BASE RESOURCES

ABN 88 125 546 910

Base Resources Limited
Annual Financial Report
For the Year ended
30 June 2017

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the Results for Announcement to the Market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.3A and Appendix 4E for Base Resources Limited and its controlled entities for the year ended 30 June 2017 (the "**reporting period**") compared with the year ended 30 June 2016 (the "**comparative period"**).

Consolidated results	**Movement** **$000s**	**$000s**
Sales revenue	up $46,456 to	$215,495
Net profit/(loss) before tax	up $49,715 to	$28,836
Net profit/(loss) after tax attributable to members of Base Resources Limited	up $41,950 to	$21,031

Net tangible asset backing	**Unit**	**30 June 2017**	**30 June 2016**
Net tangible assets	$000s	$245,113	$215,387
Shares on issue	number	742,231,956	732,231,956
Net tangible asset per share	$/share	$0.33	$0.29

In accordance with Chapter 19 of the ASX listing rules, net tangible assets per share represent total assets less intangible assets less liabilities ranking ahead of, or equally with, ordinary share capital, divided by the number of ordinary shares on issue at the end of the financial year. Capitalised exploration and evaluation assets have been treated as intangible assets and therefore excluded from the calculation of net tangible assets.

Dividends

No dividend has been declared.

Details of entities over which control was gained or lost during the period

None.

Independent auditor's review report

The Financial Statements upon which this Appendix 4E is based have been audited and the Independent Auditor's Audit Report to the members of Base Resources Limited is included in the attached Financial Report.

Commentary

Commentary on the results for the reporting period is contained within the financial statements that accompany this announcement. It is recommended that the year-end report be read in conjunction with any public announcements made by Base Resources during and after the year ended 30 June 2017 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

CORPORATE DIRECTORY

DIRECTORS
Mr Keith Spence, Non-Executive Chairman
Mr Tim Carstens, Managing Director
Mr Colin Bwye, Executive Director
Mr Samuel Willis, Non-Executive Director
Mr Michael Anderson, Non-Executive Director
Mr Malcolm Macpherson, Non-Executive Director
Mr Mike Stirzaker, Non-Executive Director

COMPANY SECRETARY
Mr Chadwick Poletti

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DIRECTORS REPORT

Your directors present their report, together with the financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities for the financial year ended 30 June 2017 (the "**reporting period**") compared with the year ended 30 June 2016 (the "**comparative period"**).

Directors

The names of the directors in office at any time during or since the end of the year are:

Mr Keith Spence
Mr Tim Carstens
Mr Colin Bwye
Mr Samuel Willis
Mr Michael Anderson
Mr Malcolm Macpherson
Mr Mike Stirzaker

Directors have been in office since the start of the financial year to the date of this report unless otherwise indicated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Chadwick Poletti

Principal activities and significant changes in nature of activities

The principal activity of the Group is the operation of the 100% owned Kwale Mineral Sands Operation ("**Kwale Operation**") in Kenya. There were no significant changes in the nature of the Group's principal activities during the reporting period.

Operating results

The Group recorded a profit after tax of $21,030,509 for the reporting period (2016: $20,918,682 loss).

Dividends paid or recommended

There were no dividends paid or declared for payment during the reporting period.

Review of operations

Base Resources operates the 100% owned Kwale Operation in Kenya, which commenced production in late 2013. The Kwale Operation is located 10 kilometres inland from the Kenyan coast and 50 kilometres south of Mombasa, the principal port facility for East Africa.

During the reporting period, mining operations successfully commissioned a 400 tonnes per hour ("**tph**") Hydraulic Mining Unit ("**HMU**") to more efficiently mine the thinner, lower grade perimeter blocks, while the existing dozer trap mining unit ("**DMU**") continued to mine the higher grade central ore blocks. As a result of the dual mining unit strategy, the volume of low grade ore mined increased and the blended average ore grade dropped to 7.09% heavy mineral ("**HM**") (8.31% HM in the comparative period). Mining volumes were consequently increased from 9.2Mt in the comparative period to 11.0 million tonnes ("**Mt**") in the reporting period to compensate for the lower ore grade.

Mining and WCP Performance	2017	2016
Ore mined (tonnes)	11,014,939	9,202,554
Heavy mineral (HM) %	7.09%	8.31%
WCP Heavy mineral concentrate production (tonnes)	708,404	734,431

DIRECTORS REPORT

The Kwale Operation is designed to process ore to recover three separate products – rutile, ilmenite and zircon. Ore is received at the wet concentrator plant (“**WCP**”) from the mining units via a slurry pipeline. The WCP removes slimes, concentrates the valuable heavy minerals (rutile, ilmenite and zircon) with a number of gravity separation steps and rejects most of the non-valuable, lighter gangue minerals to produce a heavy mineral concentrate (“**HMC**”). The HMC, containing approximately 90% heavy minerals, is then processed in the mineral separation plant (“**MSP**”). The MSP cleans and separates the rutile, ilmenite and zircon minerals into finished products for sale.

Despite the increase in mining volume, production of HMC fell to 708,404 tonnes, lower than the prior period’s 734,431 tonnes due to the lower mined ore grade. The HMC stockpile was drawn down during the year to 83,632 tonnes (139,364 tonnes at 30 June 2016) due to the lower HMC production and increased MSP throughput.

To exploit the increase in MSP throughput achieved and counter declining ore grades expected from mid-2018 onwards, in May 2017, following completion of the definitive feasibility study, the board approved implementation of the Kwale Phase 2 (“**KP2**”) project. The objective of the KP2 project is to maximise HMC feed to the MSP, and therefore final production volumes, by increasing mining rates as ore grade declines. This will be achieved through increasing the hydraulic mining capacity to three 800tph HMU’s, with the existing DMU gradually phased out, lifting the combined mining rate to 2,400tph (1,476tph in the reporting period). WCP and tails management will be upgraded in parallel to accommodate the higher mining rates.

MSP Performance	**2017**	**2016**
MSP feed (tonnes of heavy mineral concentrate)	764,171	709,443
MSP feed rate (tph)	91	85
MSP recovery %		
Ilmenite	100%	104%
Rutile	97%	101%
Zircon	73%	69%
Production (tonnes)		
Ilmenite	467,359	455,870
Rutile	90,625	85,654
Zircon	34,228	31,389
Zircon low grade	10,210	-

On-going optimisation of the MSP has continued to yield higher throughput rates with an average of 91tph achieved for the reporting period (85tph in the comparative period), increasing total MSP feed to 764,171 tonnes (709,443 tonnes in the comparative period) and resulting in record production levels for all products during the reporting period.

Ilmenite production continued at above design capacity, achieving production of 467,359 tonnes (455,870 tonnes in the comparative period), primarily due to the increased MSP feed. The higher feed was partially offset by the proportionally lower ilmenite content of low grade ore and lower average ilmenite recoveries of 100% (104% in the comparative period).

Rutile production increased to 90,625 tonnes in the reporting period (85,654 tonnes in the comparative period). Lower average recoveries of 97% (101% in the comparative period) were offset by the higher MSP feed and the proportionally higher rutile content of low grade ore mined during the reporting period.

Zircon production increased to 34,228 tonnes for the reporting period (31,389 tonnes in the comparative period) due to the higher MSP feed and higher average zircon recoveries of 73% (69% in the comparative period).

In addition to primary zircon, during the reporting period the Kwale Operation produced a lower grade zircon product (“**zircon low grade**”) from the re-processing of run-of-production and stockpiled zircon circuit tails into a zircon rich concentrate. Sales of this zircon low grade product have realised 70-80% of the value of each contained tonne of zircon.

Reported zircon low grade represents the volume of zircon contained in the concentrate. When combined with primary zircon recoveries, the production of zircon low grade has effectively lifted total zircon recoveries well above the design target of 78%.

With no serious injuries occurring during the period under review, Kwale Operations lost time injury ("**LTI**") frequency rate remains at zero. Base Resources employees and contractors have now worked 9.7 million man-hours LTI free, with the last LTI recorded in February 2014.

Marketing and sales	**2017**	**2016**
Sales (tonnes)		
Ilmenite	501,676	480,538
Rutile	91,991	85,536
Zircon	34,566	33,062
Zircon low grade	9,501	-

Base Resources has a number of off-take agreements across each of its three products with some of the world's largest consumers of titanium dioxide minerals and zircon products, including a cornerstone agreement with Chemours for the majority of our rutile production. These agreements provide off-take security for the Kwale Operation, and contain firm minimum annual offtake volumes. All sale values are derived from prevailing market prices, based on agreed price indices or periodic price negotiations, with some agreements offering downside protection in the form of floor prices.

In the reporting period, Base Resources sold more than 635,000 tonnes of product from the Kwale Operation, with shipments being made to a combination of customers with existing offtake agreements, regular customers buying on a spot basis and casual spot customers.

The Company continues to build its market presence in China – the world's largest ilmenite market – with over 500,000 tonnes ilmenite sold into the Chinese market during the reporting period. Solid relationships with major Chinese ilmenite consumers have ensured regular sales through a mix of shorter term contracts (one to three-year duration) and spot sales.

Market Developments and Outlook

Titanium Dioxide

Ilmenite and rutile are primarily used as feedstock for the production of titanium dioxide ("**TiO_2**") pigment, with a small percentage also used in the production of titanium metal and fluxes for welding rods and wire. TiO_2 is the most widely used white pigment because of its non-toxicity, brightness and very high refractive index. It is an essential component of consumer products such as paint, plastics and paper. Pigment demand is therefore the main driver of ilmenite and rutile pricing.

Global consumption of pigment has maintained a long-term average growth rate closely correlated to global GDP, or approximately 3% per annum. However, volatility in the global economy in recent years has created significant fluctuations in this growth rate, manifesting in big swings in inventory levels throughout the entire pigment supply chain. Excess pigment inventories in the downstream supply chain were finally exhausted by the end of the 2016 financial year, resulting in a significant tightening of the market.

The TiO_2 pigment industry continued to strengthen through the reporting period resulting in price improvement and strong demand for TiO_2 feedstock. Pigment inventory levels have fallen below normal levels and pigment plants have moved to maximise their utilisation rates. Global pigment producers announced a series of price increases over the course of the reporting period, with further pigment price increases secured during the early part of the 2018 financial year.

The ilmenite feedstock market became heavily constrained as demand from the Chinese pigment industry increased rapidly and supply of ilmenite from various major sources was limited. A struggling iron ore price has suppressed ilmenite production in China as most Chinese ilmenite production is a by-product of iron ore mining. In addition, widespread environmental compliance inspections in the main ilmenite producing region of China (Panzhihua) during the first half of the reporting period led to temporary and permanent closures of a number of operations. Supply of ilmenite from a major producing region in India (Tamil Nadu) has been suspended since the December 2016 quarter, as a result of political issues. A combination of these factors resulted in ilmenite prices increasing strongly throughout the reporting period. Prices for Base Resources' ilmenite increased by over 250% between May 2016 and June 2017.

The rapidly increasing price drove an influx of ilmenite imports into China through the first half of calendar year 2017, which, when combined with increasing Chinese domestic ilmenite production, resulted in mounting pressure on prices towards the end of the reporting period. Chinese domestic ilmenite prices retreated through June 2017 and this has led to discounting of imported ilmenite prices in the early stages of the 2018 financial year. However, a further round of environmental compliance inspections again appears to be restricting production of Chinese domestic ilmenite and by the end of July 2017, there were signs that the Chinese domestic ilmenite price had stabilised.

Conditions for rutile continued to tighten through the course of the year. Inventory levels and some excess production capacity resulted in only modest price improvement through the latter part of the reporting period but conditions look positive for solid price gains in financial year 2018.

In the absence of substantial new feedstock supply coming online, the titanium dioxide feedstock market is expected to remain in structural supply deficit, providing an opportunity for continued price strength in both ilmenite and rutile over the coming years.

Zircon

Zircon has a range of end-uses, the largest of which is in the production of ceramic tiles, which accounts for more than 50% of global zircon consumption. Milled zircon enables ceramic tile manufacturers to achieve brilliant opacity, whiteness and brightness in their products. Zircon's unique properties include heat and wear resistance, stability, opacity, hardness and strength. These properties mean it is also sought after for other applications such as refractories, foundries and specialty chemicals.

Demand growth for zircon is closely linked to growth in global construction and increasing urbanisation in the developing world. These growth factors have improved over the past year or two resulting in steady demand for zircon. A sharp decline in zircon market prices in the second half of the 2016 financial year led to a fall in production and the excess stocks were consumed by downstream users in the first half of the reporting period. Limited inventory of zircon, combined with the strategy of major producers to manage supply to match demand, resulted in a rapidly tightening market and by the December quarter of the reporting period, prices began to increase for the first time since 2012. Firm demand and restricted supply has resulted in zircon prices continuing to improve through the remainder of the reporting period and contracts for the early part of the 2018 financial year have seen further strong gains.

Review of financial performance

Base Resources recorded its maiden profit after tax of $21.0 million for the reporting period, compared with a loss of $20.9 million in the comparative period, primarily due to higher sales revenues.

	2017			2016		
	Kwale Operation	**Other operations**	**Total**	**Kwale Operation**	**Other operations**	**Total**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Sales Revenue	**215,495**	**-**	**215,495**	**169,039**	**-**	**169,039**
Cost of goods sold excluding depreciation & amortisation:						
Operating costs	(68,735)	-	(68,735)	(69,647)	-	(69,647)
Changes in inventories of concentrate and finished product	(5,033)	-	(5,033)	(5,066)	-	(5,066)
Royalties expense	(14,782)	-	(14,782)	(11,845)	-	(11,845)
Total cost of goods sold (i)	**(88,550)**	**-**	**(88,550)**	**(86,558)**	**-**	**(86,558)**
Corporate & external affairs	(5,238)	(5,617)	(10,855)	(4,309)	(6,840)	(11,149)
Community development	(3,588)	-	(3,588)	(3,921)	-	(3,921)
Selling & distribution costs	(2,690)	-	(2,690)	(4,114)	-	(4,114)
Other income / (expenses)	468	(590)	(122)	(2,151)	(580)	(2,731)
EBITDA (i)	**115,897**	**(6,207)**	**109,690**	**67,986**	**(7,420)**	**60,566**
Depreciation & amortisation	(49,567)	(64)	(49,631)	(47,062)	(127)	(47,189)
EBIT (i)	**66,330**	**(6,271)**	**60,059**	**20,924**	**(7,547)**	**13,377**
Net financing expenses	(25,568)	(5,655)	(31,223)	(27,247)	(7,009)	(34,256)
Income tax expense	(7,805)	-	(7,805)	(40)	-	(40)
NPAT (i)	**32,957**	**(11,926)**	**21,031**	**(6,363)**	**(14,556)**	**(20,919)**

(i) Base Resources' financial results are reported under International Financial Reporting Standards (IFRS). These Financial Statements include certain non-IFRS measures including EBITDA, EBIT and NPAT. These measures are presented to enable understanding of the underlying performance of the Group and have not been audited.

