BASE RESOURCES

ABN 88 125 546 910

Base Resources Limited
Annual Financial Report
For the Year ended
30 June 2018

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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 2018 (the **reporting period**) compared with the year ended 30 June 2017 (the **comparative period**).

	Movement	
Consolidated results	**US$000s**	**US$000s**
Sales revenue	up $36,393 to	$198,810
Net profit before tax	up $21,620 to	$43,363
Net profit after tax attributable to members of Base Resources Limited	up $18,126 to	$33,974

Net tangible asset backing	**Unit**	**30 June 2018**	**30 June 2017**
Net tangible assets	US$000s	$189,970	$178,433
Shares on issue	number	1,127,575,014	742,231,956
Net tangible asset per share	US$/share	$0.17	$0.24

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 report

The Financial Statements upon which this Appendix 4E is based have been audited and the Independent Auditor's Report to the shareholders 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 2018 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

Change in Presentation Currency

The Directors have elected to change the Group's presentation currency from Australian dollars to United States dollars (**USD**) effective from 1 July 2017. The change in presentation currency is accounted for retrospectively and will present more relevant information on the Group and reflects Management's internal reporting. All figures included in this report are in USD, unless otherwise stated.

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 2018 (the **reporting period**) compared with the year ended 30 June 2017 (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 Malcolm Macpherson
Mr Mike Stirzaker
Mr Michael Anderson – retired 31 August 2017
Mrs Diane Radley (McCann) – appointed 1 February 2018

Directors have been in office since the start of the financial year to the date of this report, with the exception of Mr Michael Anderson who retired on 31 August 2017, and Mrs Diane Radley (McCann) who was appointed 1 February 2018.

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. Further, in January 2018, the Group completed the acquisition of the Toliara Mineral Sands Project (**Toliara Sands Project**) in Madagascar and is progressing the project through an accelerated feasibility study program, that aims to advance toward a decision to proceed to construction in the second half of 2019.

Change in Presentation Currency

The Directors have elected to change the Group's presentation currency from Australian dollars (**AUD**) to United States dollars (**USD**) effective from 1 July 2017. The change in presentation currency is accounted for retrospectively and will present more relevant information on the Group. All figures included in this report are in USD, unless otherwise stated.

Operating results

The Group recorded a profit after tax of US$33,974,000 for the reporting period (2017: US$15,848,000).

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 50 kilometres south of Mombasa, the principal port facility for East Africa.

During the reporting period, despite a month-long mining and wet concentrator plant shutdown in March 2018 to complete final equipment installation and piping tie-ins for the Kwale Phase 2 mine optimisation project, mining volume increased by 3% over the comparative period. As part of the Kwale Phase 2 Project, the Company successfully commissioned the second hydraulic mining unit, to complement the existing hydraulic mining unit and dozer trap mining unit. With these three mining units operating for the final quarter of the reporting period, mining and wet concentrator plant volumes increased 37% over the prior three quarters. Mined ore grade remained consistent with the comparative period (7.1%) as mining proceeded around the north-western fringes of the Central Dune orebody.

Mining and Wet Concentrator Plant (WCP) Performance	**2018**	**2017**
Ore mined (tonnes)	11,332,668	11,014,939
Heavy mineral (HM) %	7.12%	7.09%
WCP heavy mineral concentrate production (tonnes)	748,081	708,404

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 from the mining units via a slurry pipeline. The wet concentrator plant 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. The heavy mineral concentrate is then processed in the mineral separation plant. The mineral separation plant cleans and separates the rutile, ilmenite and zircon minerals into finished products for sale.

The increase in mining volume resulted in production of heavy mineral concentrate increasing to 748,081 tonnes, higher than the comparative period's 708,404 tonnes. The heavy mineral concentrate stockpile decreased to 77,912 tonnes at 30 June 2018 (83,632 tonnes at 30 June 2017), following the draw down of stocks during the one-month shut for Kwale Phase 2 commissioning.

Mineral Separation Plant (MSP) Performance	**2018**	**2017**
MSP feed (tonnes of heavy mineral concentrate)	753,801	764,171
MSP feed rate (tph)	91	91
MSP recovery %		
Ilmenite	100%	100%
Rutile	100%	97%
Zircon	77%	73%
Production (tonnes)		
Ilmenite	464,988	467,359
Rutile	91,672	90,625
Zircon	37,157	34,228
Zircon low grade	1,425	10,210

The mineral separation plant has continued to maintain high throughput rates with an average of 91tph achieved for the reporting period (comparative period: 91tph) and total heavy mineral concentrate feed to 753,801 tonnes (comparative period: 764,171 tonnes), lower due to marginally reduced utilisation.

Ilmenite production continued at above design capacity, achieving production of 464,988 tonnes (comparative period: 467,359 tonnes), with the reduced volume of mineral separation plant feed accounting for the difference.

Rutile production increased to 91,672 tonnes in the reporting period (comparative period: 90,625 tonnes) due to higher product recoveries, partially offset by slightly lower contained rutile in the mineral separation plant feed.

Zircon production increased to 37,157 tonnes for the reporting period (comparative period: 34,228 tonnes) due to higher average zircon recoveries of 77% (comparative period: 73%) and higher contained zircon in the mineral separation plant feed.

In addition to primary zircon, in July 2016, Kwale Operations commenced production of a lower grade zircon product 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%. During the reporting period the zircon tails stockpile was fully depleted, and zircon low grade production was limited to 1,425 tonnes (comparative period: 10,210 tonnes).

With no lost time or medical treatment injuries occurring during the reporting period, Kwale Operations' lost time injury frequency rate (**LTIFR**) and total recordable injury frequency rate (**TRIFR**) are both now zero. The Company's employees and contractors have now worked 13.2 million man-hours LTI free, with the last LTI recorded in 2014.

Marketing and sales	2018	2017
Sales (tonnes)		
Ilmenite	473,549	501,676
Rutile	89,132	91,991
Zircon	36,318	34,566
Zircon low grade	3,287	9,501

Across each of its three products, the Company maintains a balance of multi-year, annual and quarterly offtake agreements with long term customers as well as a small proportion of ongoing spot sales. These agreements, in place with some of the world's largest consumers of titanium dioxide and zircon products, provide certainty for the Kwale Operation by securing minimum offtake quantities. Selling prices in these agreements are derived from prevailing market prices, based on agreed price indices or periodic price negotiations.

The Company continues its strong market presence in China, the world's largest market for both ilmenite and zircon, with over 470,000 tonnes of ilmenite and over 29,000 tonnes of zircon products sold into the Chinese market during the reporting period.

The arrangements in place with all customers across all products has ensured that sales continue to closely match production, with minimal inventories being maintained.

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 major driver of ilmenite and rutile pricing.

Overall, the global TiO_2 pigment industry remained buoyant throughout the reporting period. Strong pigment demand combined with low inventory levels among the major western pigment producers has continued to support a strong pigment pricing environment in most regions. Pigment prices in China have remained strong but, unlike other regions, have been subject to some fluctuation on the back of volatility in supply and demand. This is mostly linked to the impact of periodic environmental inspections on production throughout the supply chain and, towards the end of the reporting period, concerns over the potential impact of US trade tariffs on the wider Chinese economy.

Chinese domestic ilmenite production increased through the reporting period but has also been subject to the volatility associated with environmental inspections. The increased domestic output has been offset by a decrease in foreign ilmenite supply into China from Vietnam, limited by high cost of production, and ongoing production and export bans from Tamil Nadu in India.

Following significant ilmenite price appreciation throughout the comparative period, the realised price of Chinese ilmenite sales has followed the volatility seen in Chinese pigment prices through the reporting period. The price of the

Company’s ilmenite experienced swings throughout the reporting period, but the average achieved was 28% higher than the comparative period.

Ilmenite prices are expected to continue fluctuating around the average levels experienced during the reporting period. The extent of such fluctuation is largely dependent upon the ongoing impact of environmental inspections on ilmenite, pigment and downstream paint and plastics producers within China and the general economic impact of US trade tariffs. As the supply and demand fundamentals for pigment and ilmenite remain robust at a global level, there is upside potential for ilmenite pricing should the impact of environmental inspections and trade tensions dissipate.

A supply deficit in the high-grade feedstock sector (which includes rutile), driven mostly by demand strength from the western chloride pigment sector, has seen market conditions continue to tighten. Most recently, a major producer announced that it has applied a 14% price increase for contracted rutile sales in the first half of financial year 2019. This has been exacerbated by supply interruptions resulting from incidents at two major chloride slag facilities during the second half of the reporting period. The Company’s average achieved rutile price for the reporting period increased by 17% over the comparative period. Further price gains for bulk rutile sales from major suppliers to large mainstream customers are likely to be secured as and when pricing periods in offtake arrangements come up for renewal.

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 predominant of which is in the production of ceramic tiles, accounting 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, making it 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 factors have improved in line with the acceleration of global economic growth over the past few years resulting in steady demand growth for zircon. A significant draw down of inventories of zircon throughout the supply chain, along with constraints on global production, have resulted in a rapidly tightening market and sharp increases in zircon prices since the end of calendar year 2016. Throughout the reporting period, demand from the Company’s core group of long term zircon customers has continued to exceed the Company’s ability to supply. The average achieved price of the Company’s zircon products for the reporting period increased by more than 46% over the comparative period. A further increase of approximately 11% has been secured for the first quarter of financial year 2019.

Ongoing firm demand and restricted supply may lead to further price improvement in zircon through financial year 2019. However, concerns from zircon producers in relation to the potential for substitution or thrifting of zircon by customers may begin to restrain the extent and/or frequency of price increases going forward.

Kwale Operations Extensional Exploration

During the reporting period, an updated Mineral Resource estimate for the Kwale South Dune (the **2017 Kwale South Dune Mineral Resource**) was completed, resulting in a 19% increase in contained in situ heavy mineral in the Measured and Indicated categories. Completion of an updated Ore Reserve based on the 2017 Kwale South Dune Mineral Resource is subject to finalisation of mining tenure arrangements, which are currently being progressed with the Kenyan Ministry of Petroleum and Mining.

The next phase of extensional exploration drilling at Kwale Operations commenced during the last quarter of the reporting period in the north and north-east of the Company’s Kwale Special Prospecting License 173, adjacent to the Kwale Operation’s Central Dune.

Toliara Sands Project

In January 2018, the Company completed the US$75.0 million acquisition of an initial 85% interest in the Toliara Sands Project in Madagascar. Base Resources will acquire the remaining 15% interest, with a further US$17.0 million payable on achievement of key milestones, as the project advances towards mine development.

The Toliara Sands Project is considered by Base Resources to be one of the best mineral sands development projects in the world. It is underpinned by the Ranobe deposit which has Mineral Resources of 857Mt at 6.2% heavy mineral, including 612Mt at 6.7% heavy mineral in the Measured and Indicated Categories.

During the reporting period the Company appointed Mineral Technologies and Lycopodium to deliver the Pre-Feasibility Study for the Toliara Sands Project. The Company anticipates pre-feasibility study completion in the March quarter of 2019. The pre-feasibility study will build on the considerable body of work completed by previous owners of the Toliara Sands Project and together form the foundations of an accelerated feasibility study program that aims to advance the project toward a decision to proceed to construction in the second half of 2019.

Review of financial performance

Base Resources recorded an increased profit after tax of US$34.0 million for the reporting period, compared with US$15.8 million in the comparative period, primarily due to higher sales revenues.

	2018				2017		
	Kwale Operation	**Toliara Sands Project**	**Other**	**Total**	**Kwale Operation**	**Other**	**Total**
	US$000s	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**
Sales Revenue	**198,810**	**-**	**-**	**198,810**	**162,417**	**-**	**162,417**
Cost of goods sold excluding depreciation & amortisation:							
Operating costs	(56,658)	-	-	(56,658)	(51,816)	-	(51,816)
Inventory movement	(2,114)	-	-	(2,114)	(3,794)	-	(3,794)
Royalties expense	(13,678)	-	-	(13,678)	(11,141)	-	(11,141)
Total cost of goods sold (i)	**(72,450)**	**-**	**-**	**(72,450)**	**(66,751)**	**-**	**(66,751)**
Corporate & external affairs	(4,312)	(87)	(4,855)	(9,254)	(3,983)	(4,205)	(8,188)
Community development	(3,000)	-	-	(3,000)	(2,699)	-	(2,699)
Selling & distribution costs	(4,056)	-	-	(4,056)	(2,030)	-	(2,030)
Other income / (expenses)	28	(704)	(89)	(765)	352	(444)	(92)
EBITDA (i)	**115,020**	**(791)**	**(4,944)**	**109,285**	**87,306**	**(4,649)**	**82,657**
Depreciation & amortisation	(47,349)	-	(84)	(47,433)	(37,355)	(48)	(37,403)
EBIT (i)	**67,671**	**(791)**	**(5,028)**	**61,852**	**49,951**	**(4,697)**	**45,254**
Net financing expenses	(15,929)	-	(2,560)	(18,489)	(19,264)	(4,247)	(23,511)
Income tax expense	(9,389)	-	-	(9,389)	(5,895)	-	(5,895)
NPAT (i)	**42,353**	**(791)**	**(7,588)**	**33,974**	**24,792**	**(8,944)**	**15,848**

(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.

DIRECTORS REPORT

Sales revenue was US$198.8 million for the reporting period (comparative period: US$162.4 million), achieving an average price of product sold (rutile, ilmenite, zircon and zircon low grade) of US$330 per tonne (comparative period: US$255 per tonne), with averaged realised prices higher for all products. Total cost of goods sold, excluding depreciation and amortisation, was US$72.5 million for the reporting period (comparative period: US$66.8 million) at an average cost of US$120 per tonne of product sold (comparative period: US$105 per tonne). Operating cost per tonne produced was higher at US$94 per tonne for the reporting period (comparative period: US$86 per tonne), due to higher electricity usage following the Kwale Phase 2 upgrade, which increased volumes mined by hydraulic mining unit and installed pumping capacity in the wet concentrator plant. In addition, higher fuel costs, electricity prices and mobile equipment maintenance as the fleet ages contributed to the increase in operating costs.

With an operating margin of US$210 per tonne produced for the reporting period (comparative period: US$150 per tonne produced) and an achieved revenue to cost of sales ratio of 2.8 (comparative period: 2.4), the Company remains well positioned in the upper quartile of mineral sands producers.

Improved commodity prices and a continued focus on cost management has delivered a Kwale Operations EBITDA for the reporting period of US$115.0 million (comparative period: US$87.3 million) and a Group EBITDA of US$109.3 million (comparative period: US$82.7 million).

Depreciation and amortisation has increased for the reporting period to US$47.3 million (comparative period: US$37.4 million), due to the Kwale Phase 2 project implementation, which will significantly increase future mining rates and thus reduced remaining mine life, on the basis of current ore reserves. The majority of Kwale Operation assets are depreciated on a straight-line basis over the remaining mine life. Should the extensional exploration currently underway at Kwale Operations be successful, there is the potential to further increase ore reserves and extend mine life.

A net profit after tax of US$42.4 million was recorded by Kwale Operations (comparative period: US$24.8 million) and US$34.0 million for the Group (comparative period: US$15.8 million). Basic earnings per share for the Group was 3.66 cents per share (comparative period: 2.14 cents).

Cash flow from operations was US$117.1 million for the reporting period (US$76.6 million in the comparative period), higher than Group EBITDA due to working capital movements. The operating cashflows were used to fund capital expenditure at Kwale Operations and Toliara Sands Project, as well as debt servicing and repayment.

Total capital expenditure for the Group was US$32.9 million in the reporting period (comparison period: US$6.5 million) comprised of US$31.2 million at Kwale Operations, primarily for the KP2 Project, and US$1.6 million on the progression of the Toliara Sands Project.

During the reporting period, the remaining US$11.8 million of the Taurus Debt Facility was repaid in full and a further US$61.2 million of the Kwale Operations Debt Facility repaid, reducing its outstanding balance to US$80.0 million. The Group established a US$30.0 million Revolving Credit Facility (**RCF**) to provide additional funding flexibility and US$12.5 million was utilised during the reporting period for corporate working capital and the progression of the Toliara Sands Project. Total debt outstanding at 30 June 2018 was US$92.5 million, reduced from US$153.0 million at 30 June 2017. The Company's net debt position at 30 June 2018 reduced to US$33.2 million, from US$98.5 million at 30 June 2017.

In January 2018, the Company completed the acquisition of an initial 85% interest in the Toliara Sands Project, which was funded by the issue of 380,381,075 shares at a price of A$0.255 per share, raising funds of A$97.0 million (US$73.7 million), completed in January 2018.

Significant changes in state of affairs

Other than the acquisition of the Toliara Sands Project, there were no other significant changes in the state of affairs of the Group during the reporting period.

DIRECTORS REPORT

After balance date events

Subsequent to year end, in July 2018, in accordance with the terms of the Kwale Facility, a cash sweep of US$14.9 million was distributed from Kwale Operations. Half of the cash sweep (US$7.45 million) went towards mandatory repayment of the Kwale Facility, with the other half distributed to the parent entity, Base Resources. The outstanding Kwale Facility debt after this repayment was US$72.6 million. The repayment of debt from the cash sweep has no impact on net debt.

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 pursue mine life extension at the Kwale Operation through exploration and develop the Toliara Sands Project ahead of a decision to proceed with construction in the second half of 2019.

DIRECTORS REPORT

INFORMATION ON DIRECTORS

Mr Keith Spence *Non-Executive Chairman*

Qualifications: BSc (Geophysics) (Hons), FAIM

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

Experience: Mr Spence has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa.

A geologist and geophysicist by training, Mr Spence commenced his career as an exploration geologist with Woodside in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1994 he was seconded to Woodside to lead the North West Shelf Exploration team. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company, including Chief Operating Officer and Acting Chief Executive Officer. Upon his retirement he took up several board positions, including Clough Limited, where he served as Chairman from 2010 to 2013, Geodynamics Limited where he served as a non-executive Director from 2008 to 2016 (including as Chairman from 2010 to 2016) and Oil Search Limited, where he served as a non-executive Director from 2012 to 2017.

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

Other current public company directorships: Independence Group NL (since 2014); Murray and Roberts Holdings Ltd (since 2015); Santos Limited (Chair, since 2018).

Past public company directorships held over the last three years: Geodynamics Limited (now ReNu Energy Limited) (resigned 2016); Oil Search Limited (resigned 2017).

Mr Tim Carstens *Managing Director*

Qualifications: BCom, ACA

Appointed: 5 May 2008

Experience: Mr Carstens is an experienced mining executive, with a career spanning more than 20 years in senior resources-sector roles, both in Australia and overseas, with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited. A chartered accountant by profession, he has strong experience in all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance. He has been Managing Director of Base Resources Limited since the Company's inception in May 2008. 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.

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

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.

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). 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. Mr Willis was previously a non-executive director of oil and gas explorer Elixir Petroleum Limited.

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

Other current public company directorships: Nil.

Past public company directorships held over the last three years: New Standard Energy Limited (retired 2016); Elixir Petroleum Limited (resigned 2017).

DIRECTORS REPORT

Mr Michael Anderson *Non-Executive Director*

Qualifications: BSc (Hons), PhD

Appointed: 28 November 2011 (resigned 31 August 2017)

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. Mr Anderson resigned as non-executive director of Base Resources on 31 August 2017.

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: 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.

DIRECTORS REPORT

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: Bathurst Resources (New Zealand) Limited (resigned 2015).

Ms Diane Radley (McCann) *Non-Executive Director*

Qualifications: BComm BCompt (Hons), CA(SA), MBA, AMP (Harvard)

Appointed: 1 February 2018

Experience: Ms Radley has over 25 years' experience in senior leadership roles across multiple industries, most recently in financial services and investments. She served as CFO at Allied Electronics Corporation (JSE), Group Finance Director at Old Mutual South Africa, and CEO of Old Mutual Investment Group. Prior to this, she advised on a variety of transactions, listings and due diligences for large corporate acquirers and private equity funds in her role as Partner-in-charge of Transaction Services at PricewaterhouseCoopers in South Africa. Ms Radley is currently a non-executive director of Murray & Roberts Holdings Ltd (JSE), Transaction Capital Ltd (JSE) and a trustee of the DG Murray Trust.

Special Responsibilities: Member of the Risk Committee; member of the Audit Committee.

Other current public company directorships: Murray & Roberts Holdings Ltd (since 2017); Transaction Capital Ltd (since 2018).

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

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.

DIRECTORS REPORT

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	
	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
Keith Spence	15	15	4	4	4	4	3	3
Tim Carstens	15	15	-	-	-	-	-	-
Colin Bwye	15	14	-	-	-	-	-	-
Samuel Willis	15	15	4	4	4	4	3	3
Michael Anderson(i)	3	3	1	1	-	-	-	-
Malcolm Macpherson	15	15	4	4	4	4	3	3
Michael Stirzaker	15	15	-	-	4	4	2	2
Diane Radley (McCann)(ii)	5	5	1	1	-	-	1	1

(i) Retired 31 August 2017
(ii) Appointed 1 February 2018

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	A$0.40	30,712,531
19 June 2015	31 December 2018	A$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 17 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 2018:

	2018	**2017**
	US$	**US$**
KPMG Australia		
Taxation services	59,491	74,401
Other services	8,727	8,296
Overseas KPMG firms		
Taxation services	68,728	82,122

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2018 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 2018. 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. Following the acquisition of the Toliara Sands Project and the resultant diversification of Group activities, the Senior Executives included as KMP's has been redefined as those who are members of the Group's strategic planning team. 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	
A Greyling	General Manager – Project Development	
S Hay	General Manager - Marketing	
C Poletti	General Counsel and Company Secretary	Appointed KMP 1 July 2017 following promotion and subsequent appointment to the Group's strategic planning team
Non-Executive Directors		
K Spence	Chairman	
S Willis	Director	
M Anderson	Director	Retired 31 August 2017
M Macpherson	Director	
M Stirzaker	Director	
D Radley (McCann)	Director	Appointed 1 February 2018

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 sustained value for shareholders.

Services from remuneration consultants

The Remuneration & Nomination Committee engaged BDO to (i) review 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.

BDO were engaged by the Remuneration & Nomination Committee Chairman, and reported directly to the Committee and the Board. Further, BDO has processes and procedures in place to minimise potential opportunities for undue influence of Senior Executives. The Board is satisfied that the interaction between BDO 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 BDO is free from undue influence from the Senior Executives to whom the remuneration recommendations apply.

The information provided by 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 BDO for services during the year ended 30 June 2018 were A$21,010.

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.
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 and priorities. 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 criteria for the 2018 financial year were: • 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; • Budgeted Kwale Phase 2 capital expenditure, assuming a fixed exchange rate as defined in the Definitive Feasibility Study; • Delivery of Kwale Phase 2 on time in accordance with the approved schedule. 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 2018 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 2018 financial year relevant to STIP awards have included: • The continued consistent performance of 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 no medical treatment injuries; • Successful completion of the KP2 project ahead of target schedule, within 3% of budget and with no impact on production performance; • Securing of market share and sales for all production, with only working inventory held throughout the year; • Progression of Kwale Operations mine life extension opportunities; • The smooth establishment of strong working relationships with a new mining administration following a fractious and extended election season in Kenya; • Completion of the transformational acquisition of the Toliara Sands Project, a central step in the execution of the Company's strategic plan; and • The smooth integration and initiation of the Toliara Sands Project PFS. **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.
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. The blend of absolute and relative performance rights is considered to mitigate the weaknesses of those measures in isolation.

LTIP (continued)

What are the LTIP performance criteria? (continued)

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 the Company's policy intent for remuneration market positioning, whilst providing incentive for outperformance. A threshold level of TSR performance at the 40th percentile of the peer group, being a result that is below target, results in only 25% vesting and represents a 25% loss of this component of at-risk remuneration relative to target positioning and is considered appropriate in the context of the LTIP as a whole. TSR performance below the 40th percentile of the peer group results in nil vesting and represents a 50% loss of this component of at-risk remuneration.

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 2017 is by reference to the 20-day volume weighted average price ("**VWAP**") of A$0.2891 per share (A$0.1529 for cycle commencing 1 October 2016 and A$0.0575 for cycle commencing 1 October 2015). In order to achieve 100% vesting for the cycle commencing 1 October 2017, a 30-day VWAP of A$0.5001 or greater would be required (A$0.2645 for cycle commencing 1 October 2016 and A$0.1150 for cycle commencing 1 October 2015) 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:

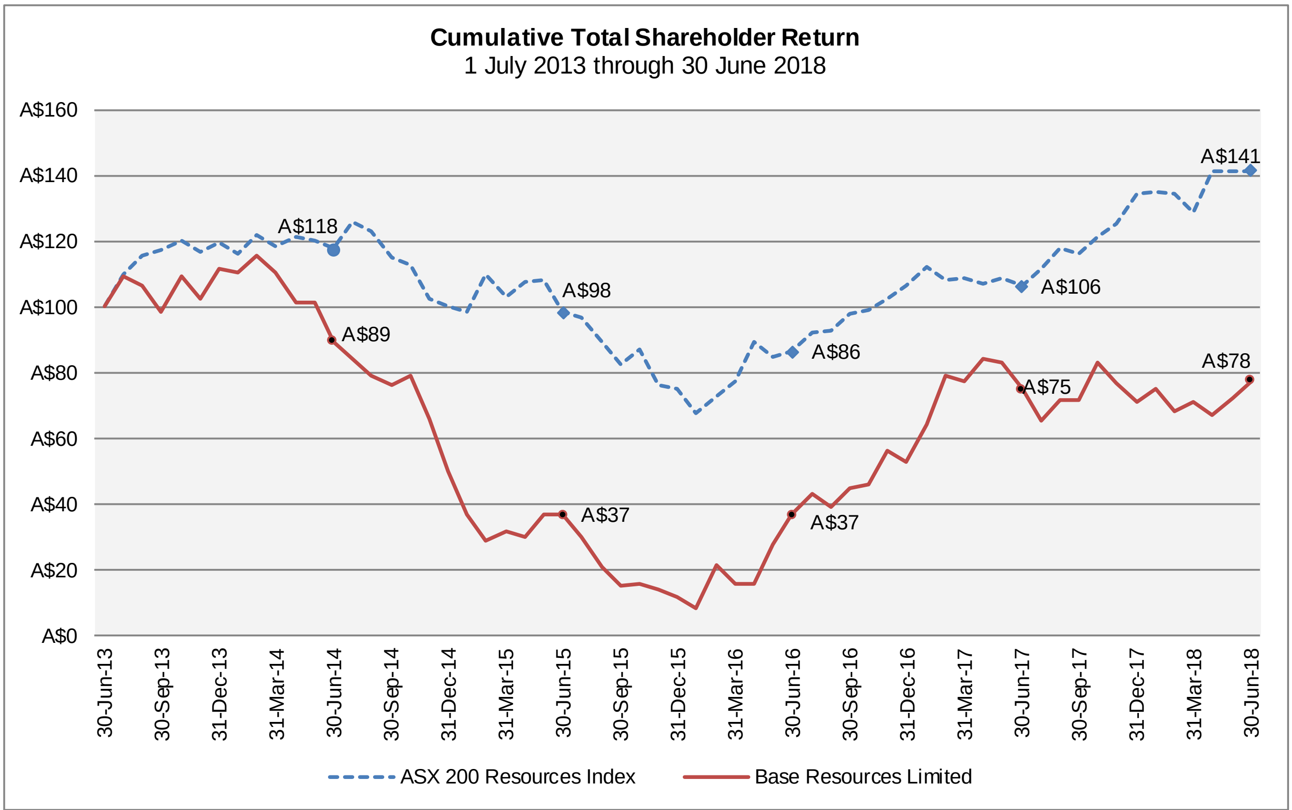
Companies	LTIP Cycle Commencing 1 October			Companies	LTIP Cycle Commencing 1 October		
	2017	2016	2015		2017	2016	2015
ABM Resources NL			✓	Kingsrose Mining Limited			✓
Alacer Group Corp.	✓			Lucapa Diamond Company Limited		✓	✓
Alderan Resources Limited	✓			Lynas Corporation Limited		✓	✓
Alkane Resources Limited	✓	✓	✓	Magnis Resources Limited	✓	✓	
Altura Mining Limited	✓	✓		Medusa Mining Limited		✓	✓
Aquarius Platinum Limited			✓	Metals X Limited	✓	✓	
Argosy Minerals Limited	✓			Metro Mining Limited	✓		
Arrium Limited			✓	Millennium Minerals Limited		✓	
Artemis Resources Limited	✓			Mineral Deposits Limited	✓		
Atlas Iron Limited	✓		✓	Mirabela Nickel Limited			✓
Atrum Coal NL		✓	✓	Mount Gibson Iron Limited	✓	✓	✓
Austral Gold Limited			✓	Neometals Limited	✓	✓	
Avanco Resources Limited	✓	✓	✓	New Century Resources Limited	✓		
AVZ Minerals Limited	✓			Newfield Resources Limited			✓
Axiom Mining Limited			✓	Nkwe Platinum Limited			✓
Bathurst Resources Limited	✓			Northern Minerals Limited			✓
Beadell Resources Limited	✓	✓	✓	OM Holdings Limited	✓		✓
Berkeley Energia Limited	✓	✓		Orocobre Limited		✓	✓
Blackham Resources Limited		✓		Paladin Energy Limited		✓	
Blue Energy Limited	✓			Panoramic Resources Limited			✓
Bougainville Copper Limited			✓	Pantoro Limited	✓	✓	
Brockman Mining Limited		✓		Perseus Mining Limited	✓	✓	✓
Cardinal Resources Limited	✓	✓		Pilbara Minerals Limited		✓	✓
Champion Iron Limited	✓			Ramelius Resources Limited	✓	✓	✓
CI Resources Limited	✓	✓	✓	Rand Mining Limited	✓	✓	✓
CuDeco Limited		✓	✓	Range International Limited		✓	
Dacian Gold Limited	✓	✓		Realm Resources Limited	✓		
Danakali Limited	✓			Resolute Mining Limited	✓		✓
Dome Gold Mines Limited			✓	Reward Minerals Limited			✓
Doray Minerals Limited		✓	✓	Sandfire Resources NL	✓	✓	
Eastern Goldfields Limited		✓		Silver Lake Resources Ltd	✓	✓	✓
Elemental Minerals Limited			✓	Stanmore Coal Limited		✓	
Endeavour Mining Corporation			✓	Tanami Gold NL			✓
Energy Resources of Australia Limited	✓	✓		Teranga Gold Corporation		✓	✓
Finders Resources Limited	✓	✓	✓	Terramin Australia Limited	✓	✓	✓
Flinders Mines Limited	✓			TNG Limited			✓
Galaxy Resources Limited		✓		Tribune Resources Limited	✓	✓	✓
Gascoyne Resources Limited	✓	✓		Triton Minerals Limited			✓
Global Geoscience Limited	✓			Troy Resources Limited		✓	✓
Gold Road Resources Limited	✓	✓	✓	West African Resources Limited	✓	✓	
Grange Resources Limited	✓	✓	✓	West Gold Resources Limited	✓		
Havilah Resources Limited		✓		Western Areas Limited	✓	✓	
Heron Resources Limited	✓			Wolf Minerals Limited			✓
Highfield Resources Limited	✓	✓		Wollongong Coal Limited			✓
Highlands Pacific Limited			✓	Yancoal Australia Limited		✓	
Kidman Resources Limited	✓	✓		Zimplats Holdings Limited	✓	✓	
Kingsgate Consolidated Ltd			✓				

