INTERNATIONAL BASE METALS LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Contents

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 2018 ("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, Executive 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 Dennis Morton, Non-executive Director (resigned 22 March 2019)
Mr Qiang Chen, Alternate Non-executive Director to Mr Zhehong Luo
Mr Xianwu Deng, Alternate Non-executive Director to Mr Jinhua Wang

Company Secretary

John Stone B.Ec.

Chief Financial Officer

Barry Neal B.Ec

Principal Activities

The principal activity of the entity during the period was the continued exploration for economic base metal in Namibia and development of the Challenger Gold mine in Australia.

Operating Results

The net loss after tax of the consolidated entity for the half-year was $5,844,227 (2017: corresponding period a loss of $2,509,482). All exploration expenditure during the period was expensed.

Dividends

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

Review of Operations

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

Mining titles: IBML's wholly-owned Namibian-registered subsidiary, Craton Mining & Exploration (Pty) Ltd ('Craton'), holds the Omitiomire Copper Project within Mining Licence ML197 and also holds the surrounding Exclusive Prospecting Licence EPL3589.

Proposed project development: Craton plans initial development of the project via a small "mini-mining" operation. The "mini mining" scenario targets higher grade oxide copper within the top 21m of the Pan area of the Omitiomire deposit.

During the reporting period, Craton continued with low cost bench-scale metallurgical test work on oxide copper samples. The Company also excavated a trench and collected a bulk sample of oxide copper ore for further test work.

Funding for project development: Craton continues to seek funding for development of the "mini mine".

Exploration: No exploration field work was conducted during the period under review.

Review of Operations (continued)

Macquarie Gold Limited

Macquarie Gold Limited (MGL), a wholly-owned subsidiary of IBML, has completed an in-depth review of the Adelong Gold Project in southern NSW. The review included a new resource assessment for the Challenger deposit; detailed mine planning; and metallurgical studies and processing options. Pending a decision on re-commissioning the mine, the project remains on care-and-maintenance. The site office is manned; on-site plant and equipment are serviced regularly; and environmental monitoring is ongoing. Areas of concern of the NSW Environment Protection Agency (EPA) officers have been addressed.

The Prohibition notice issue by the NSW Planning and Resources Regulator on underground development and production activities is being addressed in order to remove this prohibition.

Exploration is continuing on Exploration Licence EL5728, which surrounds the Adelong Mining Lease ML1435. Subsequent to the reporting date, on the 22 March 2019, MGL and its subsidiary Challenger Mines Pty Ltd (CML) were placed in receivership.

Other Projects

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

Share Issues

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

Shares and options on issue

There were 689,312,504 ordinary shares on issue at 31 December 2018. There were no outstanding options.

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no 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

Loss of control of Macquarie Gold Limited and Challenger Mines Pty Ltd

Macquarie Gold had been endeavouring to work with the Secured debt holders (Including IBML) to find a solution to repay the debt holders which we believed would have seen the secured debt holders repaid in full but unfortunately on a deferred basis. Whilst Macquarie Gold had been renegotiating in good faith, and had agreed acceptable terms with several of the debt holders, Ferromin Pty Ltd ATF Ambler Family Trust chose to exercise its right to appoint a receiver.

On the 22 March 2019, Macquarie Gold Limited (MGL) and its subsidiary Challenger Mines Pty Ltd (CML) were placed in receivership. The receivers were appointed to realise the value of the assets which is still in process at the date of this report. Based on the information known by the Directors at the date of this report which include, amongst others, the fact the Mining Lease has expired and that there is a significant uncertainty around the commercial viability of this project, the Directors have considered reasonable to record an impairment of $2,933,414 and $1,414,318 as at 31 December 2018 in relation to the development asset and the property, plant and equipment related to the Adelong Project. As a result of this, a gain on deconsolidation of MGL and CML net assets was recognised on the 22 March 2019 amounting $3,743,374.

The action of Ferromin in appointing a receiver has potentially generated a significant negative impact on the value of MGL, and therefore IBML. The Directors of MGL are working closely with the Receivers and are exploring all available options.

The IBML Directors are closely monitoring the situation. IBML directors attended debt holder meetings held by the Receivers and the IBML Board is exploring all available options. We are currently working with our legal and corporate advisors on a variety of actions.

Events subsequent to the end of reporting period (Continued)

Loss of control of Macquarie Gold (continued)

Dennis Morton resigned as a Director of IBML, Macquarie Gold Limited and Challenger Mines Pty Ltd on 22 March 2019 and Ken Maiden and Hugh Thomas resigned as Directors Macquarie Gold Limited and Challenger Mines Pty Ltd on 12 April 2019 and 9 May 2019 respectively.

Under the deed of appointment between IBML and the Receivers, Michael Hogan and Christian Sprowles (Hogan & Sprowles), IBML has indemnified the receivers to Macquarie Gold and Challenger Mine for any liability for debts or costs incurred by the receivers including their professional fees.

Before being entitled to claim against IBML under the indemnity the receivers must first have recourse to and exhaust the receiver's claims in respect of security property and any applicable insurance cover or other indemnity available to the receivers. Given the process of receivership is in progress as at the date of this report, the outcome is unknown.

An application to cancel the deed of cross guarantee between the Company and Macquarie Gold was lodged with ASIC on 13 May 2019 and became effective from 13 November 2019. The Company has not received any claims from debt holders or other creditors at the date of this report.

Other subsequent events

On 14 August 2019 agreements were signed with a related party of Director Mr Qiang Chen (Far Union Ltd) and Director Mr Rui Liu to advance loans totalling $0.5 million being $0.1 million from Far Union Ltd and $0.4 million from Mr Liu. This amount to be drawn down as required by the company giving notice to the lenders. The maturity date of the loans is 18 months from the date the agreements were signed with interest at 13.5% pa is payable with the principal at maturity date.

IBML is currently in the process of finalising documents with a UK based Private Equity Company for this company to earn 51% of Craton in return for completing a BFS with a minimum expenditure of USD5.0m. At the conclusion of the BFS, and assuming it meets the required future investment hurdles, IBML will have the option to either sell its equity in Craton to the Fund for USD7.5m plus a 1.5% smelting royalty or invest in the future project to the extent of its equity holding.

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

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

The Craton Omitiomire Copper Project envisages mining the oxide ore at the rate of 10,000 per month to commence following the obtaining of the necessary finance.

After assessing of the Omitiomire sample characteristics, the following work is planned:

- Completion of initial in-house metallurgical tests to reduce the permutations and costs of further work.
- Consider implications to the processing flow sheet.
- Contact two reputable companies to conduct further test work and design criteria.

Macquarie Gold Limited:

Macquarie Gold Limited and its fully owned subsidiary Challenger Mines Pty Ltd are currently in receivership with the future of these companies being uncertain.

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 seeks to ensure full environmental compliance with the conditions of its licences. Areas of concern of the NSW Environment Protection Agency (EPA) officers re the Adelong mine have been addressed.

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 21 of this financial report.

Signed on 3 December 2019 in accordance with a resolution of the Board of Directors

Hugh Ian Thomas
Chairman

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year ended 31 December 2018

	Note	Half Year ended	
		31 Dec 2018 $	31 Dec 2017 $
Revenue	2	27,463	58,613
Expenditure			
Administrative expenses		(516,986)	(392,947)
Exploration expenses		(230,188)	(232,319)
Mine development		(250,361)	-
Depreciation and amortisation expense		(14,701)	(42,976)
Consultants' expense		(90,949)	(412,179)
Financial and legal advice		(183,058)	(37,417)
Occupancy expenses		(70,721)	(18,502)
Contribution to Craton Foundation		(28,821)	(28,608)
Employee benefits expense		(128,173)	(74,092)
Impairment of land, buildings, property, plant and equipment		(1,424,318)	-
Impairment of development assets		(2,933,414)	-
Impairment of financial asset		-	(1,198,847)
Share of loss from associate		-	(130,208)
Loss before income tax		(5,844,227)	(2,509,482)
Income tax (expense)		-	-
Loss for the period		**(5,844,227)**	**(2,509,482)**
Other Comprehensive income			
Exchange differences on translation of foreign operations		(4,587)	9,123
Total Other Comprehensive income		**(4,587)**	**9,123**
Total Comprehensive (Loss) for the half-year attributable to owners of International Base Metals Limited		**(5,848,814)**	**(2,500,359)**
Basic loss per share (cents)		(0.85)	(0.46)
Diluted loss per share (cents)		(0.85)	(0.46)

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 2018

	Note	31 Dec 2018 $	30 Jun 2018 $
Current Assets			
Cash and cash equivalents		1,491,176	2,980,500
Trade and other receivables		101,745	102,951
Total Current Assets		**1,592,921**	**3,083,451**
Non-current Assets			
Security deposits		461,895	461,785
Property, plant and equipment	4	24,268	1,420,853
Mines under development	5	-	2,930,618
Total Non-current Assets		**486,163**	**4,813,256**
Total Assets		**2,079,084**	**7,896,707**
Current Liabilities			
Trade and other payables		329,923	428,058
Short-term provisions		83,695	81,411
Borrowings	6	3,862,254	3,735,212
Total Current Liabilities		**4,275,872**	**4,244,681**
Non-current liabilities			
Long-term provisions		395,000	395,000
Total Non-current liabilities		**395,000**	**395,000**
Total liabilities		**4,670,872**	**4,639,681**
Net (Liabilities) / Assets		**(2,591,788)**	**3,257,026**
Equity			
Issued capital	7	69,096,820	69,096,820
Reserves		(1,718,108)	(1,713,521)
Accumulated losses		(69,970,500)	(64,126,273)
Total Equity		**(2,591,788)**	**3,257,026**

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 2018

	Contributed Equity	Reserves	Accumulated losses	Total Equity
	$	$	$	$
Balance at 1 July 2017	**67,707,532**	**(1,764,684)**	**(52,288,840)**	**13,654,008**
Loss for the half year	-	-	(2,509,482)	(2,509,482)
Other comprehensive income	-	9,123	-	9,123
Total Comprehensive loss for the half-year	**-**	**9,123**	**(2,509,482)**	**(2,500,359)**
Transactions with owners, in their capacity as owners, and other transfers				
Share based payment made during the period net of share issue costs	373,411	-	-	373,411
Total transactions with owners	373,411	-	-	373,411
Balance at 31 December 2017	**68,080,943**	**(1,755,561)**	**(54,798,322)**	**11,527,060**
Balance at 1 July 2018	**69,096,820**	**(1,713,521)**	**(64,126,273)**	**3,257,026**
Loss for the half year	-	-	(5,844,227)	(5,844,227)
Other comprehensive income	-	(4,587)	-	(4,587)
Total Comprehensive loss for the half-year	**-**	**(4,587)**	**(5,844,227)**	**(5,848,814)**
Transactions with owners, in their capacity as owners, and other transfers				
Share based payment made during the period net of share issue costs	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2018	**69,096,820**	**(1,718,108)**	**(69,970,500)**	**(2,591,788)**

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 2018

	Note	Half Year ended 31 Dec 2018 $	31 Dec 2017 $
Cash flow from operating activities			
Receipts from customers		90	-
Payments to suppliers and employees		(962,388)	(624,697)
Payments for mine development and exploration expenditure		(483,344)	(232,319)
Interest paid		(50,410)	-
Interest received		49,707	60,286
Net cash (outflow) from operating activities		**(1,446,345)**	**(796,730)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(49,479)	(37,973)
Proceeds from sale of vehicles		6,500	-
Net cash (outflow) from investing		**(42,979)**	**(37,973)**
Cash flows from financing activities			
Cost of share issue		-	(7,500)
Net cash (outflow) from financing activities		**-**	**(7,500)**
Net (decrease) in cash held		**(1,489,324)**	**(842,203)**
Cash at beginning of the period		2,980,500	4,379,080
Cash at end of the period		**1,491,176**	**3,536,877**

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 2018 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 entities (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 2018, together with any public announcements made during the following half-year.

b. Accounting Policies

The same accounting policies and methods of computation have generally been followed in these half year financial statements as those employed in the Group's annual financial statements for the year ended 30 June 2018 with the exception of the application of AASB9 Financial Instruments and AASB15 Revenue from Contracts with Customers.

AASB 15 Revenue from Contracts with Customers

The Group adopted AASB 15 from 1 July 2018 but does not derive any revenue from its exploration activities at this stage, as such has not recognised any operating revenue to date. Eventually when the Group starts generating revenue, revenue will be recognised in accordance with AASB 15. Therefore there is no impact from the transition from AASB 118 to AASB 15.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, if any, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Management has assessed the classification and measurement of the Group's financial assets as well as impairment under the new three-stage expected credit loss model.

Trade and other receivables do not meet the definition of a financial asset as they include GST receivable and prepayments. Security deposits continue to be recognised at amortised cost.

Management is satisfied that impairment under the new three-stage expected credit loss model did not have any impact as at 1 July 2018. In the parent entity's financial statements, all the loans granted to subsidiaries are fully impaired as the company recognised lifetime expected losses.

Management assessed the classification of its financial liabilities as at 1 July 2018 and is satisfied that they continue to be recorded at amortised cost.

As a result, management is satisfied that there is no impact from the transition from AASB 139 to AASB 9.

c. Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instrument.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVOCI. Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised fo the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through other comprehensive income

The Group recognises 12 months expected credit losses for financial assets at FVOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

The critical estimates and judgments are consistent with those applied and disclosed in the Group's 2018 Annual Financial Report.

e. 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 result after income tax for the consolidated entity for the half year ended 31 December 2018 was a loss of $5,844,227 (2017: $2,509,482), the Group had net cash outflows from operating activities of $1,446,345 (2017: $796,730), is in a net current liability position of $2,682,951 and has negative equity of $2,591,788. The Group's subsidiaries, Macquarie Gold Limited (MGL) and Challenger Mines Pty Ltd (CML), with which a deed of cross guarantee was in place before being revoked on the 10 May 2019, were placed in receivership on the 22 March 2019 and the Group is waiting for the outcome of this process which is unknown at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(i) The Group had $1,491,176 cash on hand at 31 December 2018;

(ii) On the 14 August 2019, major shareholders provided a loan of $0.5 million to finance the Group's immediate cash needs. The Group expects further financial support to be provided if required;

(ii) The Group is currently negotiating a deal in relation to its Namibian asset, Craton, that should result in a capital raising of $1 million;

(iii) The Group expects to receive some proceeds from the sale process of the MGL/CML assets conducted by the Receivers and the debt of $3,862,254 being extinguished as part of this process;

(iv) Costs cutting measures can be taken reducing operating cash outflows as required.

In the event that the consolidated entity is unable to obtain sufficient funds (specifically the raising of capital) to meet anticipated expenditure or liabilities arising from the receivership process MGL/CML are currently going through (refer to subsequent events note for further details), 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 half year financial statements at 31 December 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.

NOTE 2: REVENUE

	31 Dec 2018 $	31 Dec 2017 $
From continuing operations		
Other revenue		
Interest received – other entities	22,178	58,613
Other	5,285	-
TOTAL REVENUE	**27,463**	**58,613**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: 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 2018	Namibia Mining $	Australia Mining $	Unallocated $	Total $
REVENUE				
Other revenue (including finance revenue)	4,111	6,829	1,388,463	1,399,403
Total segment revenue	4,111	6,829	1,388,463	1,399,403
Reconciliation of segment revenue to group revenue				
Inter-segment elimination*	-	-	(1,371,940)	(1,371,940)
Total group revenue and income	4,111	6,829	16,523	27,463

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

Half Year Dec 2017	Namibia Mining $	Australia Mining $	Unallocated $	Total $
REVENUE				
Other revenue (including finance revenue)	22,270	-	1,737,348	1,759,618
Total segment revenue	22,270	-	1,737,348	1,759,618
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(2,190)	-	(1,698,815)	(1,701,005)
Total group revenue and income	20,080	-	38,533	58,613

NET PROFIT (LOSS) BEFORE TAX

Half Year Dec 2018	Namibia Mining $	Australia Mining $	Unallocated $	Total $
Net profit (loss) Before Tax	(1,301,428)	(5,141,541)	(223,855)	(6,666,824)
Reconciliation of segment net loss before tax to group net loss before tax				
Inter-segment eliminations	1,062,597	273,243	(513,243)	822,597
Operating Net Loss before tax	**(238,831)**	**(4,868,298)**	**(737,098)**	**(5,844,227)**

Notes to the Financial Statements

NOTE 3: SEGMENT REPORTING (continued)

Half Year Dec 2017	**Namibia Mining $**	**Australia Mining $**	**Unallocated $**	**Total $**
Net profit (loss) Before Tax	(993,001)	130	(2,274,396)	(3,267,267)
Reconciliation of segment net loss before tax to group net loss before tax				
Inter-segment eliminations	757,785	-	-	757,785
Operating Net Loss before tax	**(235,216)**	**130**	**(2,274,396)**	**(2,509,482)**

(c) Segment assets

Half Year Dec 2018	**Namibia Mining**	**Australia Mining $**	**Unallocated $**	**Total $**
Segment assets current*	80,645	531,998	1,484,281	2,096,924
Segment assets non-current**	11,968	16,665,072	1,130,015	17,807,055
Inter-segment eliminations***	-	(17,320,891)	(504,004)	(17,824,895)
Total group assets	92,613	(123,821)	2,110,292	2,079,084

* 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, plant and equipment and mines under development.

*** 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 $26,226,565 which has been matched against the impairment of these loans and impairment of investment in subsidiaries of $12,705,129.

Half Year Dec 2017	**Namibia Mining $**	**Australia Mining $**	**Unallocated $**	**Total $**
Segment assets current*	508,831	6,016	3,094,250	3,609,097
Segment assets non-current**	37,755		18,116,149	18,153,904
Inter-segment eliminations***	-	-	(10,000,001)	(10,000,001)
Total group assets	546,586	6,016	11,210,397	11,763,000

* 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.

Notes to the Financial Statements

NOTE 3: SEGMENT REPORTING (continued)

(d) Segment liabilities

Half Year Dec 2018	Namibia Mining $	Australia Mining $	Unallocated $	Total $
Segment liabilities	25,331,583	20,097,577	241,759	45,670,919
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	(25,316,024)	(15,684,023)	-	(41,000,047)
Total group liabilities	**15,559**	**4,413,554**	**241,759**	**4,670,872**

Australian liabilities include payables and loans extended to subsidiaries

Eliminations in segment liabilities include loans from the Parent to the controlled entities of $26,226,565.

Half Year Dec 2017	Namibia Mining $	Australia Mining $	Unallocated $	Total $
Segment liabilities	24,745,779	500,398	197,766	25,443,943
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	(24,707,605)	(500,398)	-	(25,208,003)
Total group liabilities	**38,174**	**-**	**197,766**	**235,940**

Australian liabilities include payables and loans extended to subsidiaries

NOTE 4: NON-CURRENT ASSETS-LAND, BUILDING AND PLANT AND EQUIPMENT

	Office Equipment $	Furniture & Fittings $	Land & Buildings	Plant & Equipment $	Motor Vehicles $	Computer Equipment $	Total $
Year ended 30 June 2018							
Opening Net book value	**-**	**16,574**	**330,000**	**1,050,326**	**21,321**	**2,632**	**1,420,853**
Additions	126	-	29,950	15,220	-	4,182	49,478
Disposal	-	-	-	-	(7,000)	-	(7,000)
Impairment (refer note 9)	-	-	(359,950)	(1,051,270)	(11,000)	(2,098)	(1,424,318)
Foreign exchange loss on conversion	-	-	-	(49)	4	1	(44)
Depreciation charge	(126)	(4,133)	-	(6,260)	-	(4,182)	(14,701)
Closing Net book value 31 December 2018	**-**	**12,441**	**-**	**7,967**	**3,325**	**535**	**24,268**
At 31 December 2018							
Cost or fair value	9,088	44,062	359,950	1,175,005	97,384	95,143	1,780,632
Accumulated depreciation	(9,088)	(31,621)	-	(115,768)	(83,059)	(92,510)	(332,046)
Impairment (refer to note 9)	-	-	(359,950)	(1,051,270)	(11,000)	(2,098)	(1,424,318)
Net book value	**-**	**12,441**	**-**	**7,967**	**3,325**	**535**	**24,268**

Notes to the Financial Statements

NOTE 5: MINES UNDER DEVELOPMENT

	Dec 2018 $	June 2018 $
Opening balance	2,930,618	-
On acquisition of subsidiary	-	2,930,618
Additions	2,796	-
Impairment (refer to note 9)	(2,933,414)	-
	-	2,930,618

NOTE 6: BORROWINGS

	Dec 2018 $	June 2018 $
Loans from Directors	604,976	604,976
Accrued interest on loans from Directors and Directors' related entities	228,523	198,017
Loans from shareholders	2,289,860	2,289,860
Accrued interest on loans from shareholders	738,895	642,359
	3,862,254	**3,735,212**

NOTE 7: ISSUED CAPITAL

Fully paid ordinary shares 689,312,504 (30 June 2018: 689,312,504)

(a) Movements in ordinary share capital

There have been no capital raisings or moment in capital in the reporting period.

NOTE 8: CONTINGENT LIABILITIES

At reporting date, as a result of the acquisition of Macquarie Gold Limited, the Group and its subsidiary Challenger Mines Pty Ltd have 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.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

Loss of control of Macquarie Gold Limited and Challenger Mines Pty Ltd

Macquarie Gold had been endeavouring to work with the Secured debt holders (Including IBML) to find a solution to repay the debt holders which we believed would have seen the secured debt holders repaid in full but unfortunately on a deferred basis. Whilst Macquarie Gold had been renegotiating in good faith, and had agreed acceptable terms with several of the debt holders, Ferromin Pty Ltd ATF Ambler Family Trust chose to exercise its right to appoint a receiver.

On the 22 March 2019, Macquarie Gold Limited (MGL) and its subsidiary Challenger Mines Pty Ltd (CML) were placed in receivership. The receivers were appointed to realise the value of the assets which is still in process at the date of this report. Based on the information known by the Directors at the date of this report which include, amongst others, the fact the Mining Lease has expired and that there is a significant uncertainty around the commercial viability of this project, the Directors have considered reasonable to record an impairment of $2,933,414 and $1,414,318 as at 31 December 2018 in relation to the development asset and the property, plant and equipment related to the Adelong Project. As a result of this, a gain on deconsolidation of MGL and CML net assets was recognised on the 22 March 2019 amounting $3,743,374.

The action of Ferromin in appointing a receiver has potentially generated a significant negative impact on the value of MGL, and therefore IBML. The Directors of MGL are working closely with the Receivers and are exploring all available options.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE (continued)

Loss of control of Macquarie Gold (continued)

The IBML Directors are closely monitoring the situation. Two IBML directors attended the first debt holder meeting held by the Receivers and the IBML Board is exploring all available options.

Dennis Morton resigned as a Director of IBML, Macquarie Gold Limited and Challenger Mines Pty Ltd on 22 March 2019 and Ken Maiden and Hugh Thomas resigned as Directors Macquarie Gold Limited and Challenger Mines Pty Ltd on 12 April 2019 and 9 May 2019 respectively.

Under the deed of appointment between IBML and the Receivers, Michael Hogan and Christian Sprowles (Hogan & Sprowles), IBML has indemnified the receivers to Macquarie Gold and Challenger Mine for any liability for debts or costs incurred by the receivers including their professional fees.

Before being entitled to claim against IBML under the indemnity the receivers must first have recourse to and exhaust the receiver's claims in respect of security property and any applicable insurance cover or other indemnity available to the receivers. Given the process of receivership is in progress as at the date of this report, the outcome is unknown.

An application to cancel the deed of cross guarantee between the Company and Macquarie Gold was lodged with ASIC on 13 May 2019 and became effective from 13 November 2019. The Company has not received any claims from debt holders or other creditors at the date of this report.

Other subsequent events

On 14 August 2019 agreements were signed with a related party of Director Mr Qiang Chen (Far Union Ltd) and Director Mr Rui Liu to advance loans totalling $0.5 million being $0.1 million from Far Union Ltd and $0.4 million from Mr Liu. This amount to be drawn down as required by the company giving notice to the lenders. The maturity date of the loans is 18 months from the date the agreements were signed with interest at 13.5% pa is payable with the principal at maturity date.

IBML is currently in the process of finalising documents with a UK based Private Equity Company for this company to earn 51% of Craton in return for completing a BFS with a minimum expenditure of USD5.0m. At the conclusion of the BFS, and assuming it meets the required future investment hurdles, IBML will have the option to either sell its equity in Craton to the Fund for USD7.5m plus a 1.5% smelting royalty or invest in the future project to the extent of its equity holding

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 10: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December 2018. 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	Nature of Operations	Country of Incorporation	Ownership Interest	
			December 2018	June 2018
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%
Macquarie Gold Limited	Exploration	Australia	100%	100%
Challenger Mines Pty Ltd	Exploration	Australia	100%	100%

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 4-17

    a. comply with Accounting Standard AASB 134 'Interim Financial Reporting', and

    b. give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date, and

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

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

Hugh Ian Thomas
Executive Chairman

Dated this 3 December 2019

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Independent Auditor's Review Report

To the Members of International Base Metals Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of International Base Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Basis for Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of International Base Metals Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 134 Interim Financial Reporting.

Material uncertainty related to going concern

We draw attention to Note 1(e) in the financial report, which indicates that the Group incurred a net loss of $5,844,227 during the half-year ended 31 December 2018, net cash operating outflows of $1,446,345, negative equity of $2,591,788 and is in a net current liability position of $2,682,951. As stated in Note 1(e), these events or conditions, along with other matters as set forth in Note 1(e), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of International Base Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 3 December 2019

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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 review of International Base Metals Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 3 December 2019