Sales revenue was $215.5 million for the reporting period (comparative period: $169.0 million), achieving an average price of product sold (rutile, ilmenite, zircon and zircon low grade) of $338 or US$255 per tonne ($282 or US$205 per tonne in the comparative period), with the main driver being the rising ilmenite price. Total cost of goods sold, excluding depreciation and amortisation, was $88.6 million for the reporting period (comparative period: $86.6 million) at an average cost of $139 or US$105 per tonne of product sold ($144 or US$105 per tonne in the comparative period). Operating cost per tonne produced remained steady at $114 or US$86 per tonne for the reporting period ($121 or US$88 per tonne in the comparative period).

With an achieved revenue to cost of sales ratio of 2.4 (comparative period: 2.0), the Company remains well positioned in the upper quartile of mineral sands producers.

Improved sales volumes, commodity prices and a continued focus on cost management has delivered a Kwale Operations EBITDA for the reporting period of $115.9 million ($68.0 million in the comparative period) and a Group EBITDA of $109.7 million ($60.6 million in the comparative period).

A net profit after tax of $33.0 million was recorded by Kwale Operations (loss of $6.4 million in the comparative period) and $21.0 million for the Group (comparative period: loss of $20.9 million). Earnings per share for the Group was 2.85 cents per share (comparative period: loss per share 3.41 cents).

Cash flow from operations was $100.2 million for the reporting period ($78.6 million in the comparative period), slightly lower than Group EBITDA due to working capital movements.

Surplus cash generated by Kwale Operations may be distributed (a "**Cash Sweep**"), in equal parts, as early repayment of the Kwale Operations Debt Facility ("**Kwale Facility**") and to the Australian parent entity, Base Resources Limited, on six-monthly intervals as permitted by the terms of the Kwale Facility. In July 2016 and January 2017, Cash Sweeps of US$10.8 million and US$14.6 million respectively were distributed from the Kwale Operation. Half of the combined Cash Sweeps (US$12.7 million) went towards mandatory early repayment of the Kwale Facility, with the other half distributed up to Base Resources.

During the reporting period, US$39.3 million of the Kwale Facility was paid down through a combination of scheduled debt repayments and Cash Sweeps, reducing the outstanding Kwale Facility debt to US$141.2 million.

Prior to final maturity, under the terms of the Taurus Debt Facility ("**Taurus Facility**") held by Base Resources, repayments are only required to be made from the proceeds of Kwale Operations Cash Sweeps received by Base Resources. Of the US$5.4 million Cash Sweep received by Base Resources in July 2016, a mandatory 50% (US$2.7 million) was applied towards repayment of the Taurus Facility.

In October 2016, Base Resources extended the maturity date of the Taurus Facility from 31 December 2016 to 30 September 2017. The extension of the Taurus Facility final maturity date removed the need to secure external funding to repay the balance that would otherwise have been due on 31 December 2016. As part of the extension, the mandatory proportion of Kwale Operations Cash Sweeps to be applied towards progressive repayment of the Taurus Facility increased from 50% to 75%. All other terms of the Taurus Facility remained unchanged, including the interest rate of 10% on the outstanding balance.

In January 2017, US$7.3 million was received by Base Resources from the proceeds of the Kwale Operations Cash Sweep and a mandatory 75% (US$5.5 million) was applied towards repayment of the Taurus Facility, thereby reducing the outstanding debt to US$11.8 million.

Total debt outstanding at 30 June 2017 was $199.0 million (US$153.0 million) compared with $270.3 million (US$200.5 million) at 30 June 2016. The Company's net debt position, once cash and restricted cash are incorporated, at 30 June 2017 was $128.2 million (US$98.5 million) compared with $204.2 million (US$151.5 million) at 30 June 2016.

Significant changes in state of affairs

There were no other significant changes in the state of affairs of the Group during the financial period.

After balance date events

Subsequent to year end, on 14 July 2017, following the approval of Kwale Facility lenders to waive their entitlement to 50% of the July 2017 Cash Sweep, US$14.8 million was distributed up to Base Resources. Base Resources applied US$11.8 million of the Cash Sweep to retire the Taurus Facility, with the remainder available for corporate funding.

Under the terms of the waiver granted, the Kwale Facility lenders proportion of future six-monthly Cash Sweeps from Kwale Operations will increase to 75% until the US$7.4 million waived has been repaid.

Repayment of the Taurus Facility reduces total debt outstanding to $183.7 million (US$ 141.2 million).

There have been no other significant after balance date events at the date of this report.

Future developments, prospects and business strategies

Base Resources strategy is to continue to optimise the Kwale Operation whilst pursuing growth from internal and external opportunities.

DIRECTORS REPORT

INFORMATION ON DIRECTORS

Mr Keith Spence *Non-Executive Chairman*

Qualifications: BSc (Geophysics) (Hons)

Appointed: 20 February 2015 (Appointed as Non-Executive Chairman on 19 May 2015)

Experience: Mr Spence has over 30 years of experience in the oil & gas industry with Shell and Woodside. He retired from Woodside in 2008 after 14 years in senior executive roles including Chief Operating Officer and acting Chief Executive. Mr Spence is currently a Non-Executive Director of Oil Search Limited, Independence Group NL and Murray & Roberts Holdings Ltd (listed on JSX). Mr Spence was also Chairman of Clough Limited before its acquisition in late 2013.

Special Responsibilities: Chairman of the Board; Chairman of the Remuneration & Nomination Committee; member of the Risk Committee; member of the Audit Committee; member of the Taurus Refinancing Committee.

Other current public company directorships: Independence Group NL (since 2014); Oil Search Limited (since 2012); Murray and Roberts Holdings Ltd (since 2015).

Past public company directorships held over the last three years: Geodynamics Limited (now ReNu Energy Limited) (resigned 2016); Clough Limited (resigned 2013).

Mr Tim Carstens *Managing Director*

Qualifications: BCom, ACA

Appointed: 5 May 2008

Experience: Mr Carstens brings a diverse and substantial skill set to the development of Base Resources, having previously held senior executive roles with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited in operations, strategy, corporate development and finance, both in Australia and overseas. A chartered accountant by profession, he has successfully managed all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance. Mr Carstens is also the Chairman of the Australia-Africa Minerals and Energy Group (AAMEG), the peak body representing Australian companies engaged in the development of Africa's resource industry.

Special Responsibilities: Managing Director; member of the Taurus Refinancing Committee.

Past public company directorships held over the last three years: None.

DIRECTORS REPORT

Mr Colin Bwye *Executive Director – Operations & Development*

Qualifications: BEng (Hons)

Appointed: 12 July 2010

Experience: Mr Bwye has over 25 years' experience in the mineral sands sector, having commenced his professional career with RGC Mineral Sands (since consolidated into Iluka Resources) as a plant metallurgist in 1988. He undertook a number of technical, production and mining roles within RGC and then, after a period of time consulting to the industry, joined Doral Mineral Industries, a subsidiary of Iwatani Corporation of Japan. Here he was a leader in the development and operation of the Dardanup mineral sands mine in Western Australia before taking on the role of managing director and becoming accountable for the fused materials (zirconia and alumina) processing facilities as well as the mineral sands operation. In 2010 Mr Bwye joined Base Resources as Executive Director – Operations and Development. Mr Bwye has an extensive knowledge of all aspects of the mineral sands industry, including downstream processing and marketing of mineral sands products. He was born in Kenya and lived there prior to migrating to Australia in 1987 and so brings a deep understanding of the country and its culture.

Special Responsibilities: Executive Director – Operations & Development.

Past public company directorships held over the last three years: None.

Mr Samuel Willis *Non-Executive Director*

Qualifications: BCom

Appointed: 23 May 2007

Experience: Mr Willis is an experienced company director in the resources and energy sectors and is currently a director of Checkside (a consulting firm that specialises in Strategic HR, Recruitment and Leadership), as well as non-executive director of oil and gas explorer Elixir Petroleum Limited. Mr Willis provides Base Resources with in excess of 15 years' experience and expertise in capital markets, corporate finance and executive board involvement with emerging small and mid-cap companies.

Special Responsibilities: Chairman of the Audit Committee; member of the Remuneration & Nomination Committee; member of the Risk Committee; member of the Taurus Refinancing Committee.

Other current public company directorships: Elixir Petroleum Limited (since 2013).

Past public company directorships held over the last three years: New Standard Energy Limited (retired 2016).

DIRECTORS REPORT

Mr Michael Anderson *Non-Executive Director*

Qualifications: BSc (Hons), PhD

Appointed: 28 November 2011

Experience: Mr Anderson has over 20 years' industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and Managing Director at Exco Resources Limited, where he oversaw the successful development of the White Dam Gold Project, and the sale of the Company's Cloncurry Copper Project to Xstrata. He joined Taurus Funds Management as a Director in August 2011. Taurus is a major shareholder of Base Resources, with Mr Anderson appointed as Taurus' nominee on the Base Resources Board.

Special Responsibilities: Member of the Audit Committee.

Other current public company directorships: Hot Chili Limited (since 2011); Finders Resources Limited (alternate, since 2016).

Past public company directorships held over the last three years: Ampella Mining Limited (resigned 2014); PMI Gold Limited (resigned 2014); Heemskirk Consolidated Limited (resigned 2017).

Mr Michael Stirzaker *Non-Executive Director*

Qualifications: BCom, ACA

Appointed: 19 November 2014 (previously acting as an alternate since November 2011)

Experience: Mr Stirzaker has over 30 years' commercial experience, mainly in mining finance and mining investment. He began his career in Sydney as a Chartered Accountant with KPMG, having obtained a Bachelor of Commerce from the University of Cape Town. He moved into investment banking with Wardley James Capel (part of the HSBC Group) and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. He has also been a shareholder and Director of Tennant Metals Pty. Limited, a privately owned physical metal trader and investor, and was the Finance Director of Finders Resources Limited, an ASX listed company producing copper in Indonesia. In 2010, Mr Stirzaker joined the private equity mining fund manager, Pacific Road Capital Management as a partner. The Pacific Road Resources Fund II is a major shareholder of Base Resources, with Mr Stirzaker appointed as its nominee on the Base Resources Board.

Special Responsibilities: Member of the Remuneration & Nomination Committee; member of the Risk Committee.

Past public company directorships held over the last three years: Nil.

Mr Malcolm Macpherson *Non-Executive Director*

Qualifications: B.Sc. FAusIMM, FTSE

Appointed: 25 July 2013

Experience: Mr Macpherson is an accomplished business leader, with decades of experience in the global mining industry at executive management and board level. Mr Macpherson spent 25 years from 1974 at Iluka Resources Limited, the world's largest mineral sands company, rising from mine manager to Managing Director and Chief Executive Officer. He has previously held the position of Chairman with Azumah Resources Limited and Western Power Corporation and been a director of Portman Mining Limited and Minara Resources Limited. Mr Macpherson has also been the Senior Vice President of the Minerals Council of Australia, President of the Western Australian Chamber of Minerals & Energy, and a member of the Senate at Murdoch University.

Special Responsibilities: Chairman of the Risk Committee; member of the Remuneration & Nomination Committee; member of the Audit Committee.

Other current public company directorships: Nil.

Past public company directorships held over the last three years: Pluton Resources Limited (Chairman) (resigned 2013); Titanium Corporation Inc. (resigned 2014); Bathurst Resources (New Zealand) Limited (resigned 2015).

COMPANY SECRETARY

Mr Chadwick Poletti

Qualifications: LLB (Hons), BCom

Appointed: 19 May 2015

Experience: Mr Poletti is a practising lawyer and holds a Bachelor of Commerce majoring in Finance and Accounting. Mr Poletti has broad experience in advising directors of listed and unlisted public companies in relation to directors' duties, the Corporations Act, the ASX Listing Rules, the AIM Rules for Companies and corporate governance.

Prior to joining Base Resources, Mr Poletti was a senior associate at international law firm, Ashurst, where he specialised in both domestic and cross-border regulated and unregulated mergers and acquisitions, including takeovers and schemes of arrangement, capital raisings and corporate advisory and governance.

Meetings of directors

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as shown in the table below:

	Directors' Meetings		Audit committee		Remuneration & Nominations Committee		Risk Committee		Taurus Refinancing Committee	
	Meetings held while a director	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended
Keith Spence	15	14	4	4	4	4	3	3	4	4
Tim Carstens	15	15	-	-	-	-	-	-	4	4
Colin Bwye	15	15	-	-	-	-	-	-	-	-
Samuel Willis	15	14	4	4	4	4	3	3	4	4
Michael Anderson	15	15	4	4	-	-	-	-	-	-
Malcolm Macpherson	15	15	4	4	4	4	1 (i)	1	-	-
Michael Stirzaker	15	14	-	-	4	4	3	3	-	-

(i) Appointed as Risk Committee Chairman from 1 February 2017

Indemnifying officers

During or since the end of the financial year, Base Resources has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums to insure its directors and officers against certain liabilities incurred while acting in that capacity. The contracts of insurance prohibit disclosure of details of the policies or the premiums paid.

The Company's Constitution provides that, subject to and so far as permitted by applicable law, the Company must indemnify every officer of the Company and its wholly owned subsidiaries against a liability incurred as such an officer to a person (other than the Company or a related body corporate) including a liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith.

Consistent with the rules of the Company's Constitution, the Company or its subsidiary companies (as applicable) has also granted indemnities under the terms of deeds of indemnity with current and former Directors and current officers of the Company and its subsidiaries. Each deed provides that the relevant Director or officer is to the maximum extent permitted by law, indemnified out of the property of the Company or the subsidiary, as applicable, against any liability (other than a liability for costs and expenses) the Director or officer incurs to another person (other than the Company or a related body corporate of the Company) as a Director or officer of Company or a related body corporate, unless the liability arises out of conduct involving a lack of good faith by the Director or officer.

No indemnity has been granted to an auditor of the Group in their capacity as auditors of the Group.

Options

At the date of this report, the unissued ordinary shares of Base Resources Limited under option are as follows:

Grant date	Date of expiry	Exercise price	Number under option
23 December 2014	31 December 2018	$0.40	30,712,531
19 June 2015	31 December 2018	$0.40	30,712,530
			61,425,061

In accordance with the terms of the Taurus Facility, 61,425,061 options were issued to Taurus Funds Management, with half issued on execution and half on facility drawdown in June 2015. Refer to note 13 for further details. Option holders do not have any rights to participate in any issues of shares or other interests in the Group or any other entity.

Shares issued since the end of the financial year

No shares in Base Resources Limited have been issued since year end and no amounts are unpaid on any of the issued shares.

Proceedings on behalf of Group

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to external auditors for non-audit services provided during the year ended 30 June 2017:

	2017	**2016**
	$	**$**
KPMG Australia		
Taxation services	98,656	32,820
Other services	11,000	10,000
Overseas KPMG firms		
Taxation services	108,894	234,423

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 34 of the Annual Report.

Rounding

The Group is of a kind referred to in ASIC Class Instrument 2016/191 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT - AUDITED

This remuneration report sets out the remuneration arrangements for Base Resources Limited for year ended 30 June 2017. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001.*

Details of key management personnel

The remuneration report details the remuneration arrangements for key management personnel ("**KMP**") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and comprise the Directors (whether executive or otherwise) of the Group and other executive management as detailed in the table below. The Executive Directors and executive management listed in the table below are collectively defined as the Senior Executives for the purposes of this report.

Name	Position
Senior Executives	
T Carstens	Managing Director
C Bwye	Executive Director - Operations & Development
K Balloch	Chief Financial Officer
C Forbes	General Manager - Environment & Community Affairs
A Greyling	General Manager – Project Development
S Hay	General Manager - Marketing
J Schwarz	General Manager - External Affairs & Development
D Vickers	General Manager - Operations
Non-Executive Directors	
K Spence	Chairman
S Willis	Director
M Anderson	Director
M Macpherson	Director
M Stirzaker	Director

Changes since the end of the reporting date

None.

REMUNERATION REPORT - AUDITED

Role of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for oversight of the remuneration system and policies. It is also responsible for evaluating the performance of the Executive Directors and monitoring performance of the executive management team. The Board, upon recommendation of the Remuneration & Nomination Committee, determines the remuneration of the Executive Directors and approves the remuneration of the executive management team.

The objective of the Remuneration & Nomination Committee is to ensure that remuneration system and policies attract and retain executives and directors who will create value for shareholders.

Services from remuneration consultants

The Remuneration & Nomination Committee engaged Godfrey Remuneration Group ("**Godfrey**") to provide market data to assist the Company is assessing the competitiveness of the Group's remuneration practices for Senior Executives. The Committee also engaged BDO to (i) review the appropriateness of the Group's current incentive arrangements and to make broad recommendations for the Committee's consideration; and (ii) provide market data relating to the remuneration packages of the Group's Senior Executives to assist the Committee in assessing the competitiveness of current remuneration packages.

Godfrey and BDO were engaged by the Remuneration & Nomination Committee Chairman, and reported directly to the Committee and the Board. Further, each consultant has processes and procedures in place to minimise potential opportunities for undue influence of Senior Executives. The Board is satisfied that the interaction between consultants and Senior Executives is minimal, principally relating to provision of relevant Group information for consideration by the respective consultants. The Board is therefore satisfied that the advice received from Godfrey and BDO is free from undue influence from the Senior Executives to whom the remuneration recommendations apply.

The information provided by both Godfrey and BDO was provided to the Remuneration & Nomination Committee as inputs into decision making only. The Committee and the Board considered the information, along with other factors, in making its ultimate remuneration decisions.

Total fees paid to Godfrey for services during the year ended 30 June 2017 were $3,200. Total fees paid to BDO for services during the year ended 30 June 2017 were $20,500.

Remuneration policy

Base Resources is committed to the close alignment of remuneration to shareholder return, particularly that of the Senior Executives. To this end, the Group's remuneration system is designed to attract, motivate and retain people by identifying and rewarding high performers and recognising their contribution to the continued growth and success of the Group.

Key objectives of the Group's remuneration policy are to ensure that remuneration practices:

- Facilitate the achievement of the Group's objectives;
- Provide strong linkage between executive incentive rewards and creation of value for shareholders;
- Are simple to understand and implement, openly communicated and are equitable across the Group;
- Attract, retain and motivate employees of the required capabilities; and
- Comply with applicable legal requirements and appropriate standards of governance.

REMUNERATION REPORT - AUDITED

Key principles of Senior Executive remuneration

Remuneration comprises fixed remuneration, and variable (or "**at-risk**") remuneration, which is determined by individual and Group performance. The Group targets total fixed remuneration ("**TFR**") at the 50th market percentile and total remuneration package ("**TRP**"), including at-target variable remuneration, at the 75th market percentile, for Senior Executives. As a consequence, the Group's Senior Executives have a higher proportion of remuneration at-risk than industry averages.

Questions and answers about Senior Executive remuneration:

Remuneration mix	
What is the balance between fixed and at-risk remuneration?	The mix of fixed and at-risk remuneration varies depending on the organisational level of executives, and also depends on the performance of the Group and individual executives. More senior positions have a greater proportion of their remuneration at-risk. If overall Group performance fails to meet a minimum standard, no executives will be entitled to receive any at-risk remuneration. For all executives, it is therefore possible that no at-risk remuneration will be earned and that fixed remuneration will represent 100 per cent of total remuneration. If target at-risk remuneration is earned, the proportion of total remuneration represented by fixed and at-risk remuneration would be: • Executive Directors (includes Managing Director): 36% fixed and 64% at-risk. • Other Senior Executives: 53% fixed and 47% at-risk.
Fixed remuneration	
What is included in fixed remuneration?	TFR includes a base salary, inclusive of superannuation. Allowances and other benefits may be provided and are as agreed, including leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Group. To attract and retain people of the requisite capability to key roles located in Kenya, an additional market allowance may be paid. The market allowance, while fixed in nature, does not form part of TFR for the purposes of calculating at-risk remuneration entitlements.
When and how is fixed remuneration reviewed?	TFR is reviewed annually. Any adjustments to the TFR for the Executive Directors must be approved by the Board after recommendation by the Remuneration & Nomination Committee. The Executive Directors determine the TFR of other Senior Executives within specified guidelines approved by the Board, subject to final approval by the Remuneration Committee. The Group seeks to position fixed remuneration at the 50th market percentile of salaries for comparable companies within the mining industry with which the Group competes for talent and equity investment, utilising datasets and specific advice provided by independent remuneration consultants.
Short Term Incentive Plan ("STIP")	
What is the STIP?	The STIP is the cash component of at-risk remuneration, payable based on a mix of Group and individual annual performance standards.
Why does the Board consider the STIP is appropriate?	At-risk remuneration strengthens the link between pay and performance. The purpose of these programs is to reward executives for annual performance relative to expectations of their role accountabilities, required behaviours and KPI's as well as delivery of annual business plans. A reward structure that provides at-risk remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.

STIP (continued)	
Does the STIP take into account different levels of performance compared to objectives?	The size of any STIP payment is linked to the extent of achievement. Levels of performance required for target levels of STIP are set such that they are challenging but achievable. Required performance levels for each performance criteria are set at three levels being: Threshold - A performance level that is below optimal but nevertheless acceptable. It is the minimum for which a small STIP award would be payable. The STIP is designed such that there is an 80% probability the executive will achieve or exceed this level of achievement. Target - A performance level that represents a challenging but achievable level of performance. The STIP is designed such that there is a 50% to 60% probability the executive will achieve or exceed this level of achievement. Stretch - A performance level that is clearly at the upper limit of what may be achievable. The STIP is designed such that there is a 10% to 20% probability the executive will achieve or exceed this level of achievement. The probabilities of achievement are set at these levels such that, over time, awards approximately equal to the target level would become payable, assuming performance to role. The achievement of this target level of award would support the 75th market percentile TRP policy objective for executives.
What are the performance criteria?	Performance criteria are assigned for both individual and Group performance. Performance criteria may change from year to year. For Executive Directors, 75% of the STIP is attached to individual performance criteria and 25% to corporate performance criteria. For other Senior Executives, 50% of the STIP is attached to individual performance criteria and 50% to corporate performance criteria. Reflecting the importance attached to role clarity within Base Resources, individual performance criteria are drawn directly from the role accountabilities in the participant's role description. Each performance criteria is allocated a weighting that reflects the relative importance of that performance criteria for the year. Corporate performance criteria are set at the commencement of each financial year and are usually derived from the annual operating plan and may vary from time to time to include other aspects of performance for which there is shared accountability and which the Group wishes to emphasise. The target corporate performance (50% STIP component) criteria for Senior Executives for the 2017 financial year was: • 5% above budgeted group EBITDA, assuming fixed AUD:USD exchange rate and the inclusion of only 25% of variances in actual sales prices against budgeted prices, reflecting a limited measure of management control over product pricing outcomes. Where budgeted group EBITDA is used as the basis for the target corporate performance, the Remuneration & Nomination Committee will set the performance criteria for the year (i.e. the "Threshold", "Target" and "Stretch" performance ranges) on the basis of an assessment of the degree of challenge represented by the particular year's budget. Consequently, these ranges may change from year to year. This approach is designed to ensure the appropriate degree of challenge in both budgets committed to and STIP.

STIP (continued)	
Is there an overriding financial performance or other conditions?	For each year, a gate or gates may be determined by the Board. The gate may be a minimum level of earnings for the Group or a safety performance threshold that must be achieved for any awards to become payable under the STIP. Irrespective of whether a gate is achieved, the Board retains discretion to increase or decrease awards in its absolute discretion. It is intended that the exercise of this discretion is used sparingly to take account of significant events and/or factors that were not anticipated when the year commenced and the performance criteria were set. The following gates were in place for the 2017 financial year: • No workplace fatalities. • No major reputational or environmental events.
What is the value of the STIP award opportunity?	Executive Directors have a target STIP opportunity of 60% of TFR, with a minimum opportunity (if only threshold level is met) of 20% and a maximum opportunity (if the stretch targets are achieved) of 100% of TFR. Other Senior Executives have a target STIP opportunity of 30% of TFR, with a minimum opportunity (if only threshold level is met) of 15% and a maximum opportunity (if the stretch targets are achieved) of 60% of TFR. These percentages are set based on external advice to achieve the remuneration policy intent of 75th market percentile TRP market positioning.
How is the STIP assessed?	**Individual performance criteria** - are assessed using a performance rating scale. In making the assessment in respect of a particular area of accountability, consideration is given to the extent to which the behaviours and performance indicators identified in the role description have been modelled and observed. This assessment is undertaken by the participant's manager and then signed-off by the manager-once-removed. In the case of the Executive Directors, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. Specific outcomes during the 2017 financial year relevant to STIP awards have included: • Continued outperformance of Kwale Operations which has seen design (and beyond) throughputs, availabilities and recoveries consistently achieved; • Tight control of operating costs, achieving a challenging budget; • Another year without a Lost Time Injury (the last was in February 2014) and further improvement in the Total Recordable Injury Frequency Rate; • Successful introduction of a new mining method in hydraulic mining which will be adopted as the exclusive mining method through implementation of the Kwale Phase 2 project; • Securing of market share and sales for all production, with only working inventory held throughout the year; • Completion of the Kwale South Dune Deposit resource extension drilling campaign with community support; • A significant reset of the relationship with the Kenyan National Government following the change in Cabinet Secretary; • Progressive improvement in Kenyan media coverage of Base Resources and the industry, with improving public sentiment and understanding; • Maintenance of funding continuity as well as options for strategic plan execution, including extension of the Taurus Facility and progression of further options with the current Kwale Facility lender group; and • Delivery of a robust and comprehensive Kwale Phase 2 definitive feasibility study, now approved for implementation. **Corporate performance criteria** – the Board determines the extent to which each corporate performance criteria has been achieved.

Long Term Incentive Plan ("LTIP")	
What is the LTIP?	The LTIP is the equity component of at-risk remuneration and is linked to the Group's Total Shareholder Return ("**TSR**") performance over a 3 year period. The LTIP aims to reward participants for Base Resources' TSR performance, both relative to its peer group and in absolute terms.
How often are LTIP awards made?	The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and is followed by a 3 year performance period, with a test date on the 3rd anniversary of commencement of the cycle. The first cycle of the LTIP began on 1 October 2011.
Why does the Board consider a LTIP is appropriate?	The Group believes that a well designed LTIP can: • Attract executives with the required capability; • Retain key talent; • Maintain a stable leadership team; and • Explicitly align and link the interests of the Base Resources leadership team and shareholders.
What types of equity may be granted under the LTIP?	Performance rights are granted under the Base Resources LTIP. Performance rights are a right granted to acquire one share in Base Resources, subject to satisfying the specified performance criteria (outlined below). A participant is not entitled to participate in or receive any dividends or other shareholder benefits until the performance right has vested and a share has been allocated and transferred to the participant.
What is the value of the LTIP award opportunity?	Executive Directors are awarded performance rights worth 120% of TFR. Other Senior Executives are awarded performance rights worth 60% of TFR. The LTIP performance criteria are designed to target 50% vesting of awarded performance rights over time. These award opportunities and target vesting outcome are set based on external advice to achieve the remuneration policy intent of 75% market percentile TRP market positioning.

LTIP (continued)

What are the LTIP performance criteria?

The Group uses two LTIP performance criteria to determine the proportion of performance rights which vest, as follows:

- Half of the performance rights are subject to a relative TSR criteria (the relative TSR performance rights); and
- Half of the performance rights are subject to an absolute TSR criteria (the absolute TSR performance rights).

The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.

Relative TSR performance rights

The proportion of relative TSR performance rights which vest will be determined on the basis of Base Resources' TSR relative to the TSR of the comparator group over the performance period, as set out below:

Base Resources relative 3-year TSR performance[1]	Percentage of relative TSR performance rights that vest
Less than 40th percentile	Nil
40th percentile	25%
Between 40th and 50th percentile	Pro rata between 25% and 50%
Between 50th and 75th percentile	Pro rata between 50% and 100%
75th percentile and above	100%

Notwithstanding the above, the Board has the absolute discretion to determine that no relative TSR performance rights vest if Base Resources' TSR is negative (despite its relative placing within the TSR comparator group).

LTIP performance criteria are designed to target 50% vesting over time to achieve policy intent for remuneration market positioning, whilst providing incentive for outperformance. A threshold level of performance, being suboptimal but nevertheless acceptable, which results in 25% vesting at a relative TSR performance at the 40th percentile of the peer group is part of this design and considered appropriate in the context of the LTIP as a whole.

Absolute TSR performance rights

The proportion of absolute TSR performance rights which vest will be determined on the basis of Base Resources' TSR on the following scale:

Base Resources 3-year TSR[1]	Percentage of absolute TSR performance rights that vest
Less than 40.5%	Nil
40.5%	25%
Between 40.5% and 56%	Pro rata between 25% and 50%
Between 56% and 73%	Pro rata between 50% and 100%
73% or greater	100%

The number of performance rights granted for the cycle commencing 1 October 2016 is by reference to the 20-day volume weighted average price ("**VWAP**") of $0.1529 per share, subject to a scaleback to ensure compliance with applicable ASIC relief ($0.0575 for cycle commencing 1 October 2015 and $0.2905 for cycle commencing 1 October 2014). In order to achieve 100% vesting a 30-day VWAP of $0.2645 or greater would be required for the cycle commencing 1 October 2016 ($0.1150 for cycle commencing 1 October 2015 and $0.5810 for cycle commencing 1 October 2014) at the conclusion of the 3-year performance period.

