

A photograph of three Black male workers in an industrial setting. They are wearing blue hard hats with yellow labels and orange safety vests over white shirts. The worker in the foreground is looking towards the camera with a slight smile, wearing clear safety glasses. The two workers behind him are also smiling. The background is slightly blurred, showing more of the industrial environment.

Broadening Base



**BASE
RESOURCES**

Annual Report 2018

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Forward Looking Statements

Certain statements made in or in connection with this Annual Report contain or comprise forward-looking statements, including but not limited to statements regarding capital cost, capacity, future production and grades, sales projections and financial performance of the Kwale Operations, estimated mineral resources and ore reserves, trends in commodity prices and currency exchange rates, demand for commodities (in particular mineral sands), plans, strategies and objectives of management, operating costs, anticipated production life of the Kwale Project, provisions and contingent liabilities and tax and regulatory developments.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond Base Resources' control.

No representation, warranty, assurance or guarantee can be given that such forward-looking statements will in fact be achieved or prove to be correct. Results or outcomes could differ materially from those expressed or implied by the forward-looking statements as a result of, among other

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Except as required by applicable regulations or by law, Base Resources does not undertake to publicly update, review or release any revisions to these forward-looking statements to reflect new information or future events or circumstances.

Base Resources (ASX and AIM: BSE) is an Australian based, African focused mineral sands producer and developer with a track record of project delivery and operational performance.

The Company's Kwale Operation is a consistent, high margin operation, with an optimised life of mine production profile following the recent enhancement project. Near-mine exploration is underway, presenting a significant opportunity for mine life extension and further value creation.

The recently acquired Toliara Project, underpinned by the large, long life and high grade Ranobe deposit, is considered by Base Resources to be one of the best mineral sands development projects in the world. The project is currently progressing through accelerated study phases, building on work previously completed, towards an anticipated decision to proceed to construction in late 2019 which would see production in late 2021.

Benefiting from improving prices and consistent production and costs at Kwale Operations, the Company has achieved record profits during the reporting period. This enabled a rapid reduction in net debt, providing Base Resources with a strong financial platform from which to grow the business and create a unique "mid cap" mineral sands company.





Highlights and Achievements

22%

Revenue increased 22% to US\$198.8m and EBITDA increased 32% to US\$109.3m

50%

Net debt reduced by US\$65.3m to US\$33.2m

2.8:1

Revenue to cost of sales ratio of 2.8:1

0

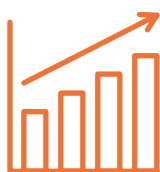
Total Recordable Injury Frequency Rate of zero - no lost time due to injury since 2014

19%

Kwale South Dune Measured and Indicated resources increased by 19%

US\$ 3.8M

Invested in community and environment programs



Average price improvements for all products



Acquisition of the World-Class Toliara Project in Madagascar



Kwale Phase 2 mine optimisation project successfully completed

Chairman's letter

Dear Shareholders

This was a pivotal year for Base Resources with improving markets driving record financial performance, continued high cash flow, further optimisation of the Kwale operation and the acquisition of the World-Class Toliara Project. Our Company is in excellent shape to capitalise on short, medium and long term opportunities in a sector with sound fundamentals.

Demand for our products continued to improve in the year and this, along with low inventory levels and restricted supply, supported strong price improvement. Those dynamics have continued for rutile and zircon post year end.

This improved pricing environment, combined with consistent production over the period, saw the Company achieve record revenue of US\$198.8m, a 22% increase on the prior period. This result, along with our low operating costs and focus on efficiency, led to a 32% increase in EBITDA to US\$109.3m and a 114% increase in profit after tax. Strong cashflow allowed the Company to reduce net debt by US\$65.3m over the period. Net debt now stands at US\$33.2m and is expected to be retired in the coming year.

To counter declining ore grades expected from late 2018 onwards, and to fully exploit the availability of mineral separation plant (MSP) capacity, the Board approved, in May 2017, the implementation of the Kwale Phase 2 (KP2) Project. This significant capital project was executed during the financial year, on schedule and on budget, and is achieving the intended outcomes. The objective of the KP2 Project was to maximise feed to the MSP for the remaining life of mine, by increasing mining rates as ore grade declines. This has been achieved through increasing the hydraulic mining capacity to three 800tph Hydraulic Mining Units, while gradually phasing out the existing Dozer Mining Unit. The Wet Concentrator Plant and water supply infrastructure have also been upgraded in parallel to accommodate the higher mining rates. The seamless execution of the project without impact on the performance of the operations, and its management in-house, is testament to the capability of the Group's operational and project teams.

With the Kwale operation running smoothly and with greater flexibility post-KP2, the focus has been squarely on extending the mine life. As a result of the South Dune drilling program completed in 2017, a 19% increase in Measured and Indicated resource for the Kwale Operation was announced in October 2017. This will be incorporated into an updated Ore Reserve once the requisite extension to the Special Mining Lease is granted, which is expected in the near future.

The focus of drilling activity has now shifted to the north east sector of the Kwale operations, on the North Dune and Kwale East zones with encouraging indications to date. We are optimistic that further mine life extension will result.

Most importantly the above performances, results and progress were achieved with an uncompromising focus on the safety, health and wellbeing of our staff, contractors and communities. One of Company's most significant highlights was the Total Recordable Injury Frequency Rate at zero at the end of the financial year, with no medical treatments across the year. The Kwale Operation has not had a lost time injury since February 2014 and our employees and contractors have now worked 13.2 million man-hours LTI free. This is a remarkable achievement for any mining operation anywhere in the world.

This year's outcomes were only made possible by a highly capable, engaged and dedicated team at all levels of our organisation. Our approach of actively prioritising those closest to our operations for employment opportunities has enabled us to build a workforce with 67% of employees being from the local Kwale County and 97% from Kenya. Coupled with extensive and effective training (60,000 hours of training being delivered in the year) and apprenticeship and graduate programs, this workforce is highly effective and delivering

some inspiring personal development stories as individuals are progressing up through the organisation.

Beyond employment opportunities, the Company is focused on creating a balanced flow of mutual benefit with our communities via various livelihood, health, social infrastructure and education programs. One such program, the Kwale Cotton Project, was honoured to receive the New Vision for Development award from the World Economic Forum in February this year.

Base Resources is committed to undertaking its operations in a way that minimises impacts on the environment and maximises opportunities for positive environmental outcomes. The Company has a comprehensive environmental management program and recorded no environmental incidents during the year. In Kenya, the Company achieved these good results through partnerships with communities, environmental authorities, local and international conservation groups and expert organisations to realise the objective of sustaining and improving the regions rich biodiversity.

In order to fully capitalise on the organisational capability, business model and financial platform honed on the Kwale development, we have been seeking the right growth opportunity from which to drive shareholder value. During the year, we were delighted to have been able to secure the Toliara Project in Madagascar. We have spent considerable effort in recent years evaluating such acquisition opportunities and consider the Toliara Project to be one of the best development opportunities in the world due to the size of the deposit, the consequent long mine life, it's expansion potential, scope for operational scale up, technical simplicity and expected competitive positioning in the sector. We are confident that this is a project Base Resources can execute well.

Since completing the acquisition earlier in the year, a concept study has been completed and a suite of additional test work, to build on the sound work already completed, is well advanced. Mineral Technologies and Lycopodium have been engaged to complete the pre-feasibility study which is heading



towards completion in the March quarter of 2019. The aim is to bring the Toliara Project into production in late 2021.

I believe Base Resources is now very well positioned to create further shareholder value. We have an outstanding operating asset in our Kwale Operation with strong cash generation and extensional potential, an exciting development opportunity with the World-Class Toliara Project and an outstanding team with a recognised reputation for successful mineral development.