LTIP (continued)	
Was a grant made in 2018?	Performance rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2017. 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 A$0.2891 per share, and the LTIP award opportunity.
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 2018?	4,961,983 of the 10,030,672 performance rights granted under the LTIP for the cycle commencing 1 October 2014 vested. These rights completed the three-year performance period on 30 September 2017, with vesting as follows: • **Relative TSR performance rights** Base Resources TSR over the performance period placed it in the 74th percentile, resulting in 4,961,983 of the 5,015,336 relative performance rights vesting. • **Absolute TSR performance rights** Base Resources TSR over the performance period, by reference to a final VWAP of A$0.273, equated to a TSR of 6%, resulting in none of the 5,015,336 absolute performance rights vesting. Shares issued to the participants in the LTIP upon the vesting of the above performance rights were satisfied through the Company issuing shares.

Group performance and its link to shareholder return

The following graph compares the change in the cumulative TSR of Base Resources' shares during the period 1 July 2013 to 30 June 2018, 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 A$100 was invested. No dividends have been declared during this period.



Executive remuneration outcomes for 2018

Short Term Incentives (STI)

At the end of the 2018 financial year, a review of the performance of each Senior Executive was undertaken against each of their 2018 individual performance measures as explained above. The 2018 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 2018 performance are paid in the 2019 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2018 financial year:

	Target STI		STI Awarded	
Name	**Individual performance**	**Corporate performance**	**Individual performance**	**Corporate performance**
T Carstens	45%	15%	65%	19%
C Bwye	45%	15%	60%	19%
K Balloch	15%	15%	21%	21%
A Greyling	15%	15%	20%	21%
S Hay	15%	15%	21%	21%
C Poletti	15%	15%	23%	21%

LTIP Performance Rights

The LTIP 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 2018 are subject to a 3-year performance period ending on 30 September 2020. Performance rights issued under the plan in the 2015 financial year, totalling 10,030,672, completed their 3-year performance period on 30 September 2017, with 4,961,983 performance rights vesting.

The table below outlines the vesting outcomes of performance rights for the last three LTIP cycles completed:

			Relative Performance Rights		Absolute Performance Rights	
Grant date	**Vesting date**	**No. performance rights granted**	**No. vested**	**%**	**No. vested**	**%**
1 October 2012	30 September 2015	4,870,331	-	0%	-	0%
1 October 2013	30 September 2016	7,518,865	-	0%	-	0%
1 October 2014	30 September 2017	10,030,672	4,961,983	99%	-	0%

Take home pay for 2018

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 2018 financial year. The remuneration packages for all Senior Executives are shown in the following table in their employment currency.

Key Management Person	Currency	Salary	STIP award	Super-annuation	Vesting of performance rights (ii)	Compensating payment for LTIP scaleback (iii)	Take home pay(i) (before tax)
2018							
Executive Directors							
T Carstens	AUD	484,000	422,579	25,000	243,289	-	1,174,868
C Bwye	AUD	484,000	399,674	25,000	243,289	-	1,151,963
Other Key Management Personnel							
K Balloch	AUD	370,000	163,953	25,000	97,472	-	656,425
A Greyling	AUD	325,000	142,650	25,000	14,460	-	507,110
S Hay	AUD	390,350	172,401	25,000	108,611	-	696,362
C Poletti	AUD	300,000	139,773	25,000	31,124	-	495,897
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
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

(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) The value of performance rights vested under the cycle commencing 1 October 2014has been calculated by reference to the price on the vesting date of A$0.2733.

(iii) 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.

Statutory remuneration disclosures for the year ended 30 June 2018

The statutory remuneration disclosures for the year ended 30 June 2018 are detailed below and are prepared in accordance with Australian Accounting Standards, are stated in US dollars 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.

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)		
2018	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**%**
Executive Directors								
T Carstens (iv)	375,245	327,626	19,383	15,962	-	245,196	983,412	58.2
C Bwye (iv)	375,245	309,867	19,383	19,020	-	245,196	968,711	57.3
Other Key Management Personnel								
K Balloch (iv)	286,861	127,113	19,383	11,518	-	97,123	541,998	41.4
A Greyling (iv)	251,973	110,597	19,383	1,710	-	82,428	466,091	41.4
S Hay (iv)	302,638	133,662	19,383	10,987	-	106,079	572,749	41.9
C Poletti (iv)	232,590	108,366	19,383	2,471	-	59,489	422,299	39.7
Total	**1,824,552**	**1,117,231**	**116,298**	**61,668**	**-**	**835,511**	**3,955,260**	**-**
2017								
Executive Directors								
T Carstens (iv)	306,727	276,943	22,620	5,793	98,141	220,753	930,977	64.0
C Bwye (iv)	302,957	267,063	26,390	10,576	98,141	220,753	925,880	63.3
Other Key Management Personnel								
K Balloch (iv)	241,280	113,169	22,620	7,940	39,320	87,913	512,242	46.9
A Greyling (iv)	211,120	100,071	26,390	512	35,387	50,781	424,261	43.9
S Hay (iv)	271,440	130,513	22,620	5,703	43,813	98,551	572,640	47.7
Total	**1,333,524**	**887,759**	**120,640**	**30,524**	**314,802**	**678,751**	**3,366,000**	**-**

(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.

(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 Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2018 financial year of .0.7753 (2017: 0.7540).

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:

	2018	2017
	$	**$**
Take home pay for the Managing Director (A$)	1,174,868	934,259
Take home pay converted to US$ using average exchange rates	**910,876**	**704,431**
Treatment of Long Service Leave:		
Add: Movement in the accounting provision for long service leave entitlements	15,962	5,793
Treatment of performance rights:		
Add: accounting fair value (non-cash) of performance rights recognised in the period	245,196	220,753
Less: value of performance rights vested at date of vesting (US$)	(188,622)	-
Statutory pay for the Managing Director (US$)	**983,412**	**930,977**

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 A$750,000 in total.

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:

	2018	2017
	A$	**A$**
Base fees		
Chairman	148,500	135,400
Other non-executive directors	77,000	70,000
Remuneration & Nomination Committee		
Chair	-	-
Committee member	5,250	5,250
Audit Committee		
Chair	14,000	14,000
Committee member	7,000	7,000
Risk Committee		
Chair	7,900	7,900
Committee member	3,900	3,900

Non-executive remuneration for the year ended 30 June 2018 and comparative 2017 remuneration:

	Base fees	Audit committee	Remuneration & Nomination committee	Risk committee	Total(i)
	US$	**US$**	**US$**	**US$**	**US$**
2018					
K Spence	115,132	-	-	-	115,132
S Willis	59,698	10,854	4,070	3,024	77,646
M Anderson(ii)	9,950	905	-	-	10,855
M Macpherson	59,698	5,427	4,070	6,125	75,320
M Stirzaker	59,698	-	4,070	3,024	66,792
D Radley (McCann) (iii)	24,874	1,809	-	1,008	27,691
Total	**329,050**	**18,995**	**12,210**	**13,181**	**373,436**
2017					
K Spence	102,092	-	-	-	102,092
S Willis	52,780	10,556	3,959	2,941	70,236
M Anderson	52,780	5,278	-	-	58,058
M Macpherson	52,780	5,278	3,959	2,482	64,499
M Stirzaker	52,780	-	3,959	2,941	59,680
Total	**313,212**	**21,112**	**11,877**	**8,364**	**354,565**

(i) Total remuneration packages denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2018 financial year of 1.2898 (2017: 1.3263).