[1] The performance scale was revised for the cycle commencing 1 October 2016. For previous cycles refer to prior annual reports.

LTIP (continued)

What is the comparator group?

The TSR comparator group is comprised of the 26th to 75th ranked companies, from the top 150 ASX listed resource companies (excluding oil and gas) by market capitalisation, at the time of the offer. The comparator group for each of the performance rights cycles is comprised of the following companies:

Companies	LTIP Cycle Commencing 1 October			Companies	LTIP Cycle Commencing 1 October		
	2016	2015	2014		2016	2015	2014
ABM Resources NL		✓		Metals X Limited	✓		✓
Alkane Resources Limited	✓	✓		Millennium Minerals Limited	✓		
Altona Mining Limited			✓	Mincor Resources NL			✓
Altura Mining Limited	✓			Mineral Deposits Limited			✓
Aquarius Platinum Limited		✓		Mirabela Nickel Limited		✓	
Arrium Limited		✓		Mount Gibson Iron Limited	✓	✓	
Atlas Iron Limited		✓	✓	Neometals Limited	✓		
Atrum Coal NL	✓	✓	✓	Newfield Resources Limited		✓	✓
Aurelia Metals Limited			✓	Nkwe Platinum Limited		✓	
Austral Gold Limited		✓		Northern Minerals Limited		✓	✓
Avanco Resources Limited	✓	✓	✓	Norton Gold Fields Limited			✓
Axiom Mining Limited		✓		OM Holdings Limited		✓	✓
BC Iron Limited			✓	Orocobre Limited	✓	✓	✓
Beadell Resources Limited	✓	✓	✓	Paladin Energy Limited	✓		
Berkeley Energia Limited	✓			Panoramic Resources Limited		✓	✓
Blackham Resources Limited	✓			Pantoro Limited	✓		
Bougainville Copper Limited		✓	✓	Perseus Mining Limited	✓	✓	✓
Brockman Mining Limited	✓			Pilbara Minerals Limited	✓	✓	
Cardinal Resources Limited	✓			Poseidon Nickel Limited			✓
CI Resources Limited	✓	✓		Ramelius Resources Limited	✓	✓	
CuDeco Limited	✓	✓	✓	Rand Mining Limited	✓	✓	
Dacian Gold Limited	✓			Range International Limited	✓		
Dome Gold Mines Limited		✓		Resolute Mining Limited		✓	✓
Doray Minerals Limited	✓	✓		Reward Minerals Limited		✓	
Eastern Goldfields Limited	✓			RTG Mining Inc			✓
Elemental Minerals Limited		✓		Sandfire Resources NL	✓		
Endeavour Mining Corporation		✓	✓	Saracen Mineral Holdings Ltd			✓
Energy Resources of Australia Limited	✓			Sheffield Resources Limited			✓
Finders Resources Limited	✓	✓	✓	Silver Lake Resources Ltd	✓	✓	✓
Focus Minerals Limited			✓	Stanmore Coal Limited	✓		
Galaxy Resources Limited	✓			Stonewall Resources Limited			✓
Gascoyne Resources Limited	✓			Sundance Resources Limited			✓
Gold Road Resources Limited	✓	✓	✓	Tanami Gold NL		✓	
Grange Resources Limited	✓	✓	✓	Teranga Gold Corporation	✓	✓	✓
Havilah Resources Limited	✓			Terramin Australia Limited	✓	✓	✓
Highfield Resources Limited	✓		✓	Tiger Resources Limited			✓
Highlands Pacific Limited		✓		Tigers Realm Coal Limited			✓
Indophil Resources NL			✓	TNG Limited		✓	
Intrepid Mines Limited			✓	Tribune Resources Limited	✓	✓	✓
Iron Road Limited			✓	Triton Minerals Limited		✓	✓
Kazakhstan Potash Corp. Ltd			✓	Troy Resources Limited	✓	✓	✓
Kidman Resources Limited	✓			Valence Industries Limited			✓
Kingsgate Consolidated Ltd		✓	✓	West African Resources Limited	✓		
Kingsrose Mining Limited		✓	✓	Western Areas Limited	✓		
Lucapa Diamond Company Limited	✓	✓		Wolf Minerals Limited		✓	✓
Lynas Corporation Limited	✓	✓	✓	Wollongong Coal Limited		✓	
Magnis Resources Limited	✓			Yancoal Australia Limited	✓		
Medusa Mining Limited	✓	✓	✓	Zimplats Holdings Limited	✓		

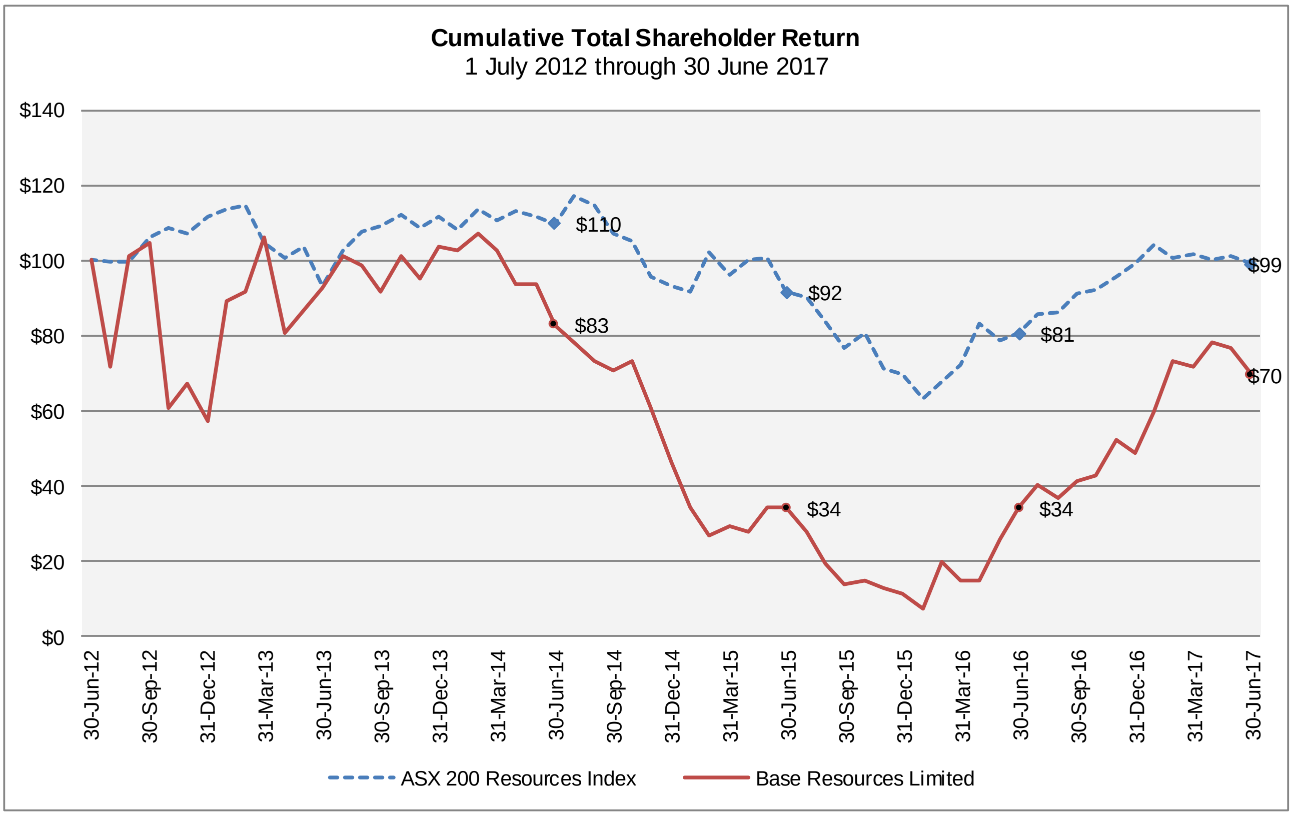
LTIP (continued)	
Was a grant made in 2017?	Performance rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2016. The number of performance rights granted for each executive was calculated by reference to the VWAP on the twenty trading days up to the start of the cycle, being $0.1529 per share, and the LTIP award opportunity. The number of rights granted to eligible participants for this cycle was subject to a 50% scale back to ensure compliance with applicable ASIC relief limiting the number of rights that may be on issue under the LTIP on a three year rolling basis. A compensating payment was made to eligible participants for rights foregone of $0.8 million.
What happens to performance rights granted under the LTIP when a participant ceases employment?	Where a participant ceases to be employed by a Group member (and is not immediately employed by another Group member) for any reason other than a qualifying reason, all unvested performance rights of that participant are automatically forfeited. Where a participant ceases to be employed by a Group member because of a qualifying reason, then the Board must determine, in its absolute discretion, the number of unvested performance rights of a participant (if any) that will remain on foot and become capable of vesting in accordance with LTIP rules. The Board will generally exercise its discretion in the following manner: • Performance rights granted in the cycle beginning on the 1 October immediately prior to the participant ceasing to be employed by a Group member are automatically forfeited; and • All other performance rights will continue to be held by the participant and will be tested for vesting on the test date for the relevant performance right. Qualifying reasons include but are not limited to death, total and permanent disablement, retirement or redundancy.
What happens in the event of a change of control?	Subject to the Board determining otherwise, if a change of control event occurs then a test date arises on the date that the change of control event occurs with the Board to test the extent to which the performance criteria have been satisfied: • On the basis of the offer price of the relevant transaction; and • In the case of absolute TSR performance rights, reducing the percentage TSR performance hurdle pro rata to the unexpired portion of the performance period as at the date the change in control event occurs.
Do shares granted upon vesting of performance rights dilute existing shareholders' equity?	Shares allocated to the participants in the LTIP upon vesting of performance rights may be satisfied by the Group issuing shares to the plan trustee or purchases by the plan trustee on market. In the event the Group issues shares to the plan trustee to satisfy the vesting of performance rights then shareholders' pre-existing equity will be diluted.
Does the Group have a policy in relation to hedging at-risk remuneration?	A participant in the LTIP must not enter into an arrangement if the arrangement would have the effect of limiting the exposure of the participant to risk relating to performance rights that have not vested.

LTIP (continued)

Did any performance rights vest in 2017?	None of the 7,518,865 performance rights granted under the LTIP for the cycle commencing 1 October 2013 vested. These rights completed the three-year performance period on 30 September 2016, with nil vesting as follows: • **Relative TSR performance rights** Base Resources TSR over the performance period placed it in the 49th percentile, resulting in none of the 3,759,432 relative performance rights vesting. • **Absolute TSR performance rights** Base Resources TSR over the performance period, by reference to a final VWAP of $0.15, equated to a TSR of -60%, resulting in none of the 3,759,433 absolute performance rights vesting. No shares were issued to LTIP participants in 2017.

Group performance and its link to shareholder return

The following graph compares the yearly change in the cumulative TSR of Base Resources' shares during the period 1 July 2012 to 30 June 2017, against the cumulative total return of the ASX 200 Resources Index over the same period. The graph illustrates the cumulative return from Base Resources over the past five years, assuming $100 was invested. No dividends have been declared during this period.



REMUNERATION REPORT - AUDITED

Executive remuneration outcomes for 2017

Short Term Incentives

At the end of the 2017 financial year, a review of the performance of each Senior Executive was undertaken against each of their 2017 individual performance measures as explained above. The 2017 financial year corporate performance achieved was between target and stretch performance levels, and incentives are payable in relation to this component commensurate with the performance level achieved. STIP entitlements earned for 2017 performance are paid in the 2018 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2017 financial year:

	Target STI		STI Awarded	
Name	**Individual performance**	**Corporate performance**	**Individual performance**	**Corporate performance**
T Carstens	45%	15%	65%	20%
C Bwye	45%	15%	62%	20%
K Balloch	15%	15%	21%	22%
C Forbes	15%	15%	21%	22%
A Greyling	15%	15%	20%	22%
S Hay	15%	15%	23%	22%
J Schwarz	15%	15%	19%	22%
D Vickers	15%	15%	20%	22%

LTIP Performance Rights

The LTIP, introduced in 2012, operates on the basis of a series of 3-year performance cycles commencing on 1 October each year. Accordingly, LTIP performance rights issued in the year ending 30 June 2017 are subject to a 3-year performance period ending on 30 September 2019. Performance rights issued under the plan in the 2014 financial year, totalling 7,518,865, completed their 3-year performance period on 30 September 2016, with no performance rights vesting.

The table below outlines the historical performance of performance rights cycles under the LTIP programme:

			Relative Performance Rights		Absolute Performance Rights	
Grant date	**Vesting date**	**Number of performance rights granted**	**Number vested**	**% vested**	**Number vested**	**% vested**
30 June 2012	30 September 2014	4,125,484	2,062,742	100%	-	0%
1 October 2012	30 September 2015	4,870,331	-	0%	-	0%
1 October 2013	30 September 2016	7,518,865	-	0%	-	0%

Take home pay for 2017

The remuneration detailed in this table represents the Senior Executives "take home pay" and is aligned to the current reporting period, and therefore is particularly useful in understanding actual remuneration received during the year. The table excludes adjustments made for accounting purposes and included in Statutory Remuneration (refer page 28), specifically the probability and value of an employee obtaining long service leave and the fair value of performance rights under three outstanding LTIP cycles expensed during the 2017 financial year. The remuneration packages for all Senior Executives are shown in the following table in their employment currency and remain unchanged from 2016, excluding changes in STIP awards and compensating payment for LTIP scale back.

Key Management Person	Currency	Salary	STIP award	Superannuation	Vesting of performance rights	Compensating payment for LTIP scaleback (ii)	Take home pay (i) (before tax)
2017							
Executive Directors							
T Carstens	AUD	406,800	367,299	30,000	-	130,160	934,259
C Bwye	AUD	401,800	354,195	35,000	-	130,160	921,155
Other Key Management Personnel							
K Balloch	AUD	320,000	150,091	30,000	-	52,148	552,239
C Forbes	GBP	235,320	100,912	-	-	35,061	371,293
A Greyling	AUD	280,000	132,720	35,000	-	46,933	494,653
S Hay	AUD	360,000	173,094	30,000	-	58,107	621,201
J Schwarz	USD	327,600	133,114	-	-	48,810	509,524
D Vickers	USD	430,816	143,400	-	-	50,710	624,926
2016							
Executive Directors							
T Carstens	AUD	406,800	326,618	30,000	-	-	763,418
C Bwye	AUD	401,800	317,882	35,000	-	-	754,682
Other Key Management Personnel							
K Balloch	AUD	320,000	146,410	30,000	-	-	496,410
C Forbes	GBP	235,320	82,554	-	-	-	317,874
A Greyling (iii)	AUD	256,667	106,651	32,082	-	-	395,400
S Hay	AUD	360,000	151,442	30,000	-	-	541,442
J Schwarz	USD	327,600	122,297	-	-	-	449,897
D Vickers	USD	430,816	132,163	-	-	-	562,979

(i) Base Resources' financial results are reported under International Financial Reporting Standards (IFRS). The above table includes certain non-IFRS measures including vested performance rights and take home pay. These measures are presented to enable understanding of the underlying remuneration of KMPs.

(ii) A scale back was applied to performance rights offered under the LTIP cycle commencing 1 October 2016 in order to ensure compliance with applicable ASIC relief. A compensating payment was made during the 2017 financial year to eligible staff in lieu of the scale back in performance rights offered.

(iii) Appointed 1 August 2015.

Statutory remuneration disclosures for the year ended 30 June 2017

The statutory remuneration disclosures for the year ended 30 June 2017 are detailed below and are prepared in accordance with Australian Accounting Standards and differ from the take home pay summary on page 27. These differences arise due to the accounting treatment of long service leave and share-based payments. The remuneration packages for all Senior Executives remain unchanged from 2016, in their base currency. Any changes in remuneration in the following table, excluding STIP awards and compensating payment for LTI scale back, are the result of foreign exchange movements only, as detailed below.

Key Management Person	Short term employment benefits		Post-employment benefits	Other long term	Cash paid in lieu	Share based payments	Total	Performance related
	Salary	STIP bonus(i)	Superannuation	Long service leave(ii)	Compensating payment for LTIP scaleback	Performance Rights(iii)		
2017	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Executive Directors								
T Carstens	406,800	367,299	30,000	7,683	130,160	292,776	1,234,718	64.0
C Bwye	401,800	354,195	35,000	14,026	130,160	292,776	1,227,957	63.3
Other Key Management Personnel								
K Balloch	320,000	150,091	30,000	10,531	52,148	116,595	679,365	46.9
C Forbes (iv)	395,562	170,713	-	-	58,936	150,987	776,198	49.0
A Greyling	280,000	132,720	35,000	679	46,933	67,349	562,681	43.9
S Hay	360,000	173,094	30,000	7,563	58,107	130,704	759,468	47.7
J Schwarz (v)	434,483	173,181	-	-	64,735	138,838	811,237	46.4
D Vickers (v)	571,374	186,563	-	-	67,255	144,241	969,433	41.1
Total	**3,170,019**	**1,707,856**	**160,000**	**40,482**	**608,434**	**1,334,266**	**7,021,057**	**-**
2016								
Executive Directors								
T Carstens	406,800	326,618	30,000	(19,735)	-	271,181	1,014,864	58.9
C Bwye	401,800	317,882	35,000	6,698	-	271,181	1,032,561	57.0
Other Key Management Personnel								
K Balloch	320,000	146,410	30,000	4,178	-	105,987	606,575	41.6
C Forbes (iv)	479,853	149,093	-	-	-	136,353	765,299	37.3
A Greyling (vi)	256,667	106,651	32,082	216	-	30,298	425,914	32.2
S Hay	360,000	151,442	30,000	2,138	-	119,800	663,380	40.9
J Schwarz (v)	449,815	164,869	-	-	-	119,265	733,949	38.7
D Vickers (v)	591,536	178,169	-	-	-	123,835	893,540	33.8
Total	**3,266,471**	**1,541,134**	**157,082**	**(6,505)**	**-**	**1,177,900**	**6,136,082**	**-**

(i) Current year STIP awards are accrued in the financial year to which the performance relates.

(ii) Long service leave entitlement represents the movement in the provision. Due to a change in calculation methodology a reduction in the provision occurred during the 2016 financial year, impacting some employees.

(iii) The fair value of performance rights is calculated at the date of grant using a Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The value disclosed is the portion of the fair value of the performance rights recognised in the reporting period. The amount included as remuneration is not necessarily the benefit (if any) that individual Senior Executive may ultimately receive.

(iv) Total remuneration package denominated in Pounds sterling (GBP) and converted to Australian dollars (A$) for reporting purposes using the average exchange rate for the 2017 financial year of 0.5949 (2016: 0.4904).

(v) Total remuneration package denominated in US dollars (US$) and converted to Australian dollars (A$) for reporting purposes using the average exchange rate for the 2017 financial year of 0.7540 (2016: 0.7283).

(vi) Appointed 1 August 2015.

Reconciliation of Take home pay to Statutory remuneration

A reconciliation of the Managing Director's take home pay to statutory remuneration is detailed below as an example:

	2017	2016
	$	$
Take home pay for the Managing Director	**934,259**	**763,418**
Treatment of Long Service Leave:		
Add: Movement in the accounting provision for long service leave entitlements	7,683	(19,735)
Treatment of performance rights:		
Add: accounting fair value (non-cash) of performance rights recognised in the period	292,776	271,181
Less: valuation of performance rights vested at date of vesting	-	-
Statutory pay for the Managing Director	**1,234,718**	**1,014,864**

Non-executive director remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. Fees paid to non-executive directors are recommended by the Remuneration & Nomination Committee and the Board is responsible for approving any recommendations, if appropriate. As approved at the Annual General Meeting on 28 November 2011, the aggregate limit of fees payable per annum is $750,000 in total. Non-executive director remuneration for the 2017 financial year remained unchanged from 2016.

The Group's policy is that non-executive director remuneration is structured to exclude equity-based remuneration and reviewed annually.

All directors have their indemnity insurance paid by the Group.

Non-executive directors receive a fixed fee remuneration consisting of a cash fee and statutory superannuation contributions made by the Group and additional fees for committee roles as set out below:

	2017	2016
	$	$
Base fees		
Chairman	135,400	110,000
Other non-executive directors	70,000	70,000
Remuneration & Nomination Committee		
Chair	-	10,500
Committee member	5,250	5,250
Audit Committee		
Chair	14,000	14,000
Committee member	7,000	7,000
Risk Committee		
Chair	7,900	5,925
Committee member	3,900	2,925

REMUNERATION REPORT - AUDITED

Non-executive remuneration for the year ended 30 June 2017 and comparative 2016 remuneration:

	Base fees	Audit committee	Remuneration & Nomination committee	Risk committee	Total
	$	$	$	$	$
2017					
K Spence(i)	135,400	-	-	-	135,400
S Willis	70,000	14,000	5,250	3,900	93,150
M Anderson	70,000	7,000	-	-	77,000
M Macpherson	70,000	7,000	5,250	3,292	85,542
M Stirzaker	70,000	-	5,250	3,900	79,150
Total	**415,400**	**28,000**	**15,750**	**11,092**	**470,242**
2016					
K Spence	110,000	7,000	10,500	5,925	133,425
S Willis	70,000	14,000	5,250	2,925	92,175
M Anderson	70,000	7,000	-	-	77,000
M Macpherson	70,000	7,000	5,250	-	82,250
M Stirzaker	70,000	-	5,250	2,925	78,175
Total	**390,000**	**35,000**	**26,250**	**11,775**	**463,025**

(i) In 2017 Mr Spence was remunerated in his role as Chairman, which encompassed any committee roles he performed.

Equity instruments

Performance Rights

The LTIP was introduced during the 2012 financial year with effect from 1 October 2011. Under the plan, the Board may offer performance rights to eligible employees. During the 2017 financial year, performance rights were granted to Senior Executives as part of their 2017 remuneration packages.

The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and is followed by a 3-year performance period, with a test date on the 3rd anniversary of the commencement of the Cycle. The first Cycle of the LTIP began on 1 October 2011, with the award formalised on 30 June 2012.

The table below outlines movements in performance rights during 2017 and the balance held by each Senior Executive at 30 June 2017:

Name	Grant date[(i)]	Number of performance rights	Fair value of each performance right	Vesting date[(ii)]	Number vested during year	Number lapsed during year	Balance at end of year
T Carstens	1 October 2013	1,413,914	$0.2300	30 September	-	1,413,914	-
	1 October 2014	1,799,394	$0.1400	30 September	-	-	1,799,394
	1 October 2015	6,964,806	$0.0380	30 September	-	-	6,964,806
	1 October 2016	1,725,567	$0.1625	30 September	-	-	1,725,567
		11,903,681			**-**	**1,413,914**	**10,489,767**
C Bwye	1 October 2013	1,413,914	$0.2300	30 September	-	1,413,914	-
	1 October 2014	1,799,394	$0.1400	30 September	-	-	1,799,394
	1 October 2015	6,964,806	$0.0380	30 September	-	-	6,964,806
	1 October 2016	1,725,567	$0.1625	30 September	-	-	1,725,567
		11,903,681			**-**	**1,413,914**	**10,489,767**
K Balloch	1 October 2013	538,958	$0.2300	30 September	-	538,958	-
	1 October 2014	720,912	$0.1400	30 September	-	-	720,912
	1 October 2015	2,790,387	$0.0380	30 September	-	-	2,790,387
	1 October 2016	691,333	$0.1625	30 September	-	-	691,333
		4,741,590			**-**	**538,958**	**4,202,632**
C Forbes	1 October 2013	660,763	$0.2300	30 September	-	660,763	-
	1 October 2014	900,761	$0.1400	30 September	-	-	900,761
	1 October 2015	4,072,275	$0.0380	30 September	-	-	4,072,275
	1 October 2016	804,474	$0.1625	30 September	-	-	804,474
		6,438,273			**-**	**660,763**	**5,777,510**
A Greyling	1 August 2015	108,731	$0.1400	30 September	-	-	108,731
	1 October 2015	2,511,348	$0.0380	30 September	-	-	2,511,348
	1 October 2016	622,200	$0.1625	30 September	-	-	622,200
		3,242,279			**-**	**-**	**3,242,279**
S Hay	1 October 2013	631,212	$0.2300	30 September	-	631,212	-
	1 October 2014	803,301	$0.1400	30 September	-	-	803,301
	1 October 2015	3,109,289	$0.0380	30 September	-	-	3,109,289
	1 October 2016	770,343	$0.1625	30 September	-	-	770,343
		5,314,145			**-**	**631,212**	**4,682,933**
J Schwarz	1 October 2013	569,026	$0.2300	30 September	-	569,026	-
	1 October 2014	772,582	$0.1400	30 September	-	-	772,582
	1 October 2015	3,685,863	$0.0380	30 September	-	-	3,685,863
	1 October 2016	853,160	$0.1625	30 September	-	-	853,160
		5,880,631			**-**	**569,026**	**5,311,605**
D Vickers	1 October 2013	591,172	$0.2300	30 September	-	591,172	-
	1 October 2014	802,650	$0.1400	30 September	-	-	802,650
	1 October 2015	3,829,314	$0.0380	30 September	-	-	3,829,314
	1 October 2016	886,365	$0.1625	30 September	-	-	886,365
		6,109,501			**-**	**591,172**	**5,518,329**
		55,533,781			**-**	**5,818,959**	**49,714,822**

(i) The amount expensed per the remuneration table reflects the period since commencement of services when the Group and the Senior Executive had a shared understanding of the award.

(ii) On the vesting date, performance rights are tested against the performance criteria and only those performance rights that satisfy the performance criteria vest.

Key Management Personnel performance rights movements

	Balance 1 July	Granted	Vested	Lapsed	Balance 30 June
2017					
T Carstens	10,178,114	1,725,567	-	1,413,914	10,489,767
C Bwye	10,178,114	1,725,567	-	1,413,914	10,489,767
K Balloch	4,050,257	691,333	-	538,958	4,202,632
C Forbes	5,633,799	804,474	-	660,763	5,777,510
A Greyling	2,620,079	622,200	-	-	3,242,279
S Hay	4,543,802	770,343	-	631,212	4,682,933
J Schwarz	5,027,471	853,160	-	569,026	5,311,605
D Vickers	5,223,136	886,365	-	591,172	5,518,329
	47,454,772	**8,079,009**	**-**	**5,818,959**	**49,714,822**

Key Management Personnel shareholdings

The number of ordinary shares in Base Resources held by each director and KMP of the Group during the financial year is as follows:

	Balance 1 July	Vesting of Performance Rights	Purchased	Sold	Balance 30 June
2017					
K Spence	-	-	500,000	-	500,000
T Carstens	1,228,522	-	-	-	1,228,522
C Bwye	1,842,739	-	-	-	1,842,739
S Willis	200,000	-	-	-	200,000
M Anderson	-	-	-	-	-
M Macpherson	-	-	-	-	-
M Stirzaker	-	-	-	-	-
K Balloch	108,948	-	-	-	108,948
C Forbes	130,646	-	-	-	130,646
A Greyling	1,411,154	-	-	-	1,411,154
S Hay	-	-	-	-	-
J Schwarz	286,085	-	-	-	286,085
D Vickers	190,752	-	-	-	190,752
	5,398,846	**-**	**500,000**	**-**	**5,898,846**

REMUNERATION REPORT - AUDITED

Executive Key Management Personnel employment arrangements

The employment arrangements of the executive KMPs are formalised in standard employment agreements. Details of the termination provisions contained in the agreements are provided below.

Name	Term of contract	Notice period by either party	Termination benefit
T Carstens	Permanent – ongoing until notice has been given by either party	3 months' notice by the employee 1 month's notice for termination by Company if unable to perform duties by reason of illness No notice required for termination by Company for cause	12 months fixed remuneration in the case of termination by the Company
C Bwye K Balloch C Forbes A Greyling S Hay J Schwarz D Vickers	Permanent – ongoing until notice has been given by either party	3 months' notice by the employee 1 month's notice for termination by Company for serious breach of employment agreement, incompetence, gross misconduct or refusing to comply with lawful direction given by the Company No notice required for termination by Company if convicted of any major criminal offence Company may elect to make payment in lieu of notice	6 months fixed remuneration in the case of termination by the Company (3 month's remuneration for C Forbes and A Greyling)

This Report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Keith Spence,
Chairman
Dated: 26 August 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Base Resources Limited for the financial year ended 30 June 2017 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

R Gambitta
Partner

Perth

26 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $000s	2016 $000s
Sales revenue	1	215,495	169,039
Cost of sales	1	(138,117)	(133,620)
Profit from operations		77,378	35,419
Corporate and external affairs		(10,919)	(11,276)
Community development costs		(3,588)	(3,921)
Selling and distribution costs		(2,690)	(4,114)
Other expenses		(122)	(2,731)
Profit before financing costs and income tax		60,059	13,377
Financing costs	1	(31,223)	(34,256)
Profit / (loss) before income tax		28,836	(20,879)
Income tax expense	3	(7,805)	(40)
Net profit / (loss) for the year		**21,031**	**(20,919)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(6,516)	5,336
Total other comprehensive (loss) / income for the year		(6,516)	5,336
Total comprehensive income / (loss) for the year		**14,515**	**(15,583)**
Net Earnings / (loss) per share		**Cents**	**Cents**
Basic earnings / (loss) per share (cents per share)	2	2.85	(3.41)
Diluted earnings / (loss) per share (cents per share)	2	2.63	(3.41)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	30 June 2017 $000s	30 June 2016 $000s
Current assets			
Cash and cash equivalents		36,790	36,295
Restricted cash	5	34,042	29,761
Trade and other receivables	6	57,317	43,544
Inventories	7	24,090	27,962
Other current assets		5,891	5,826
Total current assets		**158,130**	**143,388**
Non-current assets			
Capitalised exploration and evaluation		2,652	1,487
Property, plant and equipment	8	334,634	390,304
Total non-current assets		**337,286**	**391,791**
Total assets		**495,416**	**535,179**
Current liabilities			
Trade and other payables	9	26,926	24,953
Borrowings	10	77,034	61,816
Provisions	11	1,696	1,173
Deferred revenue		1,084	1,123
Other liabilities		841	887
Total current liabilities		**107,581**	**89,952**
Non-current liabilities			
Borrowings	10	114,633	196,291
Provisions	11	28,907	28,973
Deferred tax liability	3	7,606	-
Deferred revenue		1,897	3,089
Total non-current liabilities		**153,043**	**228,353**
Total liabilities		**260,624**	**318,305**
Net assets		**234,792**	**216,874**
Equity			
Issued capital	12	225,298	223,548
Reserves		48,246	54,780
Accumulated losses		(38,752)	(61,454)
Total equity		**234,792**	**216,874**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	$000s	$000s	$000s	$000s	$000s
Balance at 1 July 2015	214,131	(42,319)	7,037	42,669	221,518
Loss for the year	-	(20,919)	-	-	(20,919)
Other comprehensive income	-	-	-	5,336	5,336
Total comprehensive income for the year	-	(20,919)	-	5,336	(15,583)
Transactions with owners, recognised directly in equity					
Shares issued during the year, net of costs	9,417	-	-	-	9,417
Share based payments	-	1,784	(262)	-	1,522
Balance at 30 June 2016	**223,548**	**(61,454)**	**6,775**	**48,005**	**216,874**
Balance at 1 July 2016	223,548	(61,454)	6,775	48,005	216,874
Profit for the year	-	21,031	-	-	21,031
Other comprehensive income	-	-	-	(6,516)	(6,516)
Total comprehensive income for the year	-	21,031	-	(6,516)	14,515
Transactions with owners, recognised directly in equity					
Shares issued during the year, net of costs	1,750	-	-	-	1,750
Share based payments	-	1,671	(18)	-	1,653
Balance at 30 June 2017	**225,298**	**(38,752)**	**6,757**	**41,489**	**234,792**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $000s	2016 $000s
Cash flows from operating activities			
Receipts from customers		201,420	170,765
Payments in the course of operations		(101,198)	(92,061)
Other		(42)	(96)
Net cash from operating activities	**17**	**100,180**	**78,608**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,474)	(4,884)
Payments for exploration and evaluation		(1,217)	(13)
Other		375	(174)
Net cash used in investing activities		**(9,316)**	**(5,071)**
Cash flows from financing activities			
Proceeds from issue of shares		-	10,100
Payment of share issue costs		-	(683)
Repayment of borrowings		(61,849)	(31,680)
Net payments to restricted cash		(5,320)	(23,230)
Payments for debt service costs and re-scheduling fees		(22,018)	(34,632)
Net cash used in financing activities		**(89,187)**	**(80,125)**
Net increase / (decrease) in cash held		**1,677**	**(6,588)**
Cash at beginning of year		36,295	40,906
Effect of exchange fluctuations on cash held		(1,182)	1,977
Cash at end of year		**36,790**	**36,295**

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

What's new in this report?

Over the past year we have reviewed the content and structure of the Consolidated Financial Statements looking for opportunities to make them less complex and more relevant to users. This included:

- a thorough review of content to eliminate immaterial disclosures that may undermine the usefulness of the Consolidated Financial Statements by obscuring important information; and
- reorganisation of the notes to the financial statements into four distinct sections to assist users in understanding the Group's performance.

The purpose of these changes is to provide users with a clear understanding of what drives financial performance and financial position of the Group, while still complying with the provisions of the Corporations Act 2001.

An introduction at the start of each section to explain its purpose and content has been added where relevant. Accounting policies and critical accounting judgements applied to the preparation of the financial statements have been grouped with the related accounting balance or financial statement matter. Accounting policies have been documented in simple terms to assist the users of the Consolidated Financial Statements to better understand the Group's financial position and performance.

Estimates and judgements used in developing and applying the Group's accounting policies are continually evaluated and are based on experience and other factors and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed in the respective sections of the Consolidated Financial Statements.

To assist in identifying critical accounting judgements, we have highlighted them with the following formatting:

Critical accounting estimates and judgements

Basis of Preparation

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 1, 50 Kings Park Road, West Perth, WA, 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprises the Company and its wholly owned subsidiaries (together referred to as the Group). The Group is a for-profit entity and primarily involved in the operation of the Kwale Mineral Sands Mine in Kenya.

The consolidated financial statements of the Group for the year ended 30 June 2017:

- is a general purpose financial report prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001;
- comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board;
- are presented in Australian dollars, which is the Group's functional currency and all values are rounded to the nearest thousand dollars ($000s) unless otherwise stated, in accordance with ASIC instrument 2016/191. The functional currency for the subsidiaries is United States dollars.
- have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated financial statements were approved by the Board of Directors on 25th August 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERFORMANCE FOR THE YEAR

This section analyses the financial performance of the Group for the year ended 30 June 2017. It includes segment performance, earnings per share and taxation.

NOTE 1: SEGMENT REPORTING

The Group's 100% owned Kwale Operation is located in Kenya and generates revenue from the sale of rutile, ilmenite and zircon. Other operations include the Group head office (which includes all corporate expenses that cannot be directly attributed to the Kwale Operation) and exploration activities not directly related to Kwale Operations.

	2017			2016		
Reportable segment	**Kwale Operation**	**Other operations**	**Total**	**Kwale Operation**	**Other operations**	**Total**
	$000s	$000s	$000s	$000s	$000s	$000s
Sales revenue	**215,495**	**-**	**215,495**	**169,039**	**-**	**169,039**
Cost of sales:						
Operating costs	(68,735)	-	(68,735)	(69,647)	-	(69,647)
Changes in inventories of concentrate and finished goods	(5,033)	-	(5,033)	(5,066)	-	(5,066)
Royalties expense	(14,782)	-	(14,782)	(11,845)	-	(11,845)
Depreciation and amortisation	(49,567)	-	(49,567)	(47,062)	-	(47,062)
Total Cost of sales	**(138,117)**	**-**	**(138,117)**	**(133,620)**	**-**	**(133,620)**
Profit from operations	**77,378**	**-**	**77,378**	**35,419**	**-**	**35,419**
Corporate and external affairs	(5,238)	(5,681)	(10,919)	(4,309)	(6,967)	(11,276)
Community development costs	(3,588)	-	(3,588)	(3,921)	-	(3,921)
Selling and distribution costs	(2,690)	-	(2,690)	(4,114)	-	(4,114)
Other income / (expenses)	468	(590)	(122)	(2,151)	(580)	(2,731)
Profit before financing and tax	**66,330**	**(6,271)**	**60,059**	**20,924**	**(7,547)**	**13,377**
Financing costs:						
Interest expense, inclusive of withholding tax	(16,927)	(2,247)	(19,174)	(20,342)	(3,094)	(23,436)
Amortisation of capitalised borrowing costs	(3,414)	(3,356)	(6,770)	(3,036)	(3,895)	(6,931)
Unwinding of discount on provision for rehabilitation	(1,914)	-	(1,914)	(753)	-	(753)
Other	(3,313)	(52)	(3,365)	(3,116)	(20)	(3,136)
Total financing costs	**(25,568)**	**(5,655)**	**(31,223)**	**(27,247)**	**(7,009)**	**(34,256)**
Income tax expense	(7,805)	-	(7,805)	(40)	-	(40)
Reportable profit (loss)	**32,957**	**(11,926)**	**21,031**	**(6,363)**	**(14,556)**	**(20,919)**
Other disclosures:						
Capital expenditure	9,342	349	9,691	4,884	13	4,897
Total assets	490,178	5,238	495,416	524,505	10,674	535,179
Total liabilities	244,706	15,918	260,624	292,204	26,101	318,305

PERFORMANCE FOR THE YEAR

Determination and presentation of operating segments

Operating segments are components of the Group about which separate financial information is available that is evaluated regularly by the Group's senior executives in deciding how to allocate resources and in assessing performance.

The division of the Groups results into segments has been ascertained by identification of revenue / cost centres and where interrelated segment costs exist, an allocation has been calculated on a pro rata basis.

Recognition and measurement of revenue

The Group sells mineral sands under a range of International Commercial Terms (Incoterms). Product sales are recognised as revenue when the Group has transferred both the significant risks and rewards of ownership and control of the products sold and the amount of revenue can be measured reliably. The passing of risk to the customer is usually realised at the point that the physical control is transferred from the Group to the customer. The Incoterms set out the point at which the transfer of risk to the customer takes place and are the ultimate determinant.

Contract terms for the Group's rutile sales allow for a retrospective final price adjustment after shipment based on average market prices in the quarter that the product is shipped. Average market prices are derived from an independently published quarterly dataset of all rutile trades, available approximately four months after the end of each quarter. Sales made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration receivable, which takes into account the latest available market data at the balance date. As a result, rutile sales revenue of $39.9 million is still subject to final market pricing at 30 June 2017 (2016: $39.4 million).

Finance income and expenses

Financing income includes interest income on cash held and is recognised as it accrues.

Financing expenses include:

- Interest on borrowings;
- Amortisation of costs incurred to establish the borrowings;
- Finance lease charges; and
- The unwinding of discount on provisions for mine closure and rehabilitation.

Financing expenses are calculated using the effective interest rate method. Finance expenses incurred for the development of mining projects are capitalised up to the point at which commercial production is achieved. Other financing expenses are expensed as incurred.

NOTE 2: EARNINGS / (LOSS) PER SHARE

	2017 $000s	2016 $000s
Earnings / (loss) used to calculate basic / diluted loss per share	21,031	(20,919)

a. Weighted average number of ordinary shares on issue used in the calculation of basic earnings / (loss) per share

in thousands of shares	2017	2016
Issued ordinary shares at 1 July	732,232	563,903
Effect of shares issued as consideration for Taurus facility extension	6,657	-
Effect of renounceable entitlement offer	-	49,237
Weighted average number of ordinary shares at 30 June	**738,889**	**613,140**

b. Weighted average number of ordinary shares on issue used in the calculation of diluted earnings / (loss) per share

in thousands of shares	2017	2016
Weighted average number of ordinary shares (basic)	738,889	613,140
Effect of performance rights on issue	62,072	-
Weighted average number of ordinary shares (diluted) at 30 June	**800,961**	**613,140**

NOTE 3: INCOME TAX

	2017 $000s	2016 $000s
a. Amounts recognised in profit or loss		
Current income tax		
Income tax expense	64	40
Deferred tax expense		
Origination and reversal of temporary differences	7,741	-
Income tax expense reported in comprehensive income	**7,805**	**40**
a. Amounts recognised in equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	-	173
Deferred tax asset not recognised	-	(173)
	-	**-**

	2017 $000s	2016 $000s
b. Reconciliation of income tax expense to prima facie tax payable		

The prima facie tax payable on loss from ordinary activities before tax is reconciled to the income tax expense as follows:

	2017 $000s	2016 $000s
Accounting profit / (loss) before tax	28,836	(20,879)
Prima facie tax on operating profit / (loss) at 30% (2016: 30%)	8,651	(6,264)
Add / (less) tax effect of:		
Non-deductible items	3,710	2,599
Share based payments	275	260
Tax losses not recognised	1,817	1,236
Other deferred tax assets not brought to account as realisation not considered probable	1,320	1,206
Effect of tax rates in foreign jurisdictions	(7,968)	1,003
Income tax attributable to operating profit / (loss)	**7,805**	**40**

c. Deferred tax liability recognised

	2017 $000s	2016 $000s
Tax losses Kenya	26,517	40,802
Other	1,559	1,265
	28,076	42,067
Deferred tax liabilities recognised		
Property, plant and equipment	(35,682)	(42,067)
Net deferred tax liability recognised	**(7,606)**	**-**

	2017 $000s	2016 $000s
d. Deferred tax assets unrecognised		
Deductible temporary differences	335	747
Tax losses Australia	7,935	6,683
Tax losses other	89	75
	8,359	**7,505**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2017 and 2016 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
ii. The Group continues to comply with conditions for deductibility imposed by law; and
iii. No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

Recoverability of deferred tax assets

Balances related to taxation disclosed are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the tax authorities in Australia and jurisdictions where it has foreign operations.

A deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively, sale of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

Recognition and measurement of income taxes

The income tax expense / benefit for the year comprises current income tax expense / benefit and deferred tax expense / benefit.

Current income tax expense charged to the Statement of Profit or Loss and Other Comprehensive Income is the expected tax payable or recoverable on the taxable income or loss calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax expense reflects movements in deferred tax asset and liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / benefit is charged or credited directly to equity instead of the Statement of Profit or Loss and Other Comprehensive Income when the tax relates to items that are credited or charged directly to equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTE 4: OPERATING CASHFLOWS

The Group's operating cashflow reconciled to profit after tax is as follows:

	2017	**2016**
	$000s	**$000s**
Profit / (loss) for the year	21,031	(20,919)
Depreciation and amortisation	49,567	47,062
Share based payments	1,653	1,522
Financing costs classified as financing activity	31,223	34,256
Amortisation of deferred revenue	(1,105)	(1,145)
Income tax expense	7,805	40
Changes in assets and liabilities:		
(Increase) / decrease in receivables and other assets	(14,049)	11,310
Decrease in inventories	3,872	3,622
Increase in trade and other payables	150	2,988
Increase / (decrease) in provisions	33	(48)
Cash flow from operations	**100,180**	**78,608**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OPERATING ASSETS AND LIABILITIES

This section presents information about the Group's assets and liabilities, including its policies and processes for measuring and estimating these balances.

NOTE 5: RESTRICTED CASH

	2017 $000s	2016 $000s
Current		
Restricted cash	34,042	29,761

Under the terms of the Kwale Facility, sufficient funds are required to be held on account in order to meet the debt servicing requirements of the next six months.

NOTE 6: TRADE AND OTHER RECEIVABLES

	2017 $000s	2016 $000s
Current		
Trade receivables	31,672	18,246
VAT receivables	25,574	25,198
Other receivables	71	100
	57,317	**43,544**

Recoverability of construction period VAT receivable

The Group is owed $25.6 million in VAT receivable by the Government of Kenya, of which $21.6 million was incurred during the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

NOTE 7: INVENTORIES

	2017 $000s	2016 $000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	6,081	9,054
Finished goods stockpiles – at cost	4,460	6,982
Stores and consumables – at cost	13,549	11,926
	24,090	**27,962**

Net realisable value of inventories

Inventories are recognised at the lower of cost and net realisable value (‘NRV’).

NRV is based on the estimated amount expected to be received when the product is sold, less all costs still to be incurred in converting the relevant inventory to a saleable product, and delivering it to the customer. The computation of NRV for inventories of heavy mineral concentrate and finished product involves significant judgements and estimates in relation to timing of processing, processing costs, transport costs, commodity prices and the ultimate timing of sale. A change in any of these critical assumptions will alter the estimated NRV and may therefore impact the carrying value of inventories.

Recognition and measurement of inventories

Inventories of heavy mineral concentrate and finished product are valued on a weighted average cost basis and include direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at NRV. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

2017	Plant & equipment $000s	Mine property and development $000s	Buildings $000s	Capital work in progress $000s	Total $000s
At cost	282,707	196,741	8,320	1,426	489,194
Accumulated depreciation	(94,485)	(57,663)	(2,412)	-	(154,560)
Closing carrying amount	**188,222**	**139,078**	**5,908**	**1,426**	**334,634**
Reconciliation of carrying amounts:					
Balance at 1 July 2016	221,730	159,677	6,748	2,149	390,304
Additions	1,364	2,646	1	2,869	6,880
Transfers	1,899	1,594	23	(3,516)	-
Disposals	(25)	38	-	-	13
Reduction in mine rehabilitation asset	-	(1,641)	-	-	(1,641)
Depreciation expense	(29,003)	(19,132)	(628)	-	(48,763)
Effects of movement in foreign exchange	(7,743)	(4,104)	(236)	(76)	(12,159)
Balance at 30 June 2017	**188,222**	**139,078**	**5,908**	**1,426**	**334,634**

2016	$000s	$000s	$000s	$000s	$000s
At cost	289,626	199,259	8,596	2,149	499,630
Accumulated depreciation	(67,896)	(39,582)	(1,848)	-	(109,326)
Closing carrying amount	**221,730**	**159,677**	**6,748**	**2,149**	**390,304**
Reconciliation of carrying amounts:					
Balance at 1 July 2015	239,058	173,832	6,606	1,487	420,983
Additions	1,587	655	526	2,115	4,883
Transfers	1,480	-	21	(1,501)	-
Disposals	(45)	-	-	-	(45)
Reduction in mine rehabilitation asset	-	(1,100)	-	-	(1,100)
Depreciation expense	(27,994)	(17,781)	(616)	-	(46,391)
Effects of movement in foreign exchange	7,644	4,071	211	48	11,974
Balance at 30 June 2016	**221,730**	**159,677**	**6,748**	**2,149**	**390,304**

Impairment of assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication those assets have been impaired. When impairment indicators are identified, the Group determines the recoverable value of the cash-generating unit to which the assets are allocated, via an estimation of the fair value of the cash-generating unit. Estimating the fair value amount requires management to make an estimate of expected future cash flows from the cash-generating unit over the forecast period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Key estimates supporting the expected future cash flows include commodity prices, production output and cost forecasts.

Ore reserves and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as future operating costs, future commodity prices, future capital requirements and future operating performance. Changes in reported reserves and resources estimates can impact the carrying value of PP&E, provisions for mine closure and rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the Statement of Profit or Loss and Other Comprehensive Income.

Recognition and measurement of property, plant and equipment

Each class of property, plant and equipment (“PP&E”) is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

PP&E is measured on a historical cost basis. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the Statement of Profit or Loss and Comprehensive Income during the financial period in which they are incurred.

Any gain or loss on disposal of an item of PP&E is determined by comparing the proceeds from disposal with the carrying amount, and is recognised net within other income / other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also includes subsequent development costs required to bring the mine into production. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

Depreciation

All PP&E, except freehold land, is depreciated on a straight line basis over the asset’s useful life to the Group commencing from the time the asset is held ready for use. The depreciation methods used for each class of depreciable assets are:

Class of plant and equipment	Depreciation method
Buildings	Straight line at 5% per annum
Plant and equipment	Straight line at 10% to 30% per annum
Mine property and development	Straight line over remaining mine life

The assets' residual values and useful lives are reviewed, and adjusted prospectively 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.

NOTE 9: TRADE AND OTHER PAYABLES

	2017 $000s	2016 $000s
Trade payables and accruals	12,584	15,531
Provision for increase in Government of Kenya royalty (a)	14,342	9,422
	26,926	**24,953**

a. Government of Kenya ("GoK") Royalty

The Group is in ongoing discussions with the GoK with respect to the royalty rate payable for the Kwale Operation in the context of resolution of a number of outstanding issues, including refund of $21.6 million (US$16.6 million) VAT receivables related to the construction of Kwale Operations (refer to Note 6). Royalty costs are provided for, and expensed, on the basis of a 5% royalty rate being payable to the GoK, whereas the royalty rate applicable under the terms of the special mining lease, and currently being paid, is 2.5%.

NOTE 10: BORROWINGS

	2017 $000s	2016 $000s
Current		
Kwale Facility (a)	61,798	35,859
Taurus Facility (b)	15,351	26,962
Capitalised borrowing costs (b)	(6,320)	(4,570)
Amortisation of capitalised borrowing costs (b)	5,721	3,111
Finance lease liabilities	484	454
Total current borrowings	**77,034**	**61,816**
Non-current		
Kwale Facility (a)	121,853	207,473
Capitalised borrowing costs (a)	(22,738)	(23,298)
Amortisation of capitalised borrowing costs (a)	15,433	11,526
Finance lease liabilities	85	590
Total non-current borrowings	**114,633**	**196,291**
Total borrowings	**191,667**	**258,107**

Recognition and measurement of capitalised borrowing costs

All transaction costs directly attributable to establishing the Debt Facility are capitalised and offset against drawn loan amounts. Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method.

a. Kwale Facility

In November 2011, the Company entered into a debt facility for the development and construction of the Kwale Operation ("**Kwale Facility**"). During the year to 30 June 2017, US$39.3 million was paid down, reducing outstanding debt to US$141.2 million (A$183.7 million).

Security for the Kwale Facility is a fixed and floating charge over all the assets of Base Titanium Limited ("**BTL**") and the shares in BTL held by Base Titanium (Mauritius) Limited ("**BTML**") and Base Resources Limited ("**BRL**") and the shares held in BTML by BRL. In addition, BRL provides a parent guarantee which will remain in place subject to finalising a long term operating licence for the Kwale Operations Port Facility. The remaining tenor of all loan tranches is 3 years.

All tranches of the Kwale Facility carry interest rates of LIBOR plus 630 basis points, inclusive of political risk insurance. The weighted average effective interest rate on the facilities at 30 June 2017 is 7.72% (30 June 2016: 7.24%), with the difference due to the LIBOR rate.

b. Taurus Facility

In December 2014, the Company entered into a US$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management ("**Taurus Facility**"), to provide the funds to satisfy additional liquidity requirements from the reschedule of the Kwale Facility in 2014.

Prior to final maturity, under the terms of the Taurus Facility, repayments are only required to be made from the proceeds of Kwale Operations Cash Sweeps received by BRL. Of the US$5.4 million Cash Sweep received by BRL in July 2016, a mandatory 50% (US$2.7 million) was applied towards repayment of the Taurus Facility.

In October 2016, the Company extended the maturity date of the Taurus Facility from 31 December 2016 to 30 September 2017. The extension of the Taurus Facility final maturity date removed the need to secure external funding to repay the balance that would otherwise have been due on 31 December 2016. As part of the extension, the mandatory proportion of Kwale Operations Cash Sweeps to be applied towards progressive repayment of the Taurus Facility increased from 50% to 75%. All other terms of the Taurus Facility remained unchanged, including the interest rate of 10% on the outstanding balance. As consideration for the extension, the Company issued Taurus 10 million fully paid ordinary shares.

In January 2017, US$7.3 million was received by BRL from the proceeds of the Kwale Operations Cash Sweep. Following the extension of the Taurus Facility final maturity date, a mandatory 75% (US$5.5 million) was applied towards repayment of the Taurus Facility, thereby reducing the outstanding debt to US$11.8 million (A$15.4 million).

Subsequent to year end, on 14 July 2017, following the approval of Kwale Facility lenders to waive their entitlement to 50% of the July 2017 Cash Sweep, US$14.8 million was distributed up to BRL. BRL applied US$11.8 million of the Cash Sweep to retire the Taurus Facility, with the remainder available for corporate funding.

Under the terms of the waiver granted, the Kwale Facility lenders proportion of future six-monthly Cash Sweeps from Kwale Operations will increase to 75% until the US$7.4 million waived has been repaid.

Repayment of the Taurus Facility reduces total debt outstanding to $183.7 million (US$141.2 million), subsequent to year end.

NOTE 11: PROVISIONS

	2017 $000s	2016 $000s
Current		
Employee benefits	1,206	1,173
Mine closure and rehabilitation	468	-
Income tax liability	22	-
	1,696	**1,173**
Non-current		
Mine closure and rehabilitation	28,851	28,914
Employee benefits	56	59
	28,907	**28,973**

Movement in mine closure and rehabilitation:	2017 $000s	2016 $000s
Balance at 1 July	28,914	27,270
Effects of movement in foreign exchange	(1,010)	872
(Decrease) / increase in rehabilitation estimate	(465)	32
Unwinding of discount	1,880	740
Balance at 30 June	**29,319**	**28,914**

Mine closure and rehabilitation obligations

The calculation of the mine closure and rehabilitation provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering costs and inflation and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations.

The mine closure and rehabilitation provision is recorded as a liability at fair value, assuming a risk-free discount rate equivalent to the 5 year US Government bonds rate of 1.89% as at 30 June 2017 (2016: 2.59%) and an inflation factor of 1.27% (2016: 2.13%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2017, estimated the asset retirement cost of work completed to date using an expected remaining mine life of 6 years and a total undiscounted estimated cash flow of US$23,234,044 (2016: US$22,168,415). Management's estimate of the underlying asset retirement costs are independently reviewed by an external consultant on a regular basis for completeness.

Recognition and measurement of 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.

A mine closure and rehabilitation provision is recognised at the commencement of a mining project and/or construction based on the estimated costs necessary to meet legislative requirements by estimating future costs and discounting these to a present value. The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows. A corresponding asset is included in mine property and mine development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, and is amortised over the life of the mine.

At each reporting date the mine closure and rehabilitation provision is re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved and are dealt with on a prospective basis as they arise.

Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as a financing expense in the Statement of Comprehensive Income. Changes in the asset value have a corresponding adjustment to future amortisation charges.

The mine closure and rehabilitation provision does not include any amounts related to remediation costs associated with unforeseen circumstances.

NOTE 12: ISSUED CAPITAL

	2017	2016
	$000s	$000s
Ordinary share capital:		
Issued and fully paid	**225,298**	**223,548**

Date	Number	$000s
1 July 2015	563,902,771	214,131
Renounceable entitlement offer	168,329,185	10,100
Share issue costs	-	(683)
30 June 2016	**732,231,956**	**223,548**
1 July 2016	732,231,956	223,548
Shares issued as consideration for Taurus Facility extension (note 10)	10,000,000	1,750
30 June 2017	**742,231,956**	**225,298**

All issued shares are fully paid. The Group does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

Recognition and measurement of issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

NOTE 13: SHARE-BASED PAYMENTS

a. Share options

Granted options are as follows:

	Grant date	Number	Issue date
Taurus Funds Management	23 December 2014	30,712,531	23 December 2014
Taurus Funds Management	19 June 2015	30,712,530	19 June 2015

Terms of granted options:

In December 2014, the Group executed the Taurus Facility, which entitled Taurus to 61,425,061 unlisted share options over unissued fully paid shares, for nil consideration and exercisable at $0.40, with half being issued at execution and half pro-rata on facility drawdown above US$5 million, which occurred in June 2015.

The fair value of the 61,425,061 options granted during the 2015 financial year were estimated at the date of grant using a Black & Scholes model using the following assumptions: risk-free interest rate of 3%; no dividend yield; volatility factor of the expected market price of the Company’s shares of 67% and 91% for each issue respectively; and a contractual life of 4 years.

In July 2015, 1,000,000 options, granted to RFC Corporate Limited, with an exercise price of $0.25 lapsed unexercised following their expiry. In January 2016, 8,500,000 options with an exercise price of $0.25 and 7,100,000 options with an exercise price of $0.09, granted to Key Management Personnel, lapsed unexercised following their expiry.

Summary of shares under option are as follows:

	Number	Weighted average exercise price
Options outstanding as at 1 July 2015	78,025,061	$0.35
Granted	-	-
Exercised	-	-
Lapsed	(16,600,000)	$0.18
Options outstanding and exercisable as at 30 June 2016	**61,425,061**	**$0.40**
Options outstanding as at 1 July 2016	61,425,061	$0.40
Granted	-	-
Exercised	-	-
Lapsed	-	-
Options outstanding and exercisable as at 30 June 2017	**61,425,061**	**$0.40**

b. Performance rights

Granted performance rights are as follows:

Performance cycle date	KMP	Other employees	Total
1 October 2014	7,707,725	2,325,748	10,033,473
1 October 2015	33,928,088	11,820,343	45,748,431
1 October 2016	8,079,009	3,227,508	11,306,517

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the 2017 financial year has been estimated at the date of grant using a Monte Carlo Simulation model using the following assumptions: risk-free interest rate of 1.86%; no dividend yield; volatility factor of the expected market price of the Company's shares of 80%; and a remaining life of performance rights of 2.88 years. The fair value of the performance rights is recognised over the service period, which commenced on the date of grant of 1 October 2016.

Recognition and measurement of share based payments

The Group LTIP is an equity settled employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of performance rights is ascertained using a recognised pricing model which incorporates all market vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This section presents information about the Group's financial assets and liabilities, its exposure to financial risks, as well as its objectives, policies and processes for measuring and managing risks.

NOTE 14: FINANCIAL RISK MANAGEMENT

The Group's activities expose it primarily to the following financial risks:

- Market risk consisting of commodity price risk, interest rate risk and currency exchange risk;
- Credit risk; and
- Liquidity risk.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The senior executives of the Group meet on a regular basis to analyse treasury risks and evaluate treasury management strategies in the context of the prevailing economic conditions and forecasts. Risk management policies are approved and reviewed by the Risk Committee and the Board on a regular basis. Financial assets and liabilities of the Group are carried at amortised cost, which approximates fair value.

Recognition and measurement of financial instruments

Non-derivative financial assets

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the date at which the Group becomes a party to the contractual provisions of the instrument. Such liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial instruments consist of deposits with banks, accounts receivable and payables. The totals for each category of financial instruments are as follows:

	Note	2017 $000s	2016 $000s
Financial assets			
Cash and cash equivalents		36,790	36,295
Restricted cash	5	34,042	29,761
Trade and other receivables	6	57,317	43,544
		128,149	**109,600**
Financial liabilities			
Trade and other payables	9	26,926	24,953
Kwale Facility	10	183,651	243,332
Taurus Facility	10	15,351	26,962
Finance lease liabilities	10	569	1,044
		226,497	**296,291**

Commodity price risk

The Group is exposed to commodity price volatility on rutile sales made under contract terms which allow for a retrospective final price adjustment based on average market prices in the quarter the product is sold. Average market prices are derived from an independently published quarterly dataset of all rutile trades, available approximately four months after the end of each quarter. Sales made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration receivable, which takes into account the latest available market data at the balance date.

Rutile sales revenue of $39.9 million is still subject to final market pricing at 30 June 2017 (2016: $39.3 million). An interim adjustment to sales revenue has been recorded at the reporting date to align the estimated fair value of these sales with the latest available market data. If commodity prices increased / decreased by 10%, with all other variables held constant, the Group's after tax profit / loss would have increased / decreased by $4.0 million (2016: $3.9 million).

Interest rate risk

All tranches of the Kwale Facility carry interest rates of LIBOR plus 630 basis points, inclusive of political risk insurance. The Group does not mitigate its interest rate risk exposure to LIBOR through hedging or other means. The weighted average effective interest rate on the Kwale Facility at 30 June 2017 is 7.72% (30 June 2016: 7.24%).

The Taurus Facility has a fixed interest rate of 10% and a loan maturity date of 30 September 2017. The Taurus Facility was fully repaid subsequent to year end, in July 2017 (refer to Note 10).

The majority of the Group's cash deposits and restricted cash are held in accounts with Nedbank Limited at variable interest rates, as required by the terms of the Kwale Facility.

	Carrying amount		Realisable / payable within six months	
	2017 $000s	**2016 $000s**	**2017 $000s**	**2016 $000s**
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(15,920)	(28,006)	(15,920)	-
	(15,920)	**(28,006)**	**(15,920)**	**-**
Variable rate instruments				
Financial assets	70,832	66,056	31,149	39,895
Financial liabilities	(183,651)	(243,332)	(27,191)	(20,491)
	(112,819)	**(177,276)**	**3,958**	**19,404**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2017 $000s	**2017 $000s**	**2016 $000s**	**2016 $000s**
Variable rate instruments ($000s)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Profit or loss	(1,128)	1,128	(1,773)	1,773
Equity	1,128	(1,128)	1,773	(1,773)

Currency risk

The Group is exposed to currency risk from bank balances, payables and receivables that are denominated in a currency other than the respective functional currencies of Group entities, being Australian dollar (AUD) and United States dollar (USD).

The Australian dollar carrying amount of the Group's financial assets and liabilities by its currency risk exposure at the reporting date is disclosed below:

30 June 2017

In $000s:	AUD	USD	KES	Other	Total A$
Cash and cash equivalents	3	1,332	843	4	2,182
Trade and other receivables	-	-	25,574	-	25,574
Other current assets	-	-	233	-	233
Trade and other payables	(51)	-	(1,253)	(49)	(1,353)
Borrowings	-	(15,351)	-	-	(15,351)
Net exposure	**(48)**	**(14,019)**	**25,397**	**(45)**	**11,285**

30 June 2016

In $000s:	AUD	USD	KES	Other	Total A$
Cash and cash equivalents	3	177	318	6	504
Trade and other receivables	-	-	25,198	-	25,198
Other current assets	-	-	218	-	218
Trade and other payables	(977)	(33)	(1,278)	(149)	(2,437)
Borrowings	-	(26,962)	-	-	(26,962)
Net exposure	**(974)**	**(26,818)**	**24,456**	**(143)**	**(3,479)**

The following significant exchange rates applied during the year:

	Average rate		**30 June spot rate**	
	2017	**2016**	**2017**	**2016**
AUD:USD	0.7540	0.7283	0.7686	0.7418
AUD:KES	77.3030	74.3449	80.0000	75.1880

Sensitivity analysis

Based on the financial instruments held at reporting date, had the functional currencies weakened / strengthened by 10% and all other variables held constant, the Group’s after-tax profit / (loss) for the year to date would have been $1.1 million lower / higher (2016: $0.3 million higher / lower).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and deposits with financial institutions as well as credit exposures to outstanding receivables.

The Group is exposed to counterparty credit risk through sales of mineral sands products under normal terms of trade. Total sales revenue for the year ended 30 June 2017 was $215.5 million (2016: $169.0 million). Major customers who individually accounted for more than 10% of sales revenue contributed approximately 61% (2016: 37%) of sales revenue. These customers represent 42% (2016: Nil) of the trade receivables balance at 30 June 2017.

Credit risk arising from sales to customers is managed by the Group's policy to only trade with reputable companies, with whom a long term offtake agreement is held, or where such an agreement is not in place, sales are backed by Letters of Credit held with internationally recognised banks.

The Group is owed $25.6 million in VAT receivable by the Government of Kenya (Note 6), of which $21.6 million relates to the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

At the reporting date the carrying amounts of financial assets are adjusted for any impairment and represent the Group's maximum exposure to credit risk, excluding the value of any collateral or other security, which was as follows:

	2017 $000s	2016 $000s
Financial assets – cash flow realisable		
Cash and cash equivalents	36,790	36,295
Restricted cash	34,042	29,761
Trade and other receivables	57,317	43,544
Total anticipated inflows	**128,149**	**109,600**

At 30 June 2017, the ageing of trade and other receivables that were not impaired was as follows:

	2017 $000s	2016 $000s
Neither past due nor impaired	54,265	43,170
Past due 1 - 30 days	3,052	374
	57,317	**43,544**

There were no impairment losses in relation to financial assets during the current or the comparative financial year. The maximum exposure to credit risk for financial assets at the reporting date by geographic region of the customer was:

	2017 $000s	2016 $000s
United Kingdom	65,005	55,142
Kenya	27,068	27,434
China	19,982	7,558
USA	9,976	7,679
Australia	4,404	8,776
Other	1,714	3,011
Total	**128,149**	**109,600**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities. The Group manages liquidity risk by conducting regular reviews of the timing of cash outflows and the maturity profiles of term deposits in order to ensure sufficient funds are available to meet its obligations.

Financial liability maturity analysis

		Contractual cash flows					
	Carrying amount	**Total**	**2 months or less**	**2 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
30 June 2017	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Trade and other payables	26,926	26,926	12,584	14,342	-	-	-
Kwale Facility	183,651	205,441	-	73,864	76,541	55,036	-
Taurus Facility	15,351	15,744	-	15,744	-	-	-
Finance lease liabilities	569	606	87	433	86	-	-
	226,497	**248,717**	**12,671**	**104,383**	**76,627**	**55,036**	**-**
30 June 2016							
Trade and other payables	24,953	24,953	15,531	9,422	-	-	-
Kwale Facility	243,332	283,316	-	50,827	77,010	155,479	-
Taurus Facility	26,962	28,340	-	28,340	-	-	-
Finance lease liabilities	1,044	1,166	90	448	538	90	-
	296,291	**337,775**	**15,621**	**89,037**	**77,548**	**155,569**	**-**

Capital Management

Management controls the capital of the Group in order to maintain an appropriate working capital position to ensure that the Group can fund its operations and continue as a going concern. Capital is managed by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

	2017	**2016**
	$000s	**$000s**
Cash and cash equivalents	36,790	36,295
Restricted cash	34,042	29,761
Trade and other receivables	57,317	43,544
Inventories	24,090	27,962
Other current assets	5,891	5,826
Trade and other payables	(26,926)	(24,953)
Borrowings	(77,034)	(61,816)
Provisions	(1,696)	(1,173)
Deferred revenue	(1,084)	(1,123)
Other liabilities	(841)	(887)
Working capital position	**50,549**	**53,436**

NOTE 15: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2017, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity	**2017**	**2016**
	$000s	**$000s**
Loss for the year	(11,155)	(9,182)
Total comprehensive loss for the year	**(11,155)**	**(9,182)**

Financial position of the parent entity	**2017**	**2016**
	$000s	**$000s**
Current assets	4,353	9,530
Non-current assets	215,425	217,225
Total assets	**219,778**	**226,755**
Current liabilities	17,790	28,760
Non-current liabilities	11,804	59
Total liabilities	29,594	28,819
Net assets	**190,184**	**197,936**
Issued capital	225,298	223,548
Share-based payment reserve	6,757	6,775
Accumulated losses	(41,871)	(32,387)
Total equity	**190,184**	**197,936**

Parent entity guarantee in respect of Kwale Operation Debt Facility

Base Resources Limited has entered into a shareholder support agreement in relation to the Kwale Facility. Refer to note 10 for further details.

Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Base Resources Limited at the end of the reporting period. The Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing these financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Controlled entity	Country of Incorporation	Date of Incorporation
Base Titanium (Mauritius) Limited	Mauritius	15 April 2010
Base Titanium Limited	Kenya	23 April 2010
Base Exploration Tanzania Limited	Tanzania	29 April 2016

NOTE 16: RELATED PARTIES

KMP compensation:	2017	2016
	$	$
Short-term employment benefits	5,328,948	5,251,918
Post-employment benefits	179,168	175,794
Share-based payments	1,334,266	1,177,900
Compensating payment for LTIP scale back	608,434	-
Other long term	40,482	(6,505)
	7,491,298	**6,599,107**

The 2017 remuneration packages, excluding Short Term Incentive Plan ("STIP") bonus, for all KMP's remain unchanged from 2016, in their base currency. Refer to the Remuneration Report for further details.

Recognition and measurement of short term employee benefits

STIP obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under the STIP where the Group has a present legal or constructive obligation as a result of past services by the employee, and the obligation can be estimated reliably.

Recognition and measurement of defined contribution plans

Contributions are made by the Group to individual defined contribution superannuation plans for Australian directors and employees and are charged as an expense in the Statement of Profit and Loss and Comprehensive Income when incurred.

Other related party transactions

In January 2017, one of the Company's major shareholders, Pacific Road Capital Management Pty Limited ("**Pacific Road**"), acquired 50% of a Kwale Operation royalty stream from Pangea Goldfields Inc. In the period to 30 June 2017, $300,000 was paid or is payable to Pacific Road under this royalty arrangement. Mr Stirzaker, non-executive director of the Group, is a director of Pacific Road.

NOTE 17: AUDITORS' REMUNERATION

	2017	2016
	$	$
Audit services		
KPMG Australia		
Audit of financial report	135,000	160,000
Overseas KPMG firms		
Audit services	108,651	133,578
	243,651	**293,578**
Other services		
KPMG Australia		
Tax compliance and advisory services	98,656	32,820
Other services	11,000	10,000
Overseas KPMG firms		
Tax compliance and advisory services	108,894	234,423
	218,550	**277,243**

NOTE 18: NEW ACCOUNTING STANDARDS ADOPTED IN THE CURRENT PERIOD

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017, however, the Group has not applied the new or amended standards in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts, and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Base Resources has not yet determined the extent of the impact of this standard.

AASB 16 Leases removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low value assets are exempt from the lease accounting requirements. Furthermore, there are changes in accounting over the life of the lease as a front-loaded pattern of expense will be recognised for most leases, even when a constant annual rental is paid. Lessor accounting remains similar to current practice. Base Resources does not expect the implementation of this standard to have a material impact on the financial statements.

AASB 9 Financial Instruments, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Base Resources does not expect the implementation of this standard to have a material impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
GROUP STRUCTURE AND OTHER INFORMATION

NOTE 19: EVENTS AFTER THE REPORTING DATE

Other than the July 2017 repayment of the Taurus Facility from the proceeds of the US$14.8 million Cash Sweep from the Kwale Operations (refer Note 10), there have been no significant events since the reporting date.

NOTE 20: COMPANY DETAILS

The principal place of business and registered office of the Company is:

Base Resources Limited (*ASX & AIM: BSE)*
Level 1
50 Kings Park Road
West Perth
Western Australia

DIRECTORS' DECLARATION

1 In the opinion of the directors of Base Resources:

(a) the consolidated financial statements and notes that are set out on pages 35 to 65 and the Remuneration Report in pages 16 to 33 in the Directors' report, are in accordance with the Corporations Act 2001, including:

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

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.

3 The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Keith Spence
Chairman
DATED at PERTH this 26th day of August 2017

Independent Auditor's Report

To the shareholders of Base Resources Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Base Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- 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
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th colspan="2">Value of property, plant and equipment (A$334,634,000)</th></tr>
<tr><td colspan="2">Refer to Note 8 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The value of property, plant and equipment was considered a key audit matter due to:
• The size of the Kwale mine property, plant and equipment balance (being 68% of total assets)
• The mineral sands sector, within which the Group operates, has experienced volatile commodity prices, uncertainty in the global demand for products, and cost reduction mandates, putting pressure on asset values
• The level of judgment required by us in evaluating the Group's assessment of impairment, and
• The Group's market capitalisation at 30 June 2017 was less than the net assets, bringing into question the value ascribed to property, plant and equipment.
The assessment of impairment of the Group's property, plant and equipment, applies significant judgments through the use of assumptions in a fair value less costs of disposal model. These judgments include:
• Forecast sales, production levels, production costs and capital expenditure
• Expected commodity prices for mineral sands
• Discount rate including the assessment of Kenya country risk, and
• Life of mineral reserves.
In assessing this key audit matter, we involved senior team members and valuation specialists.</td><td>Our procedures included:
• We considered the appropriateness of adopting fair value less costs of disposal methodology by assessing the discounted cash flow forecast model to acceptable valuation techniques
• We assessed the integrity of the fair value less costs of disposal model used
• We assessed the accuracy of previous forecasts by the Group to inform our evaluation of forecasts incorporated in the fair value less costs of disposal model
• We evaluated the sensitivity of the value of property, plant and equipment by considering downside scenarios against reasonably possible changes to the key judgments, such as forecast commodity prices and the discount rate, to determine the assumptions that we focused our testing on
• We assessed key judgments underlying the discounted cash flows (including forecast sales, production levels and production costs) based on the historical performance of Kwale
• We compared the forecast cash flows and capital expenditure contained in the fair value less costs of disposal model to Board approved forecasts
• We compared expected commodity prices to published views of the market commentator on future trends
• We analysed the life of mineral reserves based on the views of an external expert engaged by the Group
• Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted for Kenya country risk
• We assessed the Group's analysis of the market capitalisation shortfall versus the total recoverable amount of the CGU. This included consideration of the market capitalisation range implied by recent share price trading ranges and broker target valuation ranges, to the Group's latest internal enterprise valuation model.</td></tr>
</table>

Other Information

Other Information is financial and non-financial information in Base Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's Letter, and the Operations and Finance Report which includes the Operation Summary, Sustainability in Practice, Business Development, Corporate and Finance, Marketing and Sales, Mineral Sands Outlook and Resources and Reserves, are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Base Resources Limited for the year ended 30 June 2017, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included on pages 16 to 33 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG.

KPMG

R Gambitta

Partner

Perth

26 August 2017