parties of Parent

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

	2018 $	**2017 $**
Amounts outstanding from related parties		
Loans from related party - Director	604,976	-
Loans from related party - Shareholders	2,289,860	-
Accrued interest on shareholder loans	642,359	-
Directors' fees and service fees payable to KMP's and their related parties	141,363	-
Accrued interest on loans from Directors and Directors' related entities	198,017	-
Amounts payable to Hunter Bay Partners Pty Ltd	7,380	-
Amounts recognised as expense from related parties		
Amounts recognised as expense - rent and service fees	25,025	53,354
Outstanding balances arising from sale of services		
Current receivables – service fees and expenses recouped	-	5,685

NOTE 25: RELATED PARTY TRANSACTIONS (continued)

Expenses related to Tamerlane Advisory Group Pty Lt (a company related to Hugh Thomas) and Budside Pty Ltd (a company related to Dennis Morton) have been included in directors' fees.

NOTE 26: BUSINESS COMBINATIONS

(a) Summary of acquisition

On 15 January 2018 the parent entity acquired a further 60% of the issued share capital of Macquarie Gold Limited (MG) following the acquisition of 40% of the issued share capital on 22 July 2016. MGL and its subsidiary Challenger Mines Pty Ltd (CMP) are now fully owned entities of IBML. The acquisition was a result of the Group's strategy of increasing its presence in the mining industry.

CMP operates the Adelong gold project in southern New South Wales which is currently in care and maintenance pending a decision on a mill upgrade.

Purchase consideration (refer to (b) below)	**$**
Previously held 40% equity interest at fair value (i)	86,681
Fair value of ordinary shares issued by IBML(ii)	1,015,877
	1,102,558
Less	
Cash	28,336
Receivables (iii)	71,996
Security deposits (iv)	446,521
Property. Plant and equipment (v)	1,384,050
Mine under development (v)	2,930,618
Payables	(627,792)
Provision for annual leave	(2,444)
Loan received (vi)	(3,642,582)
Provision for rehabilitation	(372,000)
Identifiable assets acquired and liabilities assumed at fair value	**216,703**
Goodwill recognised/impaired (vii)	**885,855**

(i) On 22 July 2016 the $10 million previously invested in MGL in the form of convertible notes was converted to 40 million share shares in MGL representing 40% of MGL's issued capital. Upon remeasuring that equity interest to fair value, a loss of $7,972,153 has been recognised. The loss has been recognised on revaluation of the investment in associate within the statement of comprehensive income.

(ii) On 15 January 2018, 131,550,000 fully paid ordinary shares were issued to Macquarie Gold Limited (MGL) shareholders to acquire 60% of the issued shares in MGL. The fair value of shares issued of $1,015,877 was estimated on the basis of a valuation of IBML.

(iii) The Directors believe the receivables are fully recoverable and no provision for impairment is required.

(iv) The security deposits relate to security required under MGL's mining leases.

(v) All mill plant and equipment, exploration and mine development costs recognised at fair value have been capitalised and will be expensed over the life of the mine.

(vi) Loans represent amounts provided by MGL shareholders and other parties plus interest accrued and not paid.

(vii) The goodwill resulted from the difference between the fair value of the MGL net assets acquired and the fair value of the shares issued by IBML. It has been impaired on acquisition.

(b) Acquisition-related costs

Acquisition-related costs of $156,588 are included as a line item in profit or loss and in operating cash flows in the statement of cash flows. The costs include advisory, legal and other professional fees.

Notes to the Financial Statements

NOTE 27: CONTROLLED ENTITIES

(a) Subsidiaries

The group's principal subsidiaries at 30 June 2018 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	
			2018	**2017**
Parent entity				
International Base Metals Limited	Holding Company	Australia	100%	100%
Controlled entities				
AuriCula Mines Pty Ltd	Exploration	Australia	100%	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%
Macquarie Gold Limited	Exploration	Australia	100%	-
Challenger Mines Pty Ltd	Exploration	Australia	100%	-

(b) Acquisition of Controlled entities

On 15 January 2018, the parent acquired a further 60% interest in Macquarie Gold Limited. The acquisition resulted in International Base Metals Limited obtaining control of Macquarie Gold Limited and its fully owned subsidiary Challenger Mines Pty Ltd.

NOTE 28: SUBSEQUENT EVENTS

The Directors resolved at the Board meeting held on 9 October 2018 that if funds are not available to pay the loans and accrued interest by the due date then they would seek to renegotiate payments terms.

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 29: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018 $	2017 $
Operating (loss) after income tax	(11,837,433)	(1,888,232)
Non-cash items included in profit and loss:		
- depreciation and amortization	64,420	52,688
Net (gain) on sale of property, plant and equipment	-	(15,151)
Share based payment	380,911	-
Impairment/(reversal) of financial assets	1,239,627	(300,000)
Investment loss	-	283,120
Loss on fair value of interest in associate	7,972,153	
Share of loss from associate	130,208	487,747
Fair value movements as derivative asset	-	124,387
Impairment of goodwill	885,855	-
Accrual for mine rehabilitation	23,000	-
Net foreign exchange difference	(1,881)	83,547
Change in assets and liabilities		
(Increase)/Decrease in receivables	(21,433)	66,712
(Decrease) in payables	(216,410)	(159,035)
Increase/(Decrease) in provisions	27,159	(48,281)
Net cash (outflow) from operating activities	**(1,353,824)**	**(1,312,498)**

Notes to the Financial Statements

NOTE 30: LOSS PER SHARE

	Consolidated Group 2018 Cent per Share	2017 Cents per Share
Basic loss per share	(1.94)	(0.35)
Diluted loss per share	(1.94)	(0.35)

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:

	2018 $	2017 $
Loss (i)	(11,837,433)	(1,888,232)
Weighted average number of ordinary shares (ii)	611,180,089	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 2018 (2017: 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.