I'd like to thank the Board, our people, suppliers, local communities and host governments for their steadfast support and commitment. I'd also like to welcome Diane Radley to the Board as a Non-Executive Director, with her extensive leadership experience in Africa she has already added considerable value.

Finally, thank you to you, our shareholders, for your confidence and ongoing support as we continue to create a truly unique mineral sands company.

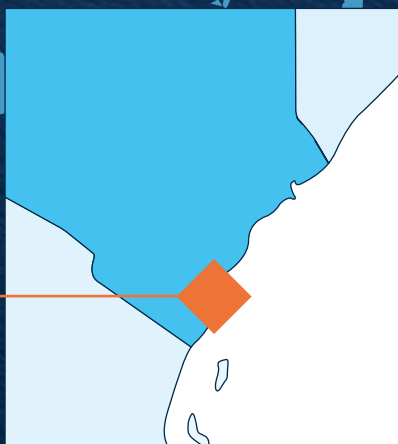
A handwritten signature in black ink, appearing to read 'Keith Spence'.

Keith Spence
Chairman



TOLIARA PROJECT,
MADAGASCAR

OPERATING & FINANCIAL REVIEW



KWALE OPERATIONS,
KENYA

BASE RESOURCES
HEADQUARTERS, PERTH



Operation summary

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.

The Kwale Operation is designed to process ore to recover three main products: rutile, ilmenite and zircon. Mining operations have recently completed the transition from dozer to hydraulic mining, which has proved to be cost effective and well suited to the Kwale deposit. Ore is received at the wet concentrator plant from the mining units via a slurry pipeline. The wet concentrator plant removes slimes (sub 45-micron particles), concentrates the valuable heavy minerals 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.

Mining

Mining volume increased by 3% in the reporting period (the year ended 30 June 2018) compared to the comparative period (the year ended 30 June 2017), despite a month-long mining and wet concentrator plant shutdown in March 2018 to complete final equipment installation for the Kwale Phase 2 mine optimisation project. As part of the Kwale Phase 2 Project, the Company successfully commissioned a 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. A third hydraulic mining unit was commissioned in July 2018 and the dozer trap mining unit is now on standby. 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 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 (comparative period: 83,632 tonnes), following the draw down of stocks during the one-month shut down for Kwale Phase 2 commissioning.

Processing

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).

Sales

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 strength of the mineral sands market for all products has ensured that sales continue to closely match production, with minimal inventories being maintained.

Product 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



Sustainability in practice

From project conception through to full-scale production, Base Resources has adopted world-class, sustainable business practices seeking to minimise any negative impacts and maximise positive outcomes of its operations for its employees, its host community and more broadly, its host nations.

Base Resources is committed to complying with national legislation and international best practice, specifically the International Finance Corporation's Performance Standards, the Equator Principles, World Bank Group's Environmental, Health and Safety Guidelines, International Labour Organisation's core labour standards and the United Nations Voluntary Principles on Security and Human Rights.

With this approach, Base Resources is helping to set sound benchmarks for effective and responsible development in Kenya's emerging mining sector and beyond. In recognition of the Company's demonstrated commitment to sustainability in practice the World Wildlife Fund Kenya recently partnered with Base Resources to deliver the second annual Understanding Environmental and Social Standards and International Best Practices in Large-Scale Developments Training. The Kwale Operation was also the proud recipient of an award from the Kenyan National Environmental Management Authority for outcomes in environmental management and biodiversity conservation.

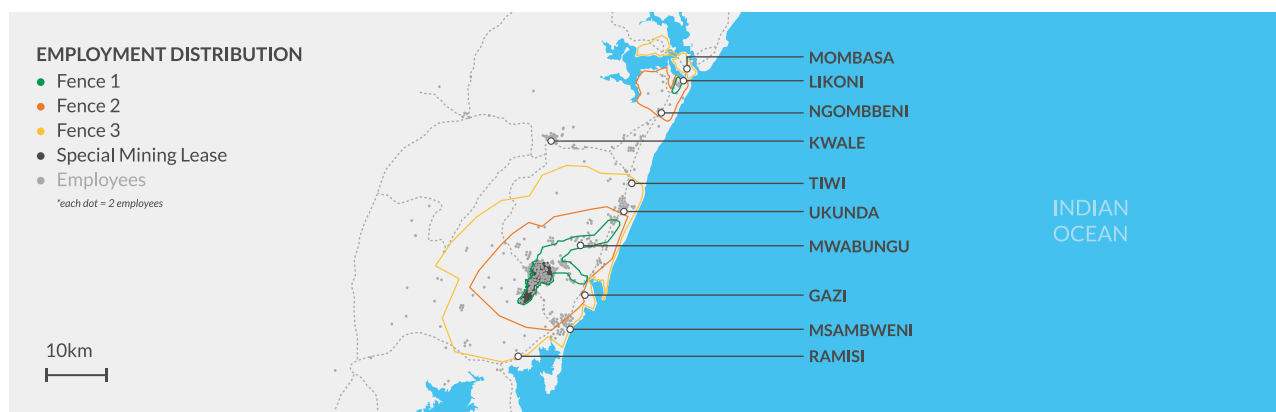
Local Employment

Base Resources is committed to prioritising employment for local communities. In Kenya, the Company's employment system is specifically designed to maximise employment opportunities and project benefits to local communities

by giving preference to those residing in the immediate environs of the mine. Through a 'fencing system', established in consultation with the Kenyan government and local communities, progressively lower priority is given to those living further away from the mine. This system has proved highly effective and, of the 1,072 people directly employed in Kenya (768 by Base Resources and 304 by Kenyan service providers), 97% are Kenyan with 67% drawn from Kwale County. High local workforce participation, in conjunction with operational and safety performance, are considered key success factors for the Company.

While expatriates represent just 3% of employees in Kenya, Base Resources is committed to further reducing its expatriate workforce over the coming years, with an employee succession program in place to ensure the transfer of specialist skills to Kenyan nationals.

At the Company's Toliara Project In Madagascar a labour recruitment system and influx management plan, mirroring that used successfully at Kwale Operations, is being implemented in consultation with the Malagasy government and local communities.



Skills Transfer

Base Resources has structured training and skills transfer programs covering on-the-job training for permanent employees, and also extending to tailored programs for graduates, interns, apprentices and high school students, providing a platform for systematic and rapid transfer of knowledge and skills.

The programs focus not only on employees, but also on building skills capacity in the broader community. To complement classroom learning, Base Resources partners with local universities to provide opportunities for technical trades apprentices to gain the necessary practical experience in the workplace.

At Kwale Operations, skills transfer has been supported through sustained graduate, internship and apprentices' programs where a total of 101 students have benefited from these programs run by the Company during the reporting period. In the same period, four foreign expatriates who left the company had their positions filled by Kenyan, locally promoted, staff, including two at manager level.

Base Resources has committed an annual budget of US\$0.6 million for training and development at its Kwale operation. This reflects the Company's continued commitment to skills transfer to its Kenyan workforce which extends to capacity building for the mining industry as a whole.

Training plans are underway in Madagascar with systems being established for community training programs to commence in late 2018, aimed at developing the necessary skills for the construction of the Toliara Project.

Employee Engagement

Base Resources places significant emphasis on establishing and developing a highly engaged, satisfied and motivated workforce, with the operational performance achieved to date, across production, safety and cost management, reflective of the Company's success in developing human capital.

An integral component of this focus is an independently conducted biennial employee survey. The objective of the survey is to measure the workplace culture represented by current worker behaviours and perceptions. It also identifies key areas

for improvement and action towards the Company's desired workplace culture, described as the 'Base Way'. Regular surveys have been conducted since the commencement of operations and have seen high response rates.