(ii) Retired 31 August 2017

(iii) Appointed 1 February 2018

Equity instruments

Performance Rights

The table below outlines movements in performance rights during 2018 and the balance held by each Senior Executive at 30 June 2018:

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 2014	1,799,394	A$0.1400	30 September 2017	890,126	909,268	-
	1 October 2015	6,964,806	A$0.0380	30 September 2018	-	-	6,964,806
	1 October 2016	1,725,567	A$0.1625	30 September 2019	-	-	1,725,567
	1 October 2017	2,113,056	A$0.2150	30 September 2020	-	-	2,113,056
		12,602,823			**890,126**	**909,268**	**10,803,429**
C Bwye	1 October 2014	1,799,394	A$0.1400	30 September 2017	890,126	909,268	-
	1 October 2015	6,964,806	A$0.0380	30 September 2018	-	-	6,964,806
	1 October 2016	1,725,567	A$0.1625	30 September 2019	-	-	1,725,567
	1 October 2017	2,113,056	A$0.2150	30 September 2020	-	-	2,113,056
		12,602,823			**890,126**	**909,268**	**10,803,429**
K Balloch	1 October 2014	720,912	A$0.1400	30 September 2017	356,621	364,291	-
	1 October 2015	2,790,387	A$0.0380	30 September 2018	-	-	2,790,387
	1 October 2016	691,333	A$0.1625	30 September 2019	-	-	691,333
	1 October 2017	819,899	A$0.2150	30 September 2020	-	-	819,899
		5,022,531			**356,621**	**364,291**	**4,301,619**
A Greyling	1 August 2015	108,731	A$0.1400	30 September 2017	52,906	55,825	-
	1 October 2015	2,511,348	A$0.0380	30 September 2018	-	-	2,511,348
	1 October 2016	622,200	A$0.1625	30 September 2019	-	-	622,200
	1 October 2017	726,493	A$0.2150	30 September 2020	-	-	726,493
		3,968,772			**52,906**	**55,825**	**3,860,041**
S Hay	1 October 2014	803,301	A$0.1400	30 September 2017	397,378	405,923	-
	1 October 2015	3,109,289	A$0.0380	30 September 2018	-	-	3,109,289
	1 October 2016	770,343	A$0.1625	30 September 2019	-	-	770,343
	1 October 2017	862,139	A$0.2150	30 September 2020	-	-	862,139
		5,545,072			**397,378**	**405,923**	**4,741,771**
C Poletti	16 February 2015	230,194	A$0.1400	30 September 2017	113,873	116,321	-
	1 October 2015	1,435,056	A$0.0380	30 September 2018	-	-	1,435,056
	1 October 2016	355,543	A$0.1625	30 September 2019	-	-	355,543
	1 October 2017	674,600	A$0.2150	30 September 2020	-	-	674,600
		2,695,393			**113,873**	**116,321**	**2,465,199**
		42,437,414			**2,701,030**	**2,760,896**	**36,975,488**

(i) The amount expensed per the statutory 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
2018					
T Carstens	10,489,767	2,113,056	890,126	909,268	10,803,429
C Bwye	10,489,767	2,113,056	890,126	909,268	10,803,429
K Balloch	4,202,632	819,899	356,621	364,291	4,301,619
A Greyling	3,242,279	726,493	52,906	55,825	3,860,041
S Hay	4,682,933	862,139	397,378	405,923	4,741,771
C Poletti	2,020,793	674,600	113,873	116,321	2,465,199
	35,128,171	**7,309,243**	**2,701,030**	**2,760,896**	**36,975,488**

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
2018					
K Spence	500,000	-	166,667[(i)]	-	666,667
T Carstens	1,228,522	890,126	536,992[(i)]	-	2,655,640
C Bwye	1,842,739	890,126	431,334[(i)]	-	3,164,199
S Willis	200,000	-	150,000[(ii)]	-	350,000
M Anderson	-	-	-	-	-
M Macpherson	-	-	-	-	-
M Stirzaker	-	-	-	-	-
D Radley (McCann)	-	-	500,000	-	500,000
K Balloch	108,948	356,621	155,190[(i)]	-	620,759
A Greyling	1,411,154	52,906	488,021[(i)]	-	1,952,081
S Hay	-	397,378	132,459[(i)]	-	529,837
C Poletti	20,117	113,873	37,957[(i)]	-	171,947
	5,311,480	**2,701,030**	**2,598,620**	**-**	**10,611,130**

(i) Shares acquired pursuant to the 1 for 3 pro rata entitlements offer announced on 19 December 2017.

(ii) 66,667 shares acquired pursuant to the 1 for 3 pro rata entitlements offer announced on 19 December 2017, with the balance purchased on market.

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 A Greyling S Hay C Poletti	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 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: 25 August 2018

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 2018 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

25 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US$000s	2017[(i)] US$000s
Sales revenue	2	198,810	162,417
Cost of sales	2	(119,799)	(104,106)
Profit from operations		79,011	58,311
Corporate and external affairs		(9,338)	(8,236)
Community development costs		(3,000)	(2,699)
Selling and distribution costs		(4,056)	(2,030)
Other expenses		(765)	(92)
Profit before financing costs and income tax		61,852	45,254
Financing costs	2	(18,489)	(23,511)
Profit before income tax		43,363	21,743
Income tax expense	4	(9,389)	(5,895)
Net profit for the year		**33,974**	**15,848**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(1,197)	1,169
Total other comprehensive (loss) / income for the year		(1,197)	1,169
Total comprehensive income for the year		**32,777**	**17,017**
Net Earnings per share		**Cents**	**Cents**
Basic earnings per share (US cents per share)	3	3.66	2.14
Diluted earnings per share (US cents per share)	3	3.44	1.98

(i) Restated from AUD in previous financial statements in accordance with change in presentation currency. Refer to Note 1.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 US$000s	30 June 2017(i) US$000s	1 July 2016(ii) US$000s
Current assets				
Cash and cash equivalents		29,686	28,278	26,923
Restricted cash	6	29,591	26,166	22,077
Trade and other receivables	7	38,726	44,056	32,300
Inventories	8	19,789	18,517	20,742
Other current assets		5,993	4,528	4,322
Total current assets		**123,785**	**121,545**	**106,364**
Non-current assets				
Capitalised exploration and evaluation	9	97,115	2,038	1,103
Property, plant and equipment	10	240,509	257,213	289,521
Total non-current assets		**337,624**	**259,251**	**290,624**
Total assets		**461,409**	**380,796**	**396,988**
Current liabilities				
Trade and other payables	11	27,865	20,696	18,510
Borrowings	12	53,266	59,211	45,854
Provisions	13	1,581	1,304	870
Deferred revenue		833	833	833
Other liabilities	14	7,058	646	658
Total current liabilities		**90,603**	**82,690**	**66,725**
Non-current liabilities				
Borrowings	12	35,532	88,112	145,605
Provisions	13	22,458	22,219	21,492
Deferred tax liability	4	15,106	5,846	-
Deferred revenue		625	1,458	2,292
Other liabilities	14	10,000	-	-
Total non-current liabilities		**83,721**	**117,635**	**169,389**
Total liabilities		**174,324**	**200,325**	**236,114**
Net assets		**287,085**	**180,471**	**160,874**
Equity				
Issued capital	15	305,277	231,079	229,747
Reserves		(16,384)	(14,267)	(15,324)
Accumulated losses		(1,808)	(36,341)	(53,549)
Total equity		**287,085**	**180,471**	**160,874**

(i) Restated from AUD in previous financial statements in accordance with change in presentation currency. Refer to Note 1.

(ii) Opening balances as at 1 July 2016 are reported due to change in presentation currency. Refer to Note 1.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Treasury shares reserve	Total
	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s
Balance at 1 July 2016[(i)]	229,747	(53,549)	5,362	(20,686)	-	160,874
Profit for the year	-	15,848	-	-	-	15,848
Other comprehensive income	-	-	-	1,169	-	1,169
Total comprehensive income for the year	-	15,848	-	1,169	-	17,017
Transactions with owners, recognised directly in equity						
Shares issued during the year, net of costs	1,332	-	-	-	-	1,332
Share based payments	-	1,360	(112)	-	-	1,248
Balance at 30 June 2017[(i)]	**231,079**	**(36,341)**	**5,250**	**(19,517)**	**-**	**180,471**
Balance at 1 July 2017	231,079	(36,341)	5,250	(19,517)	-	180,471
Profit for the year	-	33,974	-	-	-	33,974
Other comprehensive income	-	-	-	(1,197)	-	(1,197)
Total comprehensive income for the year	-	33,974	-	(1,197)	-	32,777
Transactions with owners, recognised directly in equity						
Shares issued during the year, net of costs	73,669	-	-	-	-	73,669
Own shares acquired	-	-	-	-	(1,476)	(1,476)
Share based payments	529	559	556	-	-	1,644
Balance at 30 June 2018	**305,277**	**(1,808)**	**5,806**	**(20,714)**	**(1,476)**	**287,085**

(i) Restated from AUD in previous financial statements in accordance with change in presentation currency. Refer to Note 1.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US$000s	2017[(i)] US$000s
Cash flows from operating activities			
Receipts from customers		205,807	151,632
Payments in the course of operations		(88,623)	(75,008)
Other		(42)	(32)
Net cash from operating activities	5	**117,142**	**76,592**
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,862)	(6,513)
Payments for exploration and evaluation		(78,077)	(935)
Other		621	284
Net cash used in investing activities		**(110,318)**	**(7,164)**
Cash flows from financing activities			
Proceeds from issue of shares		76,133	-
Payment of share issue costs		(2,464)	-
Purchase of treasury shares	16	(1,476)	-
Proceeds from borrowings		12,500	-
Repayment of borrowings		(72,553)	(47,539)
Transfers to restricted cash	6	(3,425)	(4,089)
Payments for debt service costs and re-scheduling fees		(13,611)	(16,512)
Net cash used in financing activities		**(4,896)**	**(68,140)**
Net increase in cash held		**1,928**	**1,288**
Cash at beginning of year		28,278	26,923
Effect of exchange fluctuations on cash held		(520)	67
Cash at end of year		**29,686**	**28,278**

(i) Restated from AUD in previous financial statements in accordance with change in presentation currency. Refer to Note 1.

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: 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 2018, 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 and development of the Toliara Sands Project in Madagascar.

The consolidated financial statements of the Group for the year ended 30 June 2018:

- 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 United States dollars and all values are rounded to the nearest thousand dollars (US$000s) unless otherwise stated, in accordance with ASIC instrument 2016/191. The functional currency of the Parent is Australian dollars, whilst all other subsidiaries are 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 2018.

Foreign currency

Functional and presentation currency

The Directors have elected to change the Group's presentation currency from Australian dollars (**AUD**) to United States dollars (**USD**) effective from 1 July 2017. The change in presentation currency will present more relevant and reliable information on the Group. Prior period comparatives used in this financial report have been restated to USD using the procedures outlined below:

- Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows have been translated into USD using average exchange rates prevailing for the relevant period.
- Assets and liabilities in the Statement of Financial Position have been translated into USD at the closing exchange rates on the relevant balance sheet dates.
- The equity section of the Statement of Financial Position, including foreign currency translation reserve, retained earnings, share capital and the other reserves, have been translated into USD using historical exchange rates.
- Earnings per share disclosures have also been restated to USD to reflect the change in presentation currency.

The functional currency of the Parent is AUD, whilst the presentation currency of the Group is now in USD. All subsidiaries have a functional currency of USD.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on re-translation are recognised in the Statement of Profit or Loss and Comprehensive Income.

Critical accounting estimates and judgements

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

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 2018. It includes segment performance, earnings per share and taxation.

NOTE 2: SEGMENT REPORTING

Segment	Principal activities
Kwale Operation	The Group's 100% owned Kwale Operation is located in Kenya and generates revenue from the sale of rutile, ilmenite and zircon.
Toliara Sands Project	The Toliara Sands Project in Madagascar was acquired in January 2018. The Project is progressing through an accelerated feasibility study program that aims to advance toward a decision to proceed to construction in the second half of 2019.
Other	Includes Group head office, all corporate expenditure not directly attributable to the Kwale Operation or Toliara Sands Project and exploration activities not directly related to Kwale Operations or the Toliara Sands Project.

	2018				2017		
Reportable segment	**Kwale Operation**	**Toliara Sands Project**	**Other**	**Total**	**Kwale Operation**	**Other**	**Total**
	US$000s	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**
Sales revenue	**198,810**	**-**	**-**	**198,810**	**162,417**	**-**	**162,417**
Cost of sales:							
Operating costs	(56,658)	-	-	(56,658)	(51,816)	-	(51,816)
Inventory movement	(2,114)	-	-	(2,114)	(3,794)	-	(3,794)
Royalties expense	(13,678)	-	-	(13,678)	(11,141)	-	(11,141)
Depreciation and amortisation	(47,349)	-	-	(47,349)	(37,355)	-	(37,355)
Total Cost of sales	**(119,799)**	**-**	**-**	**(119,799)**	**(104,106)**	**-**	**(104,106)**
Profit from operations	**79,011**	**-**	**-**	**79,011**	**58,311**	**-**	**58,311**
Corporate and external affairs	(4,312)	(87)	(4,939)	(9,338)	(3,983)	(4,253)	(8,236)
Community development costs	(3,000)	-	-	(3,000)	(2,699)	-	(2,699)
Selling and distribution costs	(4,056)	-	-	(4,056)	(2,030)	-	(2,030)
Other income / (expenses)	28	(704)	(89)	(765)	352	(444)	(92)
Profit before financing and tax	**67,671**	**(791)**	**(5,028)**	**61,852**	**49,951**	**(4,697)**	**45,254**
Financing costs:							
Interest expense, inclusive of withholding tax	(10,276)	-	(608)	(10,884)	(12,756)	(1,693)	(14,449)
Amortisation of capitalised borrowing costs	(2,280)	-	(1,208)	(3,488)	(2,572)	(2,530)	(5,102)
Unwinding of discount on provision for rehabilitation	(481)	-	-	(481)	(1,445)	-	(1,445)
Other	(2,892)	-	(744)	(3,636)	(2,491)	(24)	(2,515)
Total financing costs	**(15,929)**	**-**	**(2,560)**	**(18,489)**	**(19,264)**	**(4,247)**	**(23,511)**
Income tax expense	(9,389)	-	-	(9,389)	(5,895)	-	(5,895)
Reportable profit	**42,353**	**(791)**	**(7,588)**	**33,974**	**24,792**	**(8,944)**	**15,848**

	2018				2017		
Reportable segment	**Kwale Operation US$000s**	**Toliara Sands Project US$000s**	**Other US$000s**	**Total US$000s**	**Kwale Operation US$000s**	**Other US$000s**	**Total US$000s**
Other disclosures:							
Capital expenditure	31,189	79,060	691	110,940	7,181	268	7,449
Total assets	361,955	94,433	5,021	461,409	376,770	4,026	380,796
Total liabilities	144,223	17,157	12,944	174,324	188,090	12,235	200,325

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 US$20.5 million is still subject to final market pricing at 30 June 2018 (2017: US$30.7 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 3: EARNINGS PER SHARE

	2018 US$000s	2017 US$000s
Earnings used to calculate basic / diluted earnings per share	33,974	15,848

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

in thousands of shares	2018	2017
Issued ordinary shares at 1 July	742,232	732,232
Effect of performance rights vested under the Group's LTIP	3,643	-
Effect of share placement	69,390	-
Effect of renounceable entitlement offer	113,657	-
Effect of shares issued as consideration for Taurus facility extension	-	6,657
Weighted average number of ordinary shares at 30 June	**928,922**	**738,889**

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

in thousands of shares	2018	2017
Weighted average number of ordinary shares (basic)	928,922	738,889
Effect of performance rights on issue	58,057	62,072
Weighted average number of ordinary shares (diluted) at 30 June	**986,979**	**800,961**

NOTE 4: INCOME TAX

	2018 US$000s	2017 US$000s
a. Amounts recognised in profit or loss		
Current income tax		
Income tax expense	129	48
Deferred tax expense		
Origination and reversal of temporary differences	9,260	5,847
Income tax expense reported in comprehensive income	**9,389**	**5,895**

	2018 US$000s	2017 US$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:		
Accounting profit before tax	43,363	21,743
Prima facie tax on operating profit at 30% (2017: 30%)	13,009	6,523
Add / (less) tax effect of:		
Non-deductible items	2,256	2,797
Share based payments	253	208
Tax losses not recognised	1,649	1,371
Other deferred tax assets not brought to account as realisation not considered probable	1,767	990
Effect of tax rates in foreign jurisdictions (i)	(9,545)	(5,994)
Income tax attributable to operating profit	**9,389**	**5,895**

(i) The Kenyan tax rate applicable to Base Titanium Limited is 15% (2017: 15%)

	2018 US$000s	2017 US$000s
c. Deferred tax liability recognised		
Tax losses Kenya	5,638	20,382
Other	1,543	1,198
	7,181	21,580
Deferred tax liabilities recognised		
Property, plant and equipment	(22,287)	(27,426)
Net deferred tax liability recognised	**(15,106)**	**(5,846)**

	2018 US$000s	2017 US$000s
d. Deferred tax assets unrecognised		
Deductible temporary differences	313	257
Tax losses Australia	6,819	6,099
Tax losses other	231	68
	7,363	**6,424**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, excluding those recognised for Kwale Operations, have not been brought to account at 30 June 2018 and 2017 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 5: OPERATING CASHFLOWS

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

	2018 US$000s	2017 US$000s
Profit for the year	33,974	15,848
Depreciation and amortisation	47,349	37,355
Share based payments	1,835	1,248
Financing costs classified as financing activity	18,489	23,511
Amortisation of deferred revenue	(833)	(833)
Income tax expense	9,389	5,895
Changes in assets and liabilities:		
Decrease / (increase) in receivables and other assets	3,924	(12,047)
(Increase) / decrease in inventories	(1,271)	2,225
Increase in trade and other payables	4,427	3,333
(Decrease) / increase in provisions	(141)	57
Cash flow from operations	**117,142**	**76,592**

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 6: RESTRICTED CASH

	30 June 2018	30 June 2017	1 July 2016
	US$000s	US$000s	US$000s
Current			
Restricted cash	29,591	26,166	22,077

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 7: TRADE AND OTHER RECEIVABLES

	30 June 2018	30 June 2017	1 July 2016
	US$000s	US$000s	US$000s
Current			
Trade receivables	16,912	24,344	13,534
VAT receivables	21,321	19,657	18,692
Other receivables	493	55	74
	38,726	**44,056**	**32,300**

Recoverability of construction period VAT receivable

The Group is owed US$21.3 million in VAT receivable by the Government of Kenya, of which US$17.1 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 8: INVENTORIES

	30 June 2018 US$000s	30 June 2017 US$000s	1 July 2016 US$000s
Current			
Heavy mineral concentrate and other intermediate stockpiles – at cost	4,717	4,674	6,717
Finished goods stockpiles – at cost	4,720	3,428	5,179
Stores and consumables – at cost	10,352	10,415	8,846
	19,789	**18,517**	**20,742**

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 9: CAPITALISED EXPLORATION AND EVALUATION

	30 June 2018 US$000s	30 June 2017 US$000s	1 July 2016 US$000s
Toliara Sands Project – Madagascar (a)	94,250	-	-
Kenya	2,399	1,910	1,103
Tanzania	466	128	-
Closing carrying amount	**97,115**	**2,038**	**1,103**

	2018 US$000s	2017 US$000s
Movement in carrying amount		
Opening balance	2,038	1,103
Toliara Sands Project acquisition: up-front consideration	75,000	-
Toliara Sands Project deferred consideration recognised	17,000	-
Other exploration and evaluation expenditure during the period	3,077	935
	97,115	2,038

a. Toliara Sands Project - Madagascar

In January 2018, the Company completed the acquisition of the Toliara Sands Project in Madagascar, with payment of US$75.0 million in up-front consideration, for an initial 85% interest. The Company will acquire the remaining 15% interest, with a further US$17.0 million (**deferred consideration**) payable on achievement of key milestones, as the project advances to mine development. If the key milestones have not been achieved within two years, the remaining 15% interest automatically transfers to the Company, however payment of deferred consideration remains payable on achievement of key milestones.

Despite retaining a 15% interest for up to two years, the seller will not contribute any development funding and will not have access to the returns associated with their ownership stake. The Company has applied the anticipated acquisition method, which treats the 15% non-controlling interest as already owned and the US$17.0 million is included as a component of the Toliara Sands Project asset value. This consequently requires that the financial liability associated with the 15% non-controlling interest is recognised at the acquisition date. An estimation has been made as to the timing of payment of the future consideration, which has resulted in a current and non-current liability being recognised (see note 14). The acquisition is accounted for as an asset acquisition.

Recognition and measurement of exploration and evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditure is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

For each area of interest, the expenditure is recognised as an exploration and evaluation asset when the rights of tenure to that area of interest are current and the expenditure is expected to be recouped through successful development and exploitation of an area of interest, or alternatively by its sale, and where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Accumulated costs in relation to an abandoned area are written off in full to the Statement of Profit or Loss and Other Comprehensive Income in the year in which the decision to abandon the area is made.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

2018	Plant & equipment US$000s	Mine property and development US$000s	Buildings US$000s	Capital work in progress US$000s	Total US$000s
At cost	220,156	178,642	6,274	920	405,992
Accumulated depreciation	(100,292)	(62,790)	(2,401)	-	(165,483)
Closing carrying amount	**119,864**	**115,852**	**3,873**	**920**	**240,509**
Reconciliation of carrying amounts:					
Balance at 1 July 2017	144,675	106,901	4,541	1,096	257,213
Additions	1,870	29,871	105	890	32,736
Transfers	1,004	-	49	(1,053)	-
Disposals	(9)		(214)	-	(223)
Reduction in mine rehabilitation asset	-	(972)	-	-	(972)
Depreciation expense	(27,676)	(18,914)	(608)	-	(47,198)
Effects of movement in foreign exchange	-	(1,034)	-	(13)	(1,047)
Balance at 30 June 2018	**119,864**	**115,852**	**3,873**	**920**	**240,509**

2017	US$000s	US$000s	US$000s	US$000s	US$000s
At cost	217,300	151,223	6,395	1,096	376,014
Accumulated depreciation	(72,625)	(44,322)	(1,854)	-	(118,801)
Closing carrying amount	**144,675**	**106,901**	**4,541**	**1,096**	**257,213**
Reconciliation of carrying amounts:					
Balance at 1 July 2016	164,476	118,446	5,005	1,594	289,521
Additions	1,048	2,033	1	2,205	5,287
Transfers	1,460	1,225	18	(2,703)	-
Disposals	(19)	29	-	-	10
Reduction in mine rehabilitation asset	-	(1,261)	-	-	(1,261)
Depreciation expense	(22,293)	(14,706)	(483)	-	(37,482)
Effects of movement in foreign exchange	3	1,135	-	-	1,138
Balance at 30 June 2017	**144,675**	**106,901**	**4,541**	**1,096**	**257,213**

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 11: TRADE AND OTHER PAYABLES

	30 June 2018	30 June 2017	1 July 2016
	US$000s	US$000s	US$000s
Trade payables and accruals	11,889	9,672	11,521
Provision for increase in Government of Kenya royalty (a)	15,976	11,024	6,989
	27,865	**20,696**	**18,510**

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 US$17.1 million VAT receivables related to the construction of Kwale Operations (refer to Note 7). 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 12: BORROWINGS

	30 June 2018	30 June 2017	1 July 2016
	US$000s	US$000s	US$000s
Current			
Kwale Facility (a)	53,200	47,500	26,600
Taurus Facility (b)	-	11,799	20,000
Capitalised borrowing costs (b)	-	(4,858)	(3,390)
Amortisation of capitalised borrowing costs (b)	-	4,398	2,307
Finance lease liabilities	66	372	337
Total current borrowings	**53,266**	**59,211**	**45,854**
Non-current			
Kwale Facility (a)	26,773	93,661	153,900
Revolving Credit Facility (c)	12,500	-	-
Capitalised borrowing costs (a)	(18,395)	(17,477)	(17,282)
Amortisation of capitalised borrowing costs (a)	14,654	11,862	8,549
Finance lease liabilities	-	66	438
Total non-current borrowings	**35,532**	**88,112**	**145,605**
Total borrowings	**88,798**	**147,323**	**191,459**

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 2018, US$61.2 million was paid down, reducing outstanding debt to US$80.0 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 to BTL.

The Kwale Facility carries an interest rate of LIBOR plus 630 basis points, inclusive of political risk insurance. The weighted average effective interest rate on the Kwale Facility at 30 June 2018 is 8.80% (30 June 2017: 7.72%), with the difference due movement in the LIBOR rate. The remaining tenor of the loan is two years.

Subsequent to year end, in July 2018, in accordance with the terms of the Kwale Facility, surplus cash of US$14.9 million was distributed from Kwale Operations (a 'cash sweep'). Half of the cash sweep (US$7.45 million) went towards mandatory repayment of the Kwale Facility, with the other half distributed to the parent entity, Base Resources. The outstanding debt after this repayment was US$72.6 million.

b. Taurus Facility

In July 2017, Base Resources applied US$11.8 million from Kwale Operations to retire the Taurus Debt Facility.

c. Revolving Credit Facility (RCF)

In October 2017, the Group established a US$25.0 million Revolving Credit Facility (**RCF**) to provide the Group with additional funding flexibility. Both Base Resources and Base Titanium are eligible borrowers under the RCF and the RCF benefits from the same security package as the Kwale Facility. In January 2018, the RCF was extended to US$30.0 million, as permitted by the facility terms, to provide Base Resources with additional funding flexibility. All other RCF terms remain unchanged.

The RCF carries an interest rate of LIBOR plus 620 basis points, inclusive of political risk insurance. The weighted average effective interest rate on the RCF at 30 June 2018 is 8.70%. The remaining tenor of the loan is two years. The outstanding debt at 30 June 2018 was US$12.5 million.

NOTE 13: PROVISIONS

	30 June 2018 US$000s	30 June 2017 US$000s	1 July 2016 US$000s
Current			
Employee benefits	1,146	927	870
Mine closure and rehabilitation	360	360	-
Income tax liability	75	17	-
	1,581	**1,304**	**870**
Non-current			
Mine closure and rehabilitation	22,413	22,176	21,448
Employee benefits	45	43	44
	22,458	**22,219**	**21,492**

Movement in mine closure and rehabilitation:	2018 US$000s	2017 US$000s
Balance at 1 July	22,536	21,448
Increase / (decrease) in rehabilitation estimate	7	(357)
Rehabilitation activities	(251)	-
Unwinding of discount	481	1,445
Balance at 30 June	**22,773**	**22,536**

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 2.73% as at 30 June 2018 (2017: 1.89%) and an inflation factor of 1.32% (2017: 1.27%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2018, estimated the asset retirement cost of work completed to date using an expected remaining mine life of 5 years and a total undiscounted estimated cash flow of US$24,159,245 (2017: US$23,234,044). 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 Profit and Loss and Other 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 14: OTHER LIABILITIES

	30 June 2018 US$000s	30 June 2017 US$000s	1 July 2016 US$000s
Current			
Deferred consideration – Toliara Sands acquisition	7,000	-	-
Other	58	646	658
	7,058	646	658
Non-current			
Deferred consideration – Toliara Sands acquisition	10,000	-	-
	10,000	**-**	**-**

In January 2018, the Company completed the acquisition of the Toliara Sands Project in Madagascar, with payment of US$75.0 million in up-front consideration, for an initial 85% interest. The Company will acquire the remaining 15% interest, with a further US$17.0 million (**deferred consideration**) payable on achievement of key milestones, as the project advances to mine development. If the key milestones have not been achieved within two years, the remaining 15% interest automatically transfers to the Company, however payment of deferred consideration remains payable on achievement of key milestones.

Despite retaining a 15% interest for up to two years, the seller will not contribute any development funding and will not have access to the returns associated with their ownership stake. The Company has therefore elected to apply the anticipated acquisition method, which treats the 15% non-controlling interest as already owned and the US$17.0 million is included as a component of the Toliara Sands Project asset value. This requires that the financial liability associated with the 15% non-controlling interest is recognised at the acquisition date. An estimation has been made as to the timing of payment of the future consideration, which has resulted in a current and non-current liability being recognised.

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 15: ISSUED CAPITAL

	30 June 2018 US$000s	30 June 2017 US$000s	1 July 2016 US$000s
Ordinary share capital:			
Issued and fully paid	**305,277**	**231,079**	**229,747**

Date	Number	US$000s
1 July 2016	732,231,956	229,747
Shares issued as consideration for Taurus Facility extension	10,000,000	231,079
30 June 2017	**742,231,956**	**231,079**
1 July 2017	742,231,956	231,079
Partial vesting of 2014 performance rights under LTIP scheme	4,961,983	529
Institutional and retail entitlement offer and placement	380,381,075	76,313
Share issue costs	-	(2,644)
30 June 2018	**1,127,575,014**	**305,277**

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 16: TREASURY SHARES RESERVE

During the reporting period, the Company directed the Base Resources Long Term Incentive Trust to purchase shares in the Company on market, for the purpose of meeting the expected vesting of performance rights under the Company's LTIP for the cycle vesting on 30 September 2018. The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 30 June 2018, the Group held 6.7 million of the Company's shares (2017: nil).

Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented in retained earnings.

NOTE 17: 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 A$0.40, with half being issued at execution and half pro-rata on facility drawdown above US$5 million, which occurred in June 2015. All Taurus options expire on 31 December 2018.

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.

Summary of shares under option are as follows:

	Number	Weighted average exercise price
Options outstanding as at 1 July 2016	61,425,061	A$0.40
Granted	-	-
Exercised	-	-
Lapsed	-	-
Options outstanding and exercisable as at 30 June 2017	**61,425,061**	**A$0.40**
Options outstanding as at 1 July 2017	61,425,061	A$0.40
Granted	-	-
Exercised	-	-
Lapsed	-	-
Options outstanding and exercisable as at 30 June 2018	**61,425,061**	**A$0.40**

b. Performance rights

Total expenses arising from share based payment transactions during the year as part of employee benefit expenses was US$1.6 million (comparative period: US$1.9 million).
Granted performance rights are as follows:

Performance cycle date	KMP	Other employees	Total	Fair value at grant date
1 October 2015	23,775,692	21,972,739	45,748,431	A$0.0380
1 October 2016	5,890,553	5,623,788	11,514,341	A$0.1625
1 October 2017	7,309,243	7,380,330	14,689,573	A$0.2150

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the 2018 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 1.9%; no dividend yield; volatility factor of the expected market price of the Company's shares of 75%; and a remaining life of performance rights of 2.86 years at valuation date. The fair value of the performance rights is recognised over the service period, which commenced on the date of grant of 1 October 2017.

The movement in the number of performance rights during the year is set out below:

	2018	**2017**
Opening balance	57,369,478	53,374,002
Granted	14,689,573	11,514,341
Vested	4,961,983	-
Lapsed	(5,068,689)	(7,518,865)
Closing balance	**71,952,345**	**57,369,478**

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.

NOTE 18: 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.

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	2018 US$000s	2017 US$000s
Financial assets			
Cash and cash equivalents		29,686	28,278
Restricted cash	6	29,591	26,166
Trade and other receivables	7	38,726	44,056
		98,003	**98,500**
Financial liabilities			
Trade and other payables	11	27,865	20,696
Kwale Facility	12	79,973	141,161
Revolving Credit Facility	12	12,500	-
Taurus Facility	12	-	11,799
Finance lease liabilities	12	66	438
		120,404	**174,094**

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 US$20.5 million is still subject to final market pricing at 30 June 2018 (2017: US$30.7 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 US$2.1 million (2017: US$3.1 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 2018 is 8.80% (30 June 2017: 7.72%).

The RCF carries an interest rate of LIBOR plus 620 basis points, inclusive of political risk insurance. The weighted average effective interest rate on the RCF at 30 June 2018 is 8.70%.

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**	
	2018 US$000s	**2017 US$000s**	**2018 US$000s**	**2017 US$000s**
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(66)	(12,237)	-	-
	(66)	**(12,237)**	**-**	**-**
Variable rate instruments				
Financial assets	59,277	54,444	29,686	23,942
Financial liabilities	(92,473)	(141,161)	(26,600)	(20,900)
	(33,196)	**(86,717)**	**3,086**	**3,042**

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.

	2018 US$000s	**2018 US$000s**	**2017 US$000s**	**2017 US$000s**
Variable rate instruments (US$000s)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Profit or loss	(332)	332	(867)	867
Equity	332	(332)	867	(867)

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 USD and AUD.

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

30 June 2018

In US$000s:	AUD	USD	KES	Other	Total USD
Cash and cash equivalents	2	225	597	4	828
Trade and other receivables	-	-	21,321	-	21,321
Other current assets	-	-	371	-	371
Trade and other payables	(191)	(124)	(2,075)	(88)	(2,478)
Borrowings	-	(12,500)	-	-	(12,500)
Net exposure	**(189)**	**(12,399)**	**20,214**	**(84)**	**7,542**

30 June 2017

In US$000s:	AUD	USD	KES	Other	Total USD
Cash and cash equivalents	2	1,024	648	5	1,679
Trade and other receivables	-	-	19,657	-	19,657
Other current assets	-	-	179	-	179
Trade and other payables	(39)	-	(963)	(38)	(1,040)
Borrowings	-	(11,799)	-	-	(11,799)
Net exposure	**(37)**	**(10,775)**	**19,521**	**(33)**	**8,676**

The following significant exchange rates applied during the year:

	Average rate		30 June spot rate	
	2018	**2017**	**2018**	**2017**
USD : AUD	1.290	1.326	1.351	1.301
USD : KES	102.37	102.46	101.05	103.71

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 US$0.8 million lower / higher (2017: US$0.9 million lower / higher).

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 2018 was US$198.8 million (2017: US$162.4 million). Major customers who individually accounted for more than 10% of sales revenue contributed approximately 61% (2017: 61%) of sales revenue. These customers represent 13% (2017: 42%) of the trade receivables balance at 30 June 2018.

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 US$21.3 million in VAT receivable by the Government of Kenya (Note 7), of which US$17.1 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:

	2018	**2017**
	US$000s	**US$000s**
Financial assets – cash flow realisable		
Cash and cash equivalents	29,686	28,278
Restricted cash	29,591	26,166
Trade and other receivables	38,726	44,056
Total anticipated inflows	**98,003**	**98,500**

At 30 June 2018, the ageing of trade and other receivables that were not impaired was as follows:

	2018	**2017**
	US$000s	**US$000s**
Neither past due nor impaired	36,525	41,710
Past due 1 - 30 days	2,201	2,346
	38,726	**44,056**

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:

	2018	**2017**
	US$000s	**US$000s**
United Kingdom	53,364	49,965
Kenya	22,522	20,806
China	10,418	15,359
USA	2,176	7,668
Australia	3,814	3,385
Other	5,709	1,317
Total	**98,003**	**98,500**

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 2018	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**
Trade and other payables	27,865	27,865	11,889	15,976	-	-	-
Kwale Facility	79,973	86,355	-	58,553	27,802	-	-
RCF	12,500	14,591	177	867	13,547	-	-
Finance lease liabilities	66	66	66	-	-	-	-
	120,404	**128,877**	**12,132**	**75,396**	**41,349**	**-**	**-**
30 June 2017							
Trade and other payables	20,696	20,696	9,672	11,024	-	-	-
Kwale Facility	141,161	157,911	-	56,775	58,833	42,303	-
Taurus Facility	11,799	12,101	-	12,101	-	-	-
Finance lease liabilities	438	465	66	333	66	-	-
	174,094	**191,173**	**9,738**	**80,233**	**58,899**	**42,303**	**-**

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.

	2018	**2017**
	US$000s	**US$000s**
Cash and cash equivalents	29,686	28,278
Restricted cash	29,591	26,166
Trade and other receivables	38,726	44,056
Inventories	19,789	18,517
Other current assets	5,993	4,528
Trade and other payables	(27,865)	(20,696)
Borrowings	(53,266)	(59,211)
Provisions	(1,581)	(1,304)
Deferred revenue	(833)	(833)
Other liabilities	(7,058)	(646)
Working capital position	**33,182**	**38,855**

NOTE 19: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2018, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity	**2018**	**2017**
	US$000s	**US$000s**
Loss for the year	(9,157)	(8,413)
Total comprehensive loss for the year	**(9,157)**	**(8,413)**

Financial position of the parent entity	**2018**	**2017**
	US$000s	**US$000s**
Current assets	3,867	3,346
Non-current assets	211,804	165,584
Total assets	**215,671**	**168,930**
Current liabilities	2,804	13,674
Non-current liabilities	11,624	9,073
Total liabilities	14,428	22,747
Net assets	**201,243**	**146,183**
Issued capital	236,646	173,173
Reserves	4,036	5,194
Accumulated losses	(39,439)	(32,184)
Total equity	**201,243**	**146,183**

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 12 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	Ownership %	
		2018	2017
Base Titanium (Mauritius) Limited	Mauritius	100	100
Base Titanium Limited	Kenya	100	100
Base Exploration Tanzania Limited	Tanzania	100	100
BTS Holdings (Mauritius) Limited(i)	Mauritius	100	-
Madagascar Mineral Fields Limited(ii)	Mauritius	85	-
Malagasy Sands No. 2 Limited(ii)	Mauritius	85	-
Toliara Sands SARL(ii)	Madagascar	85	-
Madagascar Resources SARL(ii)	Madagascar	85	-

(i) Incorporated on 28 November 2017.
(ii) Became a controlled entity upon completion of the acquisition of the Toliara Sands Project on 22 January 2018.

NOTE 20: RELATED PARTIES

KMP compensation:	2018 US$	2017 US$
Short-term employment benefits	3,298,696	2,543,733
Post-employment benefits	132,821	152,755
Share-based payments	835,511	678,751
Compensating payment for LTIP scale back	-	314,802
Other long term	61,668	30,524
	4,328,696	**3,720,565**

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 year to 30 June 2018, US$477,000 was paid or is payable to Pacific Road under this royalty arrangement. Mr Stirzaker, non-executive director of the Group, is a partner of Pacific Road.

NOTE 21: AUDITORS' REMUNERATION

	2018 US$	2017 US$
Audit services		
KPMG Australia		
Audit of financial report	132,407	101,810
Overseas KPMG firms		
Audit services	117,362	81,939
	249,769	**183,749**
Other services		
KPMG Australia		
Tax compliance and advisory services	59,491	74,401
Other services	8,727	8,296
Overseas KPMG firms		
Tax compliance and advisory services	68,728	82,122
	136,946	**164,819**

NOTE 22: 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 does not expect the implementation of this standard to have a material impact on its existing revenue contracts.

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. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. 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.

NOTE 23: EVENTS AFTER THE REPORTING DATE

Other than the July 2018 US$14.9 million Cash Sweep from the Kwale Operations (refer Note 12), there have been no significant events since the reporting date.

NOTE 24: 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 69 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 2018 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 2018.

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 25th day of August 2018

KPMG

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 2018 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 2018
- 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

The ***Key Audit Matters*** we identified are:

- Value of property, plant and equipment
- The acquisition of the Toliara Sands Project

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.

These matters were 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 these matters.

Value of property, plant and equipment (US$240,509,000)

Refer to Note 10 to the Financial Report

The key audit matter

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 52% of total assets)
- The mineral sands sector, within which the Group operates, has experienced volatile commodity prices and uncertainty in the global demand for products, putting pressure on the recoverability of 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 2018 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.

How the matter was addressed in our audit

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 historical accuracy of 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 net assets. This included consideration of the market capitalisation range implied by broker target valuation ranges, to the Group's internal valuation model. EBITDA multiples were also assessed against comparable companies.

The acquisition of the Toliara Sands project (US$92,000,000)	
Refer to Note 9 and 14 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's acquisition of the Toliara Sands Project represents a significant transaction for the Group. This was a key audit matter due to the: • Size of the acquisition having a pervasive impact on the Group's financial statements • Complexity of the terms of the Share Sale Agreement. We focussed on accounting for non-controlling interest (NCI) against the criteria of the accounting standards • Level of judgement required in determining the accounting approach as either a business (in accordance with IFRS 3 *Business Combinations*), or an asset acquisition. The difference in the accounting for the acquisition as a business or an asset is significant and could impact the recognition and measurement of amounts reported in the consolidated financial statements • The judgement applied by the Group to recognise and measure the fair value of deferred consideration. Consideration is payable by the Group upon reaching specific milestones as disclosed in Note 14 to the financial report. These conditions and associated complex acquisition accounting required significant audit effort and greater involvement of senior team members.	Our procedures included: • Reading the Share Sale Agreement related to the acquisition to understand the structure, key terms and the nature of consideration. Using this information, we evaluated the accounting treatment of the acquisition. This included assessing the accounting treatment of the non-controlling interest against the criteria in the accounting standards. • We involved senior audit team members to assess the accounting treatment for the transaction. We researched and analysed the conclusions reached by the Group and compared those conclusions to accounting interpretations, industry practice and accounting literature. • Assessing the Group's recognition and determination of fair value measurement of deferred consideration by checking the Group's calculation to the Share Sale Agreement and to the Board approved investment proposal for the acquisition • We considered the adequacy of the Group's disclosures in respect of this acquisition against the criteria in the accounting standards.

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_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Base Resources Limited for the year ended 30 June 2018, 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 2018.

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

25 August 2018

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 Malcolm Macpherson, Non-Executive Director
Mr Mike Stirzaker, Non-Executive Director
Mr Michael Anderson, Non-Executive Director – retired 31 August 2017
Mrs Diane Radley (McCann), Non-Executive Director – appointed 1 February 2018

COMPANY SECRETARY

Mr Chadwick Poletti

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