NOTE 31: DEED OF CROSS GUARANTEE

A deed of cross guarantee between International Base Metals Ltd and Macquarie Gold Limited was enacted during the financial year and relief was obtained from preparing financial statements for Macquarie Gold Limited under ASIC Class Order 98/1418. Under the deed, International Base Metals Limited guarantees to support the liabilities and obligations of Macquarie Gold Limited. Macquarie Gold Limited is the only party to the deed of cross guarantee and is a member of the closed group. The following are the aggregate totals, for each category, of the closed group.

		Closed Group 2018 $
(i)	**Financial information in relation to:**	
	Statement of profit or loss and other comprehensive income:	
	Loss before income tax	(21,095,562)
	Income tax expense	-
	Loss after income tax	(21,095,562)
	Loss attributable to members of the parent entity	**(21,095,562)**
(ii)	**Retained losses:**	
	Retained losses at the beginning of the year	(33,882,462)
	Loss after income tax	(21,095,562)
	Retained losses at the end of the year	**(54,978,024)**
(iii)	**Statement of financial position:**	
	CURRENT ASSETS	
	Cash and cash equivalents	2,624,681
	Trade and other receivables	39,583
	TOTAL CURRENT ASSETS	**2,664,264**
	NON-CURRENT ASSETS	
	Security deposits	32,567
	Investment in subsidiaries	15,566,789
	Property, plant and equipment	16,532
	TOTAL NON-CURRENT ASSETS	**15,615,888**
	TOTAL ASSETS	**18,280,152**

Notes to the Financial Statements

NOTE 31: DEED OF CROSS GUARANTEE (continued)

	Closed Group 2018 $
CURRENT LIABILITIES	
Trade and other payables	348,164
Short-term borrowings	3,735,212
Short-term provisions	77,980
TOTAL CURRENT LIABILITIES	**4,161,356**
TOTAL LIABILITIES	**4,161,356**
NET ASSETS	**14,118,796**
EQUITY	
Issued capital	69,096,820
Reserves	
Retained earnings	(54,978,024)
TOTAL EQUITY	**14,118,796**

Shareholder Information

Statement of issued securities as at 28 September 2018.

There are 341 shareholders holding a total of 689,312,504 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 28 September 2018.

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	128	7,378,002
100,001 -	and over	204	681,875,504
Total holders		341	544,158,541

Substantial shareholdings as at 28 September 2018 of Fully Paid Ordinary Shares

Ordinary shareholder	Total relevant interest notified	% of total voting rights
Rui King Resources Limited	150,000,000	21.76
West Minerals Pty Limited	118,326,492	17.17
Ferromin Pty Ltd (The Ambler Unit A/c)	56,909,078	8.26%
Heilongjiang Heilong Resources Investment Co Ltd	25,022,723	3.63

The three entities which are substantial Shareholders are associates with 50.81% voting control of the Company.

Top Twenty Shareholders 28 September 2018

Holder Name	Shares held	%
RUI KING RESOURCES LIMITED	150,000,000	21.76%
WEST MINERALS PTY LIMITED	118,326,492	17.17%
FERROMIN PTY LTD <THE AMBLER UNIT A/C>	56,909,078	8.26%
HEILONGJIANG HEILONG RESOURCES INVESTMENT CO LTD	25,022,723	3.63%
CHINA KINGS RESOURCES GROUP CO LTD	22,500,000	3.26%
BUDSIDE PTY LTD <EMPLOYEES SUPER FUND A/C>	21,815,375	3.16%
CHINA SUN INDUSTRY PTY LTD	20,000,000	2.90%
MANICA MINERALS LTD	15,000,000	2.18%
TAMERLANE GROUP LIMITED	13,603,963	1.97%
PEARL GLOBAL INVESTMENT LIMITED	13,333,333	1.93%
BLACKMANS & ASSOCIATES PTY LTD <SUPER FUND A/C>	13,000,000	1.89%
JIAN XU	10,718,379	1.55%
MR KENNETH JOHN MAIDEN & MRS MARGARET FRANCES MAIDEN <MAIDEN FAMILY S/F A/C>	10,521,751	1.53%
GREAT SEA WAVE INVESTMENT PTY LTD	9,167,333	1.33%
MACQUARIE BANK LTD	8,333,333	1.21%
THETA ASSET MANAGEMENT LIMITED <AUCTUS RESOURCES FUND A/C>	8,333,333	1.21%
MR DENNIS JAMES MORTON	7,782,719	1.13%
TECTOMET EXPLORATION PTY LTD	7,220,277	1.05%
OCTAN ENERGY PTY LTD	6,681,096	0.97%
PEAK SUCCEED INVESTMENTS LIMITED	6,666,667	0.97%
Total Securities of Top 20 Holdings	**544,935,852**	**79.05%**
Total of Securities	**689,312,504**	