In addition to productivity and safety performance, absenteeism, staff turnover and industrial action are key indicators of employee satisfaction and motivation as well as sources of competitive cost advantage. An absenteeism rate of 2.3% was recorded in Kenya for the reporting period. The voluntary staff turnover rate for the year was also very low at 1.9%, up from the prior year's 1.4%. The Kwale Operations have not recorded any industrial action since commencement of operations.

Safety

Throughout the construction, commissioning and operation of the Kwale mine, Base Resources has entrenched a first-world, best-practice safety culture. In this regard, Base Resources is very pleased to complete another year with no serious injuries occurring and Kwale Operations' Lost Time Injury Frequency Rate has remained at zero. Base Resources employees and contractors have now worked close to 14 million man-hours Lost Time Injury free, with the last Lost Time Injury recorded in February 2014.

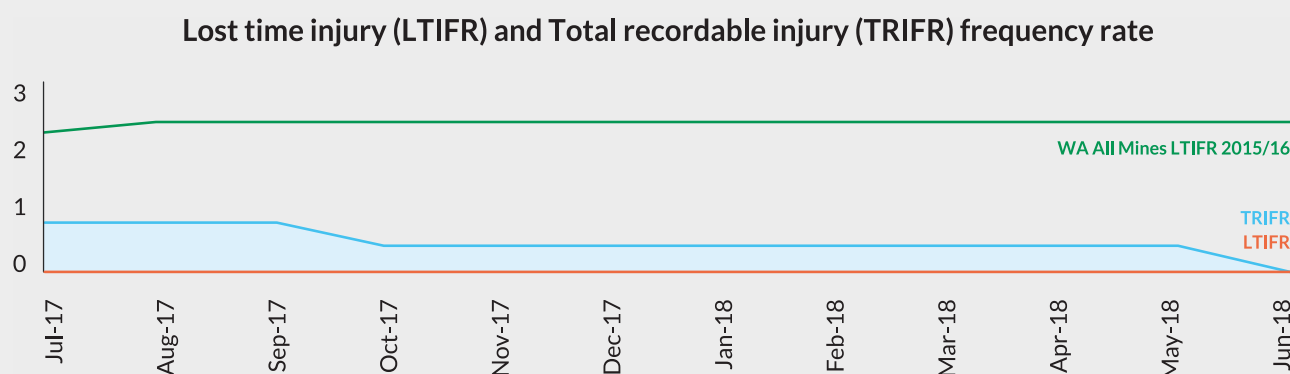
After successful implementation of several initiatives to reverse a rising trend in minor medical treatment injuries, the Company recorded no medical treatment injuries in the reporting period which resulted in a Total Recordable Injury Frequency rate of zero for the year.

The Kwale Operations' safety performance continues to be an outstanding achievement by first-world mining operation standards, let alone for an emerging mining jurisdiction.

Community Engagement and Development

Base Resources understands that achieving its long-term goals is reliant on building beneficial relationships with the communities in which it operates and establishing a balanced flow of mutual benefit.

As communities affected by mining operations play an integral role in the Company's overall success, Base Resources engages with its local communities in a structured and inclusive manner. In this way, the community benefits



from a series of sustainable development and livelihood improvement programs in exchange for a social license, practically manifested in the provision of proud, motivated employees, security, support and a positive reference for future projects.

In accordance with Base Resources' Stakeholder Engagement Plan at its Kwale Operation, the Company has established a number of committees to act as an interface between the Company and local communities. This is an important tool for managing expectations, addressing grievances or concerns, and establishes a mechanism for achieving more participatory and inclusive solutions. These committees also play a major role in identifying community development priorities. A similar Stakeholder Engagement Plan is being developed for the Toliara Project.

The committees are made up of affected stakeholders, community leaders representing women, youth and the disabled, Members of the County Assembly, religious leaders, government and county level lead agencies and administrators. These forums are further supported by special interest sub-committees where appropriate.

Through close collaboration with the liaison committees, community priorities have been identified as capacity building, meeting basic needs such as health and education, and establishing physical infrastructure to improve standards of living.

In targeting these priorities, Base Resources continues to engage in constructing social infrastructure, improving community health, providing educational opportunities, and an increasing emphasis on leading livelihood

improvement programs through the introduction of commercial agriculture.

Agricultural livelihood programs in Kwale, run in conjunction with partners Business for Development, DEG, FMO and Australia's Department of Foreign Affairs and Trade continue to develop with encouraging support from both national and county Kenyan governments. These programs, covering cotton, sorghum, potato and poultry, now involve around 3,000 smallholder farmers and community groups with the ultimate aim being to establish new agricultural opportunities that will provide economic growth well beyond the life of mining activities.

The Kwale Cotton project has proved particularly successful to date, with the number of participating farmers growing exponentially each year since its commencement and resulted in this year's production exceeding 75 tonnes of Kenyan cotton lint which was exported to Bangladesh for further processing. After achieving a critical mass in the reporting period, a cotton farmers' cooperative was established to assist in the administration of all facets of production and sale.

Reflecting the quality, scope and potential of these agricultural programs to drive regional socio-economic development, additional financial support has been secured with a number of organisations, including the Australian Government and FMO.



In addition to the agricultural livelihood programs, to date, over 150 individual projects have been completed, including:

- **Schools:** 30 educational infrastructure projects have been undertaken, including construction of new institutions and refurbishment or upgrading of existing facilities including two new laboratory facilities for leading boys and girls secondary schools in Kwale County.
- **Scholarships:** During the year, Base Resources continued its own scholarship program with 1,500 secondary school awards given and 1,072 tertiary placements supported to date. In addition, partnerships with educational NGO's continue to provide support for a further 850 students at both secondary and tertiary levels.
- **Medical Facilities:** Constructed and equipped the Bwiti Dispensary, Magaoni Health Centre and a local hospital-based blood bank facility in Kwale County. Base Resources also worked with the Mombasa County Government and

other organisations to complete a maternity wing at the Likoni Sub-County Hospital. In addition, Base Resources provided a four-wheel-drive ambulance to Kwale County health authorities to service hard to reach communities.

- **Community Health:** Providing training for community health workers, equipping medical facilities and supporting vaccination and general health campaigns. Six locations are currently supported in Kwale County and Likoni.
- **Water Supply:** 14 boreholes have been sunk and fully equipped including the recently completed borehole at Kilole in Kwale County.
- **Drought Relief:** During the past year, Kenya has experienced significant drought conditions. Base Resources has assisted the local community by providing 29 tonnes of relief food in collaboration with the Kwale County Government, local civil society organisations and Kenya Red Cross.

- **Community Groups Training:** Together with the Dzarino Community Based Training Organisation, Base Resources runs economic empowerment training programs for community groups to equip them with basic economic skills to assist in initiating business start-ups and entrepreneurial activities.

With the Company's recent commencement of activity in Madagascar, the primary focus of community programs have been in the continued support of the Australian Doctors For Africa surgical missions in the Toliara region. Wider community development programs are being developed and a Memorandum of Understanding has been executed to set out the protocols for collaboration between the City of Toliara and Base Resources in development initiatives.

Environment

Base Resources is committed to operating in a sustainable and environmentally responsible manner. The Company operates a comprehensive environmental management system, and had no environmental incidents during the year.

At the Kwale Operation, work progressed on several programs aimed at rehabilitating impacted areas, improving local biodiversity, and promoting conservation and sustainability, with some notable examples being:

Rehabilitation of the Tailings Storage Facility walls

The Tailings Storage Facility sand walls reached their full height towards the end of the reporting period. Rehabilitation and stabilisation of the external walls continued throughout the period with approximately 25% now classified as fully rehabilitated. Seeds and top soil erosion control materials are sourced from local women's groups, thereby providing additional incomes for villages surrounding the mine site.

