ASX and AIM Release

22 November 2017

Chairman's Address to the Annual General Meeting
Wednesday, 22 November 2017, 10.30am (Perth time)

Ladies and Gentlemen

During the year we have achieved profitability, reduced net debt significantly, initiated exploration in support of mine-life extension and have begun construction of the Kwale Phase 2 project. Our company is in a robust position and is well-placed to take advantage of an improving commodity market with sound long-term fundamentals.

Shareholders will be only too aware that since commencing production three years ago, we have been selling our products into a depressed international pricing environment. Fortunately, our Kwale Operation in Kenya has been able to weather this difficult period, on the back of its quality ore body, low cost-base and excellent operational track record, to emerge in the right shape to benefit from the strong recovery in the ilmenite price we have experienced over the past 12 months.

It is against this backdrop that I am very pleased to highlight that for the 2017 financial year, Base Resources achieved a maiden net profit after tax of $21 million and a record EBITDA of $110m. The strong cashflows have enabled the reduction in net debt by $76 million to $128 million (US$98 million) at year end, the repayment in full of the Taurus facility in August and an improving financial flexibility.

Our increased revenues and profitability are reflective of not just rising realised prices but also of our continued sharp focus on maximised production, operational consistency, innovation and cost management. The year saw record production for all products with over 625,000 tonnes of primary products exported. After three years of relentlessly improving our cost structures, we have locked in these gains and now have a low, tight and predictable operating cost base. The successful introduction of the hydro-mining method, which has proved to be more efficient and flexible than the current dozer trap mining method, particularly when mining the lower grade, peripheral ore blocks, has paved the way for its progressive adoption as the exclusive mining method over the coming year.

Most importantly, these operational and financial results continue to be achieved with an uncompromising focus on the safety of our people and the operation itself. There were no lost time injuries during the past year and only two medical treatment injuries in the course of 3.1 million hours worked by our employees and contractors. The Kwale Operation has not had a lost time injury since February 2014 and our employees and contractors have now worked almost 10 million man-hours LTI free.

With the Kwale Operation performing to a high standard, a significant focus has shifted to adding value to the assets through optimisation of the remaining life of the mine and the extension of that life. In May, the Board were pleased to approve the Kwale Phase 2 project ("**KP2**") following completion of a compelling, definitive feasibility study. The KP2 project, the majority of which will be implemented over the course of the 2018 financial year at a capital cost of approximately $31m, will facilitate the maintaining of production volumes at around the levels currently achieved over the remaining life of the mine through faster mining and processing of Ore Reserves, significantly enhancing asset economics. The introduction of multiple hydro-mining units and a 69% increase in the number of spiral starts in the wet concentrator plant lie at the core of the project, making it a low risk enhancement project.

The KP2 enhancements increase the importance of, and the value leverage from mine life extensions emerging from the exploration program that is underway. An expanded exploration tenure was secured a little over a year ago and the first drilling campaign was completed around the South Dune during the 2017 financial year. The next phase of drilling, which is planned to commence in early 2018, will be focussed to the north-east of the Central Dune. We are optimistic that further mine life extension will result.

These operational and developmental achievements of the 2017 year are made possible by a highly capable, settled and engaged team throughout our organisation. Building on our early success in establishing a strongly Kenyan workforce at the Kwale Operation of around 97%, our structured training and skills development program is seeing pleasing progression in the quality of jobs, with a further Kenyan appointment to the management team this year.

Representing some 60% of the Kenyan mining industry, our impact reaches well beyond simple employment and Government revenue. Our model of operations is yielding benefits to Kenya in the areas of supply chain development, safety and industrial training approaches, environmental and community engagement benchmarks, agricultural sector development and mining sector investment promotion, amongst many others. It is in recognition of this broad-based impact and leadership role that in July this year the Kwale Operations were formally granted "flagship project" status within Kenya's Vision 2030 framework. In doing so, Kenya is explicitly seeking to build on the success of the Kwale Operation as it goes about realising its bold aspirations for what has been a nascent mining industry.

Looking ahead, the 2018 financial year has a positive outlook. Product markets for rutile, ilmenite and zircon have returned to balance with conditions conducive to a continuation of the recent price improvements. Demand is such that we are carrying no inventory from shipment to shipment. On the back of these continuing market conditions we look forward to further substantial inroads on our net debt position.

I believe our company is soundly positioned with the ingredients in place to drive significant gains in shareholder value. We have an outstanding operating asset in the Kwale Operations with strong cash generation and extensional potential, an outstanding team with a recognised and growing reputation for successful mineral development, an improving commodity price outlook and opportunities for growth emerging. We are firmly of the view our cash generation and longer-term value proposition have yet to be appropriately appreciated by equity markets. We are working hard to see this change in the year ahead.

I'd like to thank the Board, our people, suppliers, local communities and host governments for the steadfast support and commitment you consistently display. I'd like to particularly thank Michael Anderson who left the Board in August, having made a considerable contribution since joining in 2011 in guiding the company through a transformational period.

Finally, thank you to you our shareholders for your confidence and ongoing support as we drive into what I am confident is an increasingly bright future for Base Resources.

ENDS

CORPORATE PROFILE

Base Resources Limited ABN 88 125 546 910

DIRECTORS

Keith Spence	Non-Executive Chairman
Tim Carstens	Managing Director
Colin Bwye	Executive Director
Sam Willis	Non-Executive Director
Michael Stirzaker	Non-Executive Director
Malcolm Macpherson	Non-Executive Director

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