



INTERNATIONAL BASE METALS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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Directors' Report

Directors present their consolidated report on International Base Metals Limited, ("the Company"), and its controlled entities for the half year ended 31 December 2016 ("the period" or "the half-year").

Directors

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

Mr Hugh Ian Thomas, Non-executive Director and Chairman
Dr Kenneth John Maiden, Non-Executive Director
Mr Rui Liu, Non-executive Director
Mr Zhehong Luo, Non-executive Director
Mr Jinhua Wang, Non-executive Director
Mr Qiang Chen, Alternate Non-executive Director to Mr Zhehong Luo
Mr Aidong Yang, Alternate Non-executive Director to Mr Rui Liu (resigned 1/7/2016)
Mr Xianwu Deng, Alternate Non-executive Director to Mr Jinhua Wang

Chief Executive Officer

Jordan Guocheng Li BA, MBA (appointed 20/7/2016)

Company Secretary

John Stone B.Ec.

Chief Financial Officer

Barry Neal B.EC

Principal Activities

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

The Company took up a 40% shareholding in Macquarie Gold Limited (MGL) on 22 July 2016.

Operating Results

The net loss after tax of the consolidated entity for the half-year was \$924,813 (2015: corresponding period a loss of \$1,593,232). All exploration expenditure during the period was expensed. MGL is yet to commence production.

Dividends

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

Review of Operations

Macquarie Gold Limited

Macquarie Gold Limited (MGL) has been progressing its Adelong Gold Project towards production in early 2017. Refer to the Macquarie Gold website www.macquariegold.com.au for further details.

Namibian Copper Project

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

Mining Licence

- Namibian Ministry of Mines and Energy (MME) issued Preparedness to Grant letter to Craton for Mining Licence covering Craton's Omitiomire copper project.
- MME has subsequently confirmed that Mining Licence would be issued once Craton has addressed 5% equity shareholding to previously disadvantaged persons/entity in Namibia.
- Craton has been preparing a detailed response to the matter of 5% equity shareholding.

Farm Access

- The Minerals Ancillary Rights Commission (MARC) hearing was held on 27 October 2016.
- The MARC awarded Craton access rights to farm Omitiomire.
- The access has been granted for a period of 6 months starting from the date of the order subject to conditions which were met.
- J Steyn, one of the potential heirs to the estate, has lodged an appeal to the access granted by the MARC, but Craton's lawyers consider the appeal to be late and not properly served.

Mini Mining

- The Company has been reviewing a "Mini Mining" scenario targeting higher grade copper oxides within the top 11m of the Pan area without the capital expense of a power line, expensive processing costs and other costs required by the DFS.
- Metallurgical tests conclude that the Omitiomire pure oxide leaches well at low acid consumption.
- Mining is by blasting, loading, hauling, crushing and screening. Processing of the coarse fraction is by heap leach, SX and EW, whereas the fine fraction may be by heap or vat or tank leach followed by SX and EW.
- The current schedule has a life of mine of 3.5 years, with unquantified extensions to the south, at depth and in other pits. The planned pit contains 250,000t at 0.95% Cu and 88,000t of waste.
- Processing is expected to have a recovery of 80% and produces an average of 47.6t of copper cathode per month.
- Mini Mining is planned to lead to a full scale Sulphide Mining Project during or after the 3.5 year period.

Tenements and Exploration

- Craton is awaiting the renewal of EPL3589 (Ekuja) and EPL4150 (Seeis) from the MME and the renewal of Environmental Clearance Certificates from the Ministry of Environment and Tourism.
- EPL3589: A ground magnetic survey on farm Borealis was completed (Figure 1). The results have outlined an extension to the previous interpretation of the Otjite Dome in a structural position similar to Omitiomire.

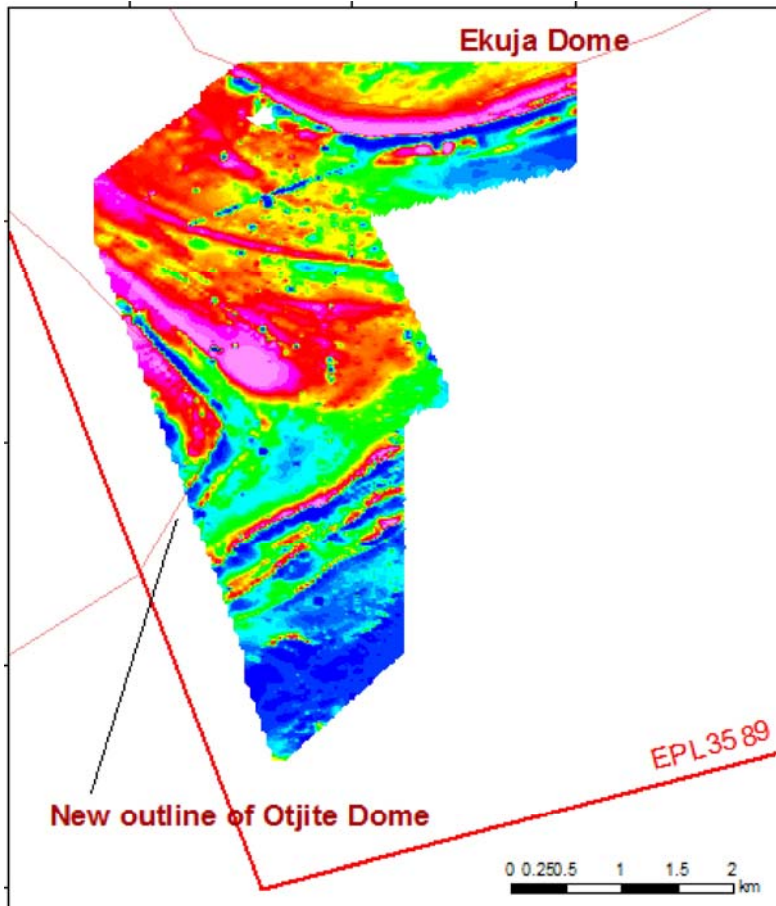


Figure 1: Ground magnetic results on farm Borealis, EPL3589 (Ekuja)

- EPL4150: Results of IP and EM surveys on the Andrea Prospect suggest modest potential down a low dip towards the east. Potential for up to 1 million tonnes at 1 - 2% Cu is indicated.
- No other exploration work was planned for 2016 pending clear solution of Omitiomire farm access.

Other Projects

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

Exploration continued at Craton's other Namibian exploration projects. At end-December 2016, Craton held three Exclusive Prospecting Licences, totalling 1929 km².

Capital Raising

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

Shares and options on issue

There were no outstanding options at 31 December 2016.

Significant Changes in the State of Affairs

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

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

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

Events subsequent to the end of reporting period

Craton received Notice of Preparedness to Grant Mining Licence from the Minister of Mines and Energy on 11 August 2016 with the pre-issuance conditions of reserving 5% in the project to be taken up by a previously disadvantaged Namibian entity and a proposal that will benefit the Namibian youth and woman. IBML is now considering its response to the Minister.

Craton obtained on 1 November 2016 an interim order from the Minerals Ancillary Rights Commission (MARC) in terms of which it was permitted to enter the farm Omitiomire. On 19 January 2017 Craton's representative was refused access by the resident on the farm. As the result Craton has registered criminal charges against the resident for malicious damage, theft, assault with the intention to do grievous bodily harm and contravention of the provisions of section 133(a) of Act 33 of 1992.

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

Expected future developments

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

Environment Regulation

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

Proceedings on behalf of the Company

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

Auditor's Independence

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

Signed on 3 March 2017 in accordance with a resolution of the Board of Directors



Hugh Ian Thomas
Chairman

3 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year ended 31 December 2016

	Note	Half Year ended	
		31 Dec 2016	31 Dec 2015
		\$	\$
Revenue	2	94,260	341,025
Expenditure			
Administrative expenses		(318,359)	(479,791)
Exploration expenses		(160,072)	(759,957)
Depreciation and amortisation expense		(27,699)	(35,716)
Consultants' expense		(60,990)	(104,967)
Financial and legal advice		(37,878)	(35,822)
Occupancy expenses		(20,832)	(41,029)
Contribution to Craton Foundation		(28,423)	(28,805)
Employee benefits expense		(112,596)	(412,224)
Share of loss from associate		(251,612)	-
Loss before income tax		(924,201)	(1,557,286)
Income tax (expense)/benefit		(612)	(35,946)
Loss for the period		(924,813)	(1,593,232)
Other Comprehensive income/(losses)			
Changes in the fair value of available-for-sale financial assets		-	27,187
Exchange differences on translation of foreign operations		105,659	(698,152)
Total Other Comprehensive income/(Loss)		105,659	(670,965)
Total Comprehensive (Loss) for the half-year attributable to owners of International Base Metals Limited		(819,154)	(2,264,197)
Basic loss per share (cents)		(0.17)	(0.29)
Diluted loss per share (cents)		(0.17)	(0.29)

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

Consolidated Statement of Financial Position As at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
Current Assets			
Cash and cash equivalents		4,930,948	10,637,213
Trade and other receivables		26,530	90,434
Total Current Assets		4,957,478	10,727,647
Non-current Assets			
Investment in associate entity	5	9,748,388	5,000,000
Available-for-sale financial assets		40,782	40,782
Property, plant and equipment		84,812	123,423
Total Non-current Assets		9,873,982	5,164,205
Total Assets		14,831,460	15,891,852
Current Liabilities			
Trade and other payables		152,092	343,405
Short-term provisions		50,165	100,090
Total Current Liabilities		202,257	443,495
Total Liabilities		202,257	443,495
Net Assets		14,629,203	15,448,357
Equity			
Issued capital	10	67,707,532	67,707,532
Reserves		(1,752,908)	(1,858,567)
Accumulated losses		(51,325,421)	(50,400,608)
Total Equity		14,629,203	15,448,357

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

**Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2016**

	Contributed Equity \$	Reserves \$	Accumulated losses	Total Equity \$
Balance at 1 July 2015	67,707,532	(1,223,320)	(47,620,726)	18,863,486
Comprehensive loss for the half-year	-	(670,965)	(1,593,232)	(2,264,197)
Balance at 31 December 2015	67,707,532	(1,894,285)	(49,213,958)	16,599,289
Balance at 1 July 2016	67,707,532	(1,858,567)	(50,400,608)	15,448,357
Comprehensive loss for the half-year	-	105,659	(924,813)	(819,154)
Balance at 31 December 2016	67,707,532	(1,752,908)	(51,235,421)	14,629,203

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

**Consolidated Statement of Cash Flows
For the Half-Year ended 31 December 2016**

	Note	Half Year ended	
		31 Dec 2016	31 Dec 2015
		\$	\$
Cash flow from operating activities			
Receipts from customers		-	5,301
Payments to suppliers and employees		(711,596)	(2,171,451)
Payments for exploration expenditure		(160,071)	(747,586)
Income tax paid		(3,220)	(35,946)
Interest received		113,517	324,731
Net cash outflow from operating activities		(761,370)	(2,624,951)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		38,221	21,935
Proceeds from liquidation of investments		16,885	4,439
Investment in associates		(5,000,001)	-
Net cash (outflow)/inflow from investing		(4,944,895)	26,374
Net (decrease) in cash held		(5,706,265)	(2,598,577)
Cash at beginning of the period		10,637,213	19,130,643
Cash at end of the period		4,930,948	16,532,066

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of International Base Metals Limited and its controlled entity (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

b. Accounting Policies

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

c. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent International Base Metals Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is provided in Note 8.

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

d. Investments in Associates

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

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

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

The critical estimates and judgments are consistent with those applied and disclosed in the Company’s 2016 Annual Report.

Financials report prepared on a going concern basis

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

The net loss after income tax for the consolidated entity for the half year ended 31 December 2016 was \$924,813 (2015 corresponding period \$1,593,232).

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

- (i) the Group had \$4.9 million cash on hand at 31 December 2016;
- (ii) \$10 million has been invested in Macquarie Gold Ltd (MGL) which is currently commencing gold production and is expected to result in a flow of income to IBML via dividends in the medium term.
- (iii) The Company is expected to require additional funds in the future for the development of an oxide copper mining operation at the Omitiomire project and for additional drilling on other targets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Determination of MGL Investment as an associate

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

NOTE 2: REVENUE

	31 Dec 2016	31 Dec 2015
	\$	\$
From continuing operations		
Other revenue		
Interest received – other entities	62,667	314,736
Other	31,593	26,289
TOTAL REVENUE	94,260	341,025

NOTE 3: DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 4: SEGMENT REPORTING

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

Accounting policies

Description of segments

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

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

(b) Segment performance

	Half Year Dec 2016			Half Year Dec 2015		
	Australia	Namibia	Total	Australia	Namibia	Total
	\$	\$	\$	\$	\$	\$
REVENUE						
External sales	-	-	-	-	-	-
Other revenue (including finance revenue)	755,431	49,535	804,966	968,589	147,807	1,116,396
Total segment revenue	755,431	49,535	804,966	968,589	147,807	1,116,396
Reconciliation of segment revenue to Group revenue						
Inter-segment elimination**	(710,706)	-	(710,706)	(775,371)	-	(775,371)
Total Group revenue	44,725	49,535	94,260	193,218	147,807	341,025

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: SEGMENT REPORTING (CONTINUED)

NET PROFIT/(LOSS) BEFORE TAX

	Half Year 2016			Half year Dec 2015		
	Australia \$	Namibia \$	Total \$	Australia \$	Namibia \$	Total \$
Net Profit/(loss) Before Tax *	1,263,568	(901,478)	362,090	(840,384)	(1,527,070)	(2,367,454)
Reconciliation of segment net profit before tax to Group net profit before tax						
Inter-segment eliminations* **	(1,997,609)	710,706	(1,286,903)	(1,149)	775,372	774,222
Operating Net Loss before tax	(734,041)	(190,771)	(924,813)	(841,533)	(751,699)	(1,593,232)

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

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

Segment assets

	Half Year Dec 2016			Financial Year June 2016		
	Australia \$	Namibia \$	Total \$	Australia \$	Namibia \$	Total \$
Segment assets current*	4,124,543	832,935	4,957,478	12,788,696	2,938,950	15,727,646
Segment assets non-current**	19,791,500	82,512	19,874,012	10,044,937	119,298	10,164,235
Inter-segment eliminations***	(10,000,019)	(11)	(10,000,030)	(10,000,019)	(10)	(10,000,029)
Total Group assets	13,916,024	915,436	14,831,460	12,633,614	3,058,238	15,891,852

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

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

*** Eliminations in segment assets include loans from the Parent to the controlled entities as at 31 December 2016 \$22,609,117 (June 2016:\$ 23,943,874) which has been offset against the impairment of these loans

NOTE 5: ASSOCIATES

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

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

Name	Classification	Place of Business	Proportion of Ordinary Share Interests/Participating Share		Measurement Method	Carrying Amount	
			Dec 2016	June 2016		Dec 2016 \$	June 2016 \$
Macquarie Gold Limited	Associate	Sydney, Australia	40%	-	Equity Method	9,748,388	5,000,000

Summarised statement of comprehensive income	Dec 2016 \$	June 2016* \$
Revenue	50,064	-
Loss from continuing operations	(629,028)	-
Total comprehensive income	(629,028)	-
Group's share of Total comprehensive income	(251,612)	-

* The results to June 2016 are reflective of those made since the investment was made

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: ASSOCIATES (continued)

Reconciliation of carrying amounts	Dec 2016 \$	June 2016 \$
Cost of investment in associate	10,000,000	5,000,000
Group' share of associates loss after tax from continuing operations	(251,612)	-
Carrying amount of the investment in associate	9,748,388	5,000,000

NOTE 6: CONTINGENT LIABILITIES

There are no contingent liabilities at balance sheet date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Craton received Notice of Preparedness to Grant Mining Licence from the Minister of Mines and Energy on 11 August 2016 with the pre-issuance conditions of reserving 5% in the project to be taken up by a previously disadvantage Namibian entity and a proposal that will benefit the Namibian youth and woman. IBML is now considering its response to the Minister.

Craton obtained on 1 November 2016 an interim order from the Minerals Ancillary Rights Commission (MARC) in terms of which it was permitted to enter the farm Omitiomire. On 19 January 2017 Craton's representative was refused access by the resident on the farm. As the result Craton has registered criminal charges against the resident for malicious damage, theft, assault with the intention to do grievous bodily harm and contravention of the provisions of section 133(a) of Act 33 of 1992.

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

NOTE 8: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2016. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of entity	Country of Incorporation	Class of Shares	Ownership Interest	
			December 2016	June 2016
Parent entity				
International Base Metals Limited	Australia	Ordinary	100%	100%
Controlled entities				
AuriCula Mines Pty Ltd (incorporated 15 March 2004)	Australia	Ordinary	100%	100%
Maranoa Resources Pty Ltd (incorporated 31 August 2004)	Australia	Ordinary	100%	100%
Endolithic Resources Pty Ltd (incorporated 8 November 2007)	Australia	Ordinary	100%	100%
Tandem Resources Pty Ltd (incorporated 13 May 2013)	Australia	Ordinary	100%	100%
Craton Property Holdings Pty Ltd (incorporated 14 April 2014)	Australia	Ordinary	100%	100%
Craton Mining and Exploration (Pty) Ltd (acquired 12 February 2007)	Namibia	Ordinary	100%	100%
Omitiomire Mining Company (Pty) Ltd (incorporated 4 March 2009)	Namibia	Ordinary	100%	100%
Kopermyn Explorations (Pty) Ltd (incorporated 6 April 2010)	Namibia	Ordinary	100%	100%

The Group is unchanged from 30 June 2016 position.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 5-12
 - a. complying with Accounting Standard AASB 134 'Interim Financial Reporting', and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date, and
2. there are reasonable grounds to believe that International Base Metals Limited will be able to pay its debts as and when they become due and payable.

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



Hugh Ian Thomas
Chairman

Dated this 3 March 2017

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INTERNATIONAL BASE METALS LIMITED

We have reviewed the accompanying half-year financial report of International Base Metals Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Base Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence

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


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of International Base Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 3 March 2017

Level 17, 383 Kent Street
Sydney NSW 2000

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

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

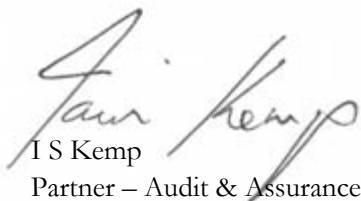
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF INTERNATIONAL BASE METALS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of International Base Metals Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 3 March 2017

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