Rare and Endangered Flora Propagation Research Program

Targeting species of conservation interest, the program identifies indigenous plant species for propagation in the Kwale Operations nursery. With 276 indigenous species represented, and almost 88,000 trees grown to date, the nursery represents one of the largest of its kind in Africa, with a number of propagated rare species considered to be of conservation significance. More than 90 of these appear in the IUCN Red List of Threatened Species, as either Critically Endangered, Endangered or Vulnerable. The nursery together with the arboretum established alongside it, function as a training and educational facility for local community projects and visitors.

Establishment of a Biodiversity Corridor

Being located alongside forest reserves that form part of the Coastal Forests of Eastern Africa Biodiversity Hotspot has enabled Base Resources to capitalise on the opportunity to achieve a net positive biodiversity outcome by establishing a biodiversity corridor that links remnant patches of indigenous forest to the Gongoni Forest Reserve. During the year, work continued on the development of the biodiversity corridor with over 65,000 trees planted in the corridor to date, including over 11,000 classified as species being of conservation significance and more than 6,500 classified as either Critically Endangered or Endangered.

Wetland Restoration

An ephemeral wetland that had remained dry for a number of years prior to the commencement of operations has been successfully restored. After locating project infrastructure so as to avoid encroachment into the area, clean drainage from the tailings storage facility was directed to flow into the former wetland and indigenous sedges and other aquatic vegetation planted. The wetland now provides an ideal habitat for both floral and faunal species of significant conservation importance. Amphibian and reptile monitoring found that the restored wetlands now support permanent populations of the endangered Shimba Hills Reed Frog (*Hyperolius rubrovermiculatus*) and other fauna and flora of conservation importance. Furthermore, monitoring shows that a number of key insect populations continue to thrive in various wetland areas around the mine site. These insects are a key indicator of healthy aquatic environments.

Recycling Program

Base Resource's commitment to caring for the environment by preventing pollution, maximising resource efficiency and encouraging responsible behaviour in others, drives the Kwale Operations Waste Recycling Program. Founded on the principal of Reduce-Reuse-Recycle, waste material is used by Base Resources recycling team to construct furniture, water tanks, bee hives and children's school knapsacks. These have been donated to nearby schools, community organisations, orphanages and institutions for the disabled.

Business development

This was a pivotal year for business development with the acquisition of the World-Class Toliara Project and mine life extension at Kwale Operations.

Toliara Project

In January 2018, the Company completed the US\$75.0 million acquisition of an initial 85% interest in the Toliara 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 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.

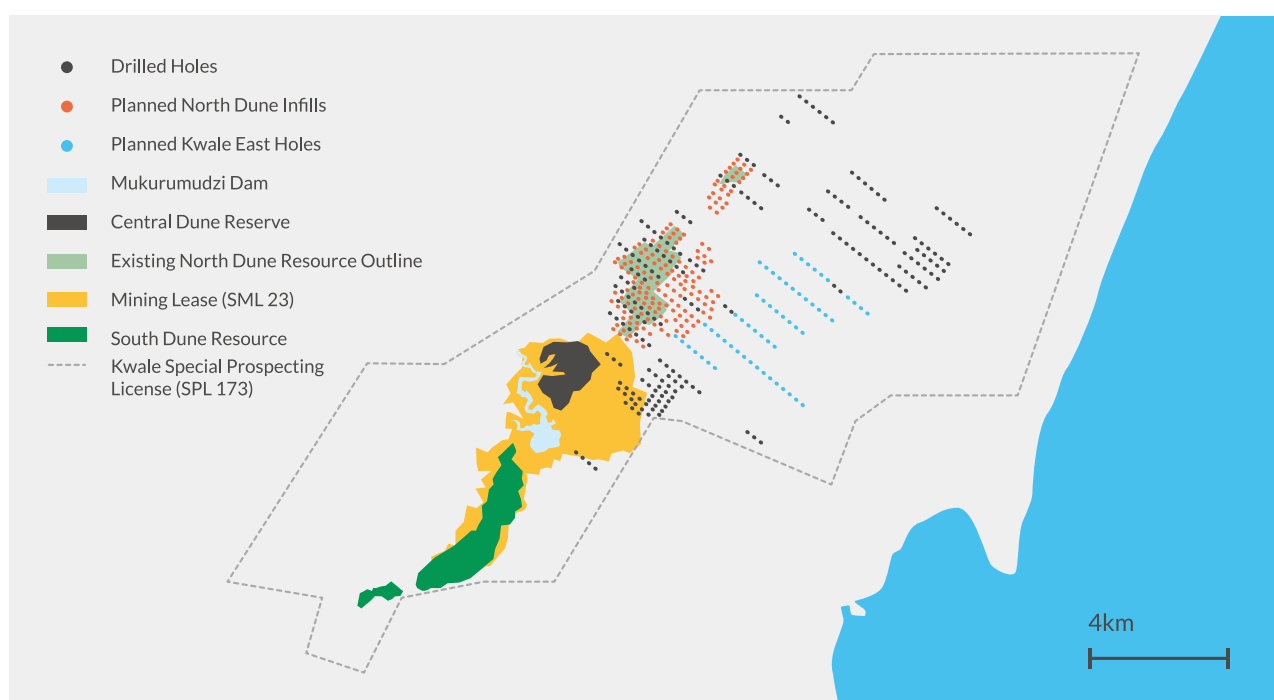
During the reporting period, the Company appointed Mineral Technologies and Lycopodium to deliver the Pre-Feasibility Study for the Toliara Project. The Company anticipates Pre-Feasibility Study completion in the March quarter of 2019. The Pre-Feasibility Study will build on the considerable body of work completed by previous owners of

the Toliara 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 late 2019.

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 heavy mineral tonnes 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 in April in the north east of the Company's Kwale Special Prospecting License (SPL) 173 at Kwale East, adjacent to the Kwale Operation's Central Dune. Completion of the remaining drilling program (4,200 metres)





in this area is currently suspended whilst community access issues are being resolved. Drill assay results from work completed to date are expected to be available later in 2018.

During the reporting period, the Company commenced a re-evaluation, including infill drilling, of the higher-grade areas of the North Dune, motivated by an improved economic environment, refined resource definition methodology and insights from five years of operations on the Central Dune. At year end, 36 holes for 2,450 metres had been drilled

and a further 14,000 metres in progress. The North Dune is currently not included in the Kwale Mineral Resources.

Tanzania exploration

During the reporting period, the Company completed a stratigraphic drilling program across five licences in Tanzania. The results did not indicate an economically viable deposit and therefore it is unlikely the Company will pursue further exploration on these licences.

Market, sales and outlook

Price improvement for all three products continued throughout the year, supported by strong demand and limited supply.

Mineral sands end products are widely used in everyday life and historical demand can be tightly tied to growth in global GDP.

Ilmenite and rutile

Rutile and ilmenite are different grades of titanium dioxide (TiO_2) minerals and are used predominantly to produce pigments for paint, paper, plastics, textiles and inks. TiO_2 pigment is prized for its opacity, brightness and whiteness and its ability to absorb and reflect ultraviolet radiation. It is also non-toxic and inert to most chemical reagents.

High grade TiO_2 minerals (which includes rutile) can also be used to produce titanium metal, which is corrosion resistant and has the highest strength to weight ratio of any metal. Titanium metal is used across the aerospace and defence industries as well as in medical devices, sporting equipment and jewellery.

Overall, the global TiO_2 pigment industry remained buoyant throughout the reporting period. Ongoing robust 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 volatility 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.

A supply deficit in the high-grade feedstock sector, in particular 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, including in the production of ceramic tiles, which accounts for more than 50% of global zircon consumption. Milled zircon enables ceramic tile manufacturers to achieve brilliant opacity, whiteness and brightness in their products. Zircon's unique properties include heat and wear resistance, stability, opacity, hardness and strength, making it sought after for other applications such as refractories, foundries and specialty chemicals.

Demand 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.

Corporate and Finance

Base Resources achieved a record profit after tax of US\$34.0 million for the reporting period, compared with US\$15.8 million in the comparative period, driven by higher sales revenues.

	2018				2017		
	Kwale Operation US\$000s	Toliara Project US\$000s	Other US\$000s	Total US\$000s	Kwale Operation US\$000s	Other US\$000s	Total US\$000s
Sales Revenue	198,810	-	-	198,810	162,417	-	162,417
Cost of goods sold excluding depreciation and 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.

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 KP2 Project implementation, which will significantly increase future mining rates and thus reduce 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, thereby reducing future annual depreciation and amortisation charges.

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 on Toliara Project progression, 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 Project.

Net Debt Reduction

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 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 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.

Subsequent to the end of the reporting period, the US\$80.0 million outstanding balance of the Kwale Project Debt Facility was repaid from a combination of cash reserves

and utilisation of the Revolving Credit Facility following a concurrent facility increase to US\$75.0 million.

Early retirement of the Project Debt Facility demonstrates the continued strong performance of Kwale Operations and, together with the increased Revolving Credit Facility, provides the group with additional funding flexibility and reduced debt servicing costs.

Toliara Project Acquisition

In January 2018, the Company completed the acquisition the Toliara Project from World Titane Holdings Ltd, whereby Base Resources acquired an initial 85% interest in the wholly owned Mauritian subsidiaries of World Titane Holdings Ltd, which between them hold a 100% interest in the Toliara Project in Madagascar (held through wholly owned subsidiaries in Madagascar) for US\$75.0 million. 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 to mine development.

The project acquisition was funded by a share placement to institutional investors and a 1 for 3 accelerated pro rata renounceable entitlements offer (Offer). The institutional placement and the institutional component of the Offer were successfully completed on 5 January 2018, raising gross proceeds of approximately US\$67.8 million (A\$89.3 million) from the issue of 350,074,625 new fully paid new shares at A\$0.255 per share. The retail component of the Offer was completed on 22 January 2018, raising gross proceeds of approximately US\$5.8 million (A\$7.7 million) from the issue of 30,306,450 new fully paid new shares at A\$0.255 per share.

Kenyan VAT Receivable

Base Resources has refund claims for VAT paid in Kenya, relating to both the construction of the Kwale Project and the period since operations commenced, totalling approximately US\$21.3 million at 30 June 2018. These claims are proceeding through the Kenya Revenue Authority process, with a number of operational period claims, totalling approximately US\$5.9 million, settled during the reporting period. Base Resources is continuing to engage with the Kenyan Treasury and the Kenya Revenue Authority, seeking to expedite the remainder of the refunds.

Resources and Reserves

The 2018 Mineral Resources and Ore Reserves for Base Resources are summarised in the table below together with the 2017 Ore Reserves and Mineral Resources for comparison.

Project	2018								2017							
	as at 30 June 2018								as at 30 June 2017							
	Tonnes	HM	HM	SL	OS	HM Assemblage			Tonnes	HM	HM	SL	OS	HM Assemblage		
	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR
Mineral Resources (Measured + Indicated + Inferred, inclusive of Reserves)																
Kwale	134	4.2	3.1	25	2	57	13	6	147	5.2	3.5	25	2	57	13	6
Ranobe	857	53.0	6.2	4	0	72	2	6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ore Reserves (Proven + Probable)																
Kwale	80	3.1	3.9	26	2	56	13	6	91	3.9	4.3	26	2	57	13	6

Table subject to rounding differences

Mineral Resources and Ore Reserves estimates in this statement are reported in accordance with the JORC Code (2012 edition). Accordingly, this statement should be read in conjunction with the respective explanatory Mineral Resources and Ore Reserves information included in the following announcements¹ for the relevant deposits:

Deposit	Announcement Title	Estimate date	Release date
Ranobe	Acquiring the Toliara Project – investor presentation	19 December 2017	19 December 2017
2017 Comparatives	2017 Kwale Mineral Resources and Ore Reserves Statement	30 June 2017	9 October 2017
Kwale South Dune	Mineral Resources Increase for Kwale South Dune	30 June 2017	4 October 2017
Kwale Central Dune	2016 Kwale Mineral Resources and Ore Reserves Statement	30 June 2016	9 October 2017

Kwale Deposits

The Company's Kwale Operation contains the Kwale Central Dune and South Dune deposits, located approximately 50 kilometres south of Mombasa and approximately 10 kilometres inland from the Kenyan coast.

Mineral Resources

The 2018 Kwale Mineral Resources, as at 30 June 2018, are estimated to be 134Mt at an average HM grade of 3.1% for 4.2Mt of contained HM, at a 1% HM cut-off grade. The 2018 Kwale Mineral Resource estimate has decreased by 9% for material tonnes and by 18% for contained HM tonnes when compared with the previous 2017 Kwale Mineral Resource estimate due to mining depletion.

The Kwale Central Dune Mineral Resources at 30 June 2018 are estimated to be 20Mt at an average HM grade of 3.9% for 0.8Mt of contained HM, decreased by 13Mt containing 0.9Mt of HM compared to the 2017 estimate due to mining depletion during the year. The South Dune Mineral Resources at 30 June 2018 are unchanged from the 2017 estimate as the increase announced on 4 October 2017, was incorporated into the 2017 estimate and mining has not yet commenced on this deposit.

1. Refer to ASX announcements available at <http://www.baseresources.com.au/investor-centre/asx-releases/>.

Table 2: 2018 Kwale Mineral Resources estimate compared with the 2017 Kwale Mineral Resources estimate.

Project	2018								2017							
	as at 30 June 2018								as at 30 June 2017							
	Tonnes	HM	HM	SL	OS	HM Assemblage			Tonnes	HM	HM	SL	OS	HM Assemblage		
	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR
Kwale Central Dune																
Measured	13	0.6	4.1	24	1	57	14	6	25	1.4	5.5	24	0	58	13	6
Indicated	7	0.2	3.4	25	2	57	14	6	8	0.3	3.9	26	2	58	14	6
Total	20	0.8	3.9	24	1	57	14	6	33	1.7	5.1	25	1	58	14	6
Kwale South Dune																
Measured	81	2.6	3.2	25	1	59	14	6	81	2.6	3.2	25	1	59	14	6
Indicated	33	0.8	2.5	26	7	52	12	6	33	0.8	2.5	26	7	52	12	6
Inferred	0.2	0.003	1.5	27	7	48	13	7	0.2	0.003	1.5	27	7	48	13	7
Total	114	3.5	3.0	25	3	56	13	6	114	3.5	3.0	25	3	56	13	6
Total Kwale Mineral Resources																
Measured	94	3.2	3.4	25	1	59	14	6	106	4.0	3.8	25	1	59	13	6
Indicated	40	1.1	2.7	26	6	53	13	6	41	1.2	2.8	26	6	54	13	6
Inferred	0.2	0.003	1.3	27	7	54	15	7	0.2	0.003	1.3	27	7	54	15	7
Total	134	4.2	3.1	25	2	57	13	6	147	5.2	3.5	25	2	57	13	6

Table subject to rounding differences, Mineral Resources estimated at a 1% HM cut-off grade.

Ore Reserves

Contained within the Kwale Mineral Resources are the Kwale Ore Reserves, estimated as at 30 June 2018 to be 80Mt at an average HM grade of 3.9% for 3.1Mt of contained HM. The 2018 Kwale Ore Reserves estimate represents a decrease of 13% in total ore tonnes and 22% in contained HM tonnes over the previously reported 2017 Kwale Ore Reserves estimate.

The Kwale Central Dune Ore Reserves at 30 June 2018 are estimated to be 18Mt of ore at an average HM grade of 4.0% for 0.7Mt of contained HM, decreased by 11Mt containing 0.8Mt of HM compared to the 2017 estimate due to mining depletion during the year.

Mining has not yet commenced on the South Dune and its Ore Reserves estimate is therefore unchanged from the 2017 estimate.

Table 3: The 2018 Kwale Ore Reserves estimate compared with the 2017 Kwale Ore Reserves estimate.

Project	2018								2017							
	as at 30 June 2018								as at 30 June 2017							
	Tonnes	HM	HM	SL	OS	HM Assemblage			Tonnes	HM	HM	SL	OS	HM Assemblage		
	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR
Kwale Central Dune																
Proved	13	0.6	4.3	23	0	57	14	6	23	1.3	5.7	24	0	59	13	6
Probable	5	0.2	3.5	25	1	57	14	6	7	0.3	3.4	26	1	49	11	5
Total	18	0.7	4.0	24	1	57	14	6	30	1.6	5.1	24	1	57	13	6
Kwale South Dune																
Proved	39	1.6	4.0	27	1	59	14	6	39	1.6	4.0	27	1	59	14	6
Probable	23	0.8	3.3	26	5	53	13	6	23	0.8	3.3	26	5	53	13	6
Total	62	2.3	3.8	27	3	57	13	6	62	2.3	3.8	27	3	57	13	6
Total Kwale Ore Reserves																
Proved	52	1.8	3.5	26	1	68	16	7	62	2.9	4.7	26	1	58	13	6
Probable	28	1.3	4.6	26	4	39	10	4	30	1.0	3.3	26	4	54	13	6
Total	80	3.1	3.9	26	2	56	13	6	91	3.9	4.3	26	2	57	13	6

Table subject to rounding differences.

As announced on 4th October 2017², an updated Mineral Resources estimate for the Kwale South Dune (the 2017 Kwale South Dune Mineral Resource) was completed, resulting in a 19% increase in contained HM tonnes in the Measured and Indicated categories. Completion of an updated Kwale South Dune Ore Reserves estimate 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.

Ranobe Deposit

The Company completed the acquisition of the Toliara Project on the 23rd January 2018 and is currently progressing the project through a full study phase. The Toliara Project is founded on the Ranobe deposit, located approximately 40 kilometres north of the town of Toliara in south west Madagascar and approximately 15 kilometres inland from the coast.

Mineral Resources

The 2018 Ranobe Mineral Resources as at 30 June 2018, are estimated to be 857Mt at an average HM grade of 6.2% and 4% slimes containing 53Mt HM, based on a 3% HM cut-off grade.

Table 3: The 2018 Kwale Ore Reserves estimate compared with the 2017 Kwale Ore Reserves estimate.

Project	2018								2017							
	as at 30 June 2018								as at 30 June 2017							
	Tonnes	HM	HM	SL	OS	HM Assemblage			Tonnes	HM	HM	SL	OS	HM Assemblage		
	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR	(Mt)	(Mt)	(%)	(%)	(%)	ILM	RUT	ZIR
Toliara Mineral Resources																
Measured	282	20	7.2	4	0	72	2	6								
Indicated	330	21	6.2	4	0	72	2	6	<i>not applicable – prior to Base Resources' acquisition</i>							
Inferred	245	12	5.0	5	1	71	1	5								
Total	857	53	6.2	4	0	72	2	6								

Table subject to rounding differences, Mineral Resources estimated at a 3% HM cut-off grade.

Ore Reserves

No Ore Reserves estimate has been completed for the Ranobe deposit. The drilling program currently underway on the Ranobe deposit aims to define the boundaries of the Mineral Resources, upgrade the existing Inferred Resource to Indicated status, and complete an Ore Reserves estimation for incorporation into the planned definitive feasibility study.

Mineral Resources & Ore Reserves Governance

A summary of the governance and internal controls applicable to Base Resources' Mineral Resources and Ore Reserves estimates are as follows:

Mineral Resources

- Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control;
- Geological interpretation – review of known and interpreted structure, lithology and weathering controls;
- Estimation methodology – relevant to mineralisation style and proposed mining methodology;
- Comparison of estimation results with previous mineral resource models, and with results using alternate modelling methodologies;
- Visual validation of block model against raw composite data; and
- Use of external Competent Persons to assist in the preparation of JORC Mineral Resources updates.

2. Refer to Base Resources market announcement "Mineral Resource Increase for Kwale South Dune" released on 4 October 2017, which is available at <http://www.baseresources.com.au/investor-centre/asx-releases>.

Ore Reserves

- Review of potential mining methodology to suit deposit and mineralisation characteristics;
- Review of potential Modifying Factors, including cost assumptions and commodity prices to be utilised in mining evaluation;
- Ore Reserve updates intimated with material changes in the above assumptions;
- Optimisation using appropriate software packages for open pit evaluation;
- Design based on optimisation results; and
- Use of external Competent Persons to assist in the preparation of JORC Ore Reserves updates.

Competent Persons Statements

The 2018 Mineral Resources and Ore Reserves Statement has been approved by the following competent persons, as detailed below.

Mineral Resources – Kwale Central and South Dune Deposits

The information in this report that relates to Kwale Central and South Dune Deposit Mineral Resources is based on, and fairly represents, information and supporting documentation prepared by Mr. Richard Stockwell (for South Dune deposit) and Mr. Scott Carruthers (for Central Dune deposit). Mr. Stockwell is a member of the Australian Institute of Geoscientists and Mr. Carruthers is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Stockwell acts as Consultant Geologist for Base Resources. Mr. Carruthers is employed by Base Resources, he holds equity securities in Base Resources and is entitled to participate in Base Resources' equity long term incentive plan, details of which is included in the 2018 Remuneration Report. Both Mr. Stockwell and Mr. Carruthers have sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and both are considered Qualified Persons for the purposes of the AIM Rules for Companies. Mr. Stockwell consents to the inclusion in this report of Kwale South Dune Deposit Mineral Resource estimates and supporting information in the form and context in which it appears. Mr. Carruthers consents to the inclusion in this report of Kwale Central Dune Deposit Mineral Resource estimates and supporting information in the form and context in which it appears.

Ore Reserves – Kwale Central and South Dune Deposits

The information in this report that relates to Kwale Central and South Dune Deposit Ore Reserves is based on, and fairly represents, information and supporting documentation prepared by Mr. Per Scrimshaw (for South Dune deposit) and Mr. Scott Carruthers (for Central and South Dune deposits). Mr. Scrimshaw and Mr. Carruthers are both Members of The Australasian Institute of Mining and Metallurgy. Mr. Scrimshaw is employed by Entech, a mining consultancy engaged by Base Resources to prepare Ore Reserves estimation for the Kwale Operations. Mr. Carruthers is employed by Base Resources, he holds equity securities in Base Resources and is entitled to participate in Base Resources' equity long term incentive plan, details of which is included in the 2018 Remuneration Report. Mr. Scrimshaw and Mr. Carruthers have sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and both are considered Qualified Persons for the purposes of the AIM Rules for Companies. Mr. Scrimshaw and Mr. Carruthers each consent to the inclusion in this report of Kwale Central and South Dune Deposit Ore Reserve estimates in the form and context in which it appears.

Mineral Resources – Ranobe Deposit

The information in this report that relates to the Ranobe Deposit Mineral Resources is based on, and fairly represents, information and supporting documentation prepared by Mr. Scott Carruthers. Mr. Carruthers is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Carruthers is employed by Base Resources, he holds equity securities in Base Resources and is entitled to participate in Base Resources' equity long term incentive plan, details of which is included in the 2018 Remuneration Report. Mr. Carruthers has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and both are considered Qualified Persons for the purposes of the AIM Rules for Companies. Mr. Carruthers consents to the inclusion in this report of the Ranobe Deposit Mineral Resource estimates in the form and context in which it appears.



DIRECTORS' REPORT



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 Malcolm Macpherson
Mr Tim Carstens	Mr Mike Stirzaker
Mr Colin Bwy	Mr Michael Anderson – retired 31 August 2017
Mr Samuel Willis	Ms Diane Radley – 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 Ms Diane Radley 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 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.

Significant changes in state of affairs

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

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 Project ahead of a decision to proceed with construction in the second half of 2019.

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:	None.
Past public company directorships held over the last three years:	New Standard Energy Limited (retired 2016); Elixir Petroleum Limited (resigned 2017).

Mr Michael Anderson	Non-Executive Director
Qualifications:	BSc (Hons), PhD
Appointed:	28 November 2011 (retired 31 August 2017)
Experience:	<p>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.</p> <p>Mr Anderson resigned as non-executive director of Base Resources on 31 August 2017.</p>
Special Responsibilities:	Member of the Audit Committee.
Other current public company directorships:	Hot Chili Limited (since 2011); Finders Resources Limited (alternate, since 2016).

Mr Michael Stirzaker	Non-Executive Director
Qualifications:	BCom, ACA
Appointed:	19 November 2014 (previously acting as an alternate since November 2011)
Experience:	<p>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.</p>
Special Responsibilities:	Member of the Remuneration & Nomination Committee; member of the Risk Committee.
Past public company directorships held over the last three years:	None.
Past public company directorships held over the last three years:	New Standard Energy Limited (retired 2016); Elixir Petroleum Limited (resigned 2017).

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:	None.
Past public company directorships held over the last three years:	Bathurst Resources (New Zealand) Limited (resigned 2015).
Ms Diane Radley	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:	None.

Mr Chadwick Poletti

Company Secretary

Qualifications:

LLB (Hons), BCom

Appointed:

19 May 2015

Experience:

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

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

Meetings of Directors

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

	Directors' Meetings		Audit committee		Remuneration & Nominations Committee		Risk Committee	
	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 ⁽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 A\$	Number under option
23 December 2014	31 December 2018	0.40	30,712,531
19 June 2015	31 December 2018	0.40	30,712,530
			61,425,061

In accordance with the terms of the Taurus Facility, 61,425,061 options were issued to Taurus Funds Management, with half issued on execution and half on facility drawdown in June 2015. Refer to "Note 17: Share-based payments" 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 US\$	2017 US\$
<i>KPMG Australia</i>		
Taxation services	59,491	74,401
Other services	8,727	8,296
<i>Overseas KPMG firms</i>		
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 63 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 Project and the resultant diversification of Group activities, the Senior Executives included as KMP's have 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	
<i>Senior Executives</i>		
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
<i>Non-Executive Directors</i>		
K Spence	Chairman	
S Willis	Director	
M Anderson	Director	Retired 31 August 2017
M Macpherson	Director	
M Stirzaker	Director	
D Radley	Director	Appointed 1 February 2018

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.

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.

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.

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 Project, a central step in the execution of the Company's strategic plan; and
- The smooth integration and initiation of the Toliara 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.

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 ⁽ⁱ⁾	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 ⁽ⁱ⁾	Percentage of absolute 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%

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

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.

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:

LTIP Cycle				LTIP Cycle			
Companies	Commencing 1 October			Companies	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			✓				

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.

Did any performance rights vest in 2018?

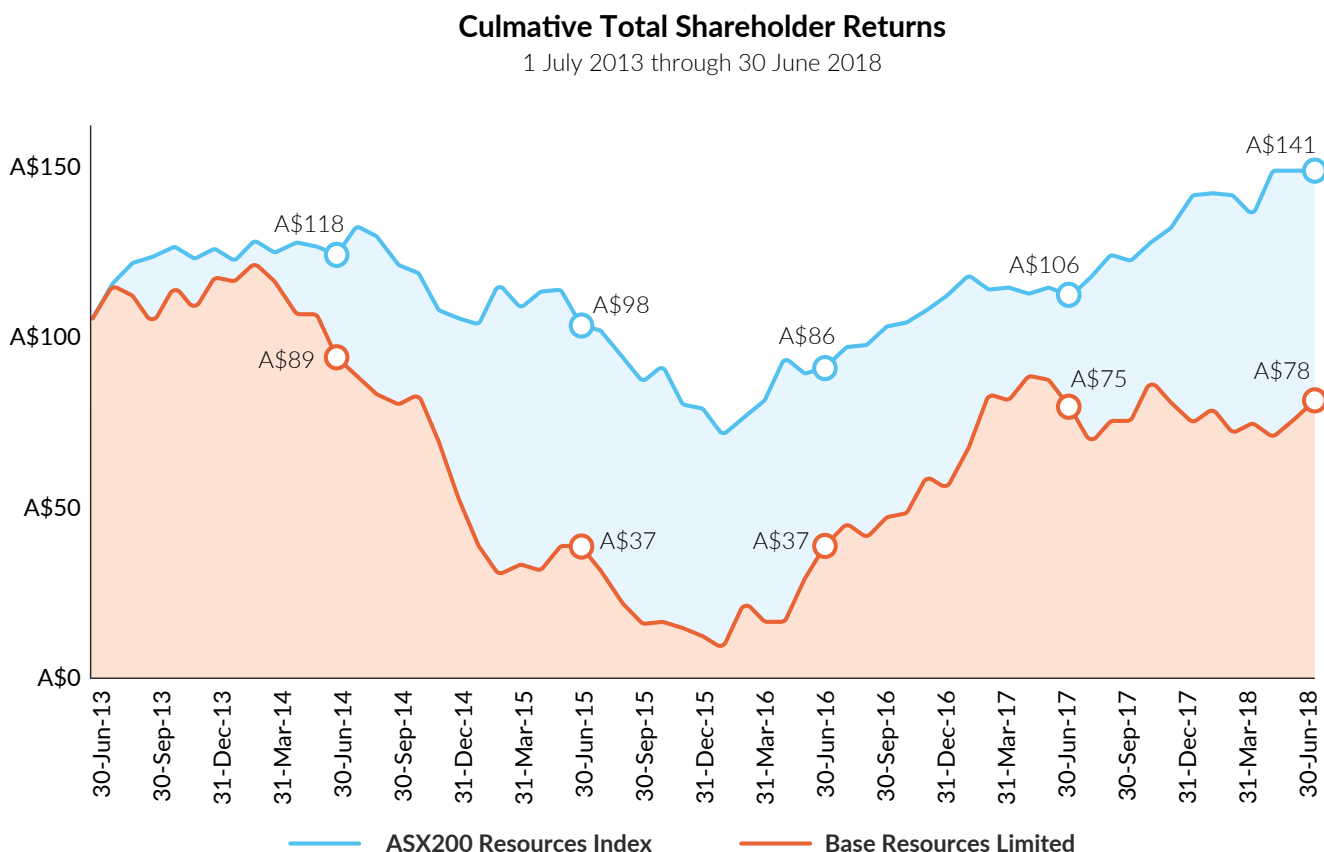
4,961,983 of the 10,030,672 performance rights granted under the LTIP for the cycle commencing 1 October 2014 vested. These rights completed the three-year performance period on 30 September 2017, with vesting as follows:

- **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:

Name	Target STI		STI Awarded	
	Individual performance %	Corporate performance %	Individual performance %	Corporate performance %
T Carstens	45	15	65	19
C Bwyne	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:

Grant date	Vesting date	Relative Performance Rights			Absolute Performance Rights	
		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 45), 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	Superannuation	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 Bwyne	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 Bwyne	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 2014 has 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 44.

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	w	
	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
<i>Treatment of Long Service Leave:</i>		
Add: Movement in the accounting provision for long service leave entitlements	15,962	5,793
<i>Treatment of performance rights:</i>		
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 A\$	2017 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 ⁽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 0.7753 (2017: 0.7540).

(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 A\$	Vesting date ⁽ⁱⁱ⁾	Number vested during year	Number lapsed during year	Balance at end of year
T Carstens	1 October 2014	1,799,394	0.1400	30 September 2017	890,126	909,268	-
	1 October 2015	6,964,806	0.0380	30 September 2018	-	-	6,964,806
	1 October 2016	1,725,567	0.1625	30 September 2019	-	-	1,725,567
	1 October 2017	2,113,056	0.2150	30 September 2020	-	-	2,113,056
		12,602,823			890,126	909,268	10,803,429
C Bwyne	1 October 2014	1,799,394	0.1400	30 September 2017	890,126	909,268	-
	1 October 2015	6,964,806	0.0380	30 September 2018	-	-	6,964,806
	1 October 2016	1,725,567	0.1625	30 September 2019	-	-	1,725,567
	1 October 2017	2,113,056	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	0.1400	30 September 2017	356,621	364,291	-
	1 October 2015	2,790,387	0.0380	30 September 2018	-	-	2,790,387
	1 October 2016	691,333	0.1625	30 September 2019	-	-	691,333
	1 October 2017	819,899	0.2150	30 September 2020	-	-	819,899
		5,022,531			356,621	364,291	4,301,619
A Greyling	1 August 2015	108,731	0.1400	30 September 2017	52,906	55,825	-
	1 October 2015	2,511,348	0.0380	30 September 2018	-	-	2,511,348
	1 October 2016	622,200	0.1625	30 September 2019	-	-	622,200
	1 October 2017	726,493	0.2150	30 September 2020	-	-	726,493
		3,968,772			52,906	55,825	3,860,041
S Hay	1 October 2014	803,301	0.1400	30 September 2017	397,378	405,923	-
	1 October 2015	3,109,289	0.0380	30 September 2018	-	-	3,109,289
	1 October 2016	770,343	0.1625	30 September 2019	-	-	770,343
	1 October 2017	862,139	0.2150	30 September 2020	-	-	862,139
		5,545,072			397,378	405,923	4,741,771
C Poletti	16 February 2015	230,194	0.1400	30 September 2017	113,873	116,321	-
	1 October 2015	1,435,056	0.0380	30 September 2018	-	-	1,435,056
	1 October 2016	355,543	0.1625	30 September 2019	-	-	355,543
	1 October 2017	674,600	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 2017	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 2017	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	-	-	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

Corporate governance

The Company is committed to implementing high standards of corporate governance to create and deliver value for shareholders.

As an ASX listed entity, the Company must comply with the ASX Listing Rules and is required to report against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

The Board considers that throughout the financial year ended 30 June 2018 the Company complied with the ASX Recommendations, except to the limited extent noted in this statement.

This statement is current as at 30 June 2018 and has been approved by the Board. Where appropriate, the statement also highlights relevant events that have occurred since 30 June 2018 with respect to the governance practices of the Company.

Board of Directors

Role of the Board

The Board Charter sets out the Board's role, powers and duties and establishes the functions and responsibilities reserved for the Board and those which are delegated to EXCO (comprising the Managing Director and the Executive Director – Operations & Development) and the broader executive management team. Among other things, the Board reserves responsibility for overseeing the business and affairs of the Company, including its control and accountability systems, setting the strategic direction of the Company, reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance and ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making.

The Board delegates responsibility for the day-to-day operations, management and administration of the Company to EXCO in accordance with the strategy approved by the Board. EXCO's joint responsibilities include effective leadership of the Company, preparation, and implementation of, development and operational plans, policies and procedures to achieve the strategic, operational and financial objectives of the Company, management of the day to day affairs of the Company, identifying and managing business risks and managing the Company's financial and other reporting mechanisms.

A full list of those matters reserved to the Board and those matters delegated to management is set out in the Board Charter. These delegations are further documented by way of the Delegation of Authority Standard which is reviewed and approved by the Board at least annually.

The Company Secretary is appointed by the Board and is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes providing advice to the Board on corporate governance matters, with all Directors having access to the advice and services provided by the Company Secretary.

Composition of the Board

As at 30 June 2018, the Board consisted of five non-executive Directors and two executive Directors (being the Managing Director and the Executive Director – Operations & Development).

The Chairman, Mr Spence, is responsible for leadership and effective performance of the Board and for the maintenance of relations between Directors and management that are open, cordial and conducive to productive cooperation.

A Director's independence is assessed in accordance with the Definition of Independence set out in the Board Charter. The Chairman is considered independent, along with fellow non-executive Directors Mr Willis, Mr Macpherson and Ms Radley. Mr Stirzaker, a non-executive Director, is not considered independent as a consequence of his relationship with the Company's major shareholder, Pacific Road Capital. Prior to his resignation as a non-executive Director on 31 August 2017, Mr Anderson was also not considered independent given his relationship with the Company's then substantial shareholder, Taurus Funds Management (which is no longer a shareholder). With the appointment of Ms Radley on 1 February 2018, the Company complies with ASX Recommendation 2.4 that a majority of the Board should be independent.

Skills and experience

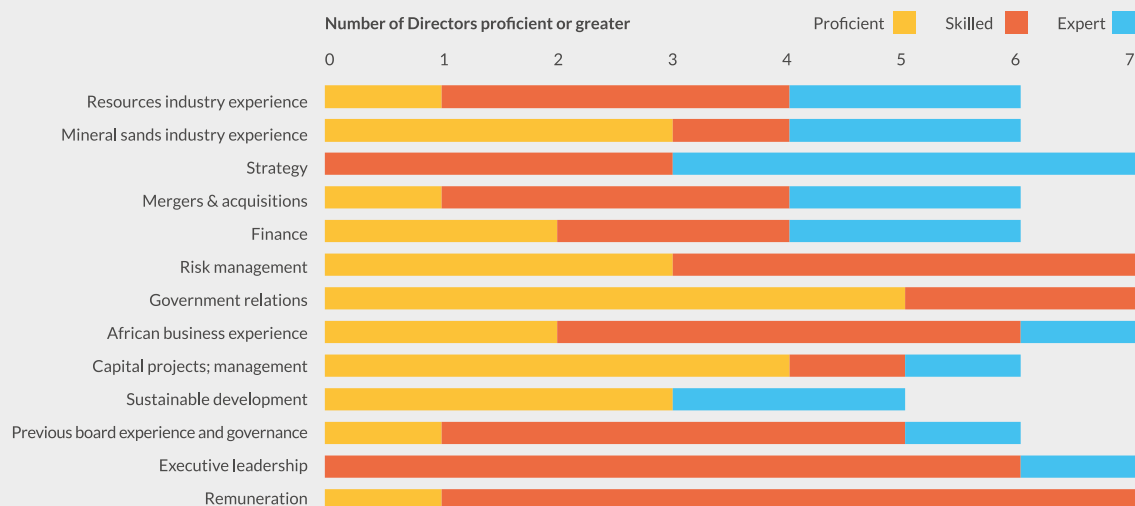
The Board has established the following set of core competencies to assist in assessing the skills and experience of each Director, and to assist in ensuring that the combined capabilities of the Board provides appropriate coverage across the core

competencies. This set of competencies was further refined during the year, including addition of a specific core competency for African business experience. The table below indicates those Directors on which the Board principally relies in ensuring adequacy of coverage across the core competencies, recognising that all Directors bring a far broader and diverse range of skills and experience to the Board.

Area	Competency	Key Directors
Resources industry experience	Experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competitors.	C Bwye, T Carstens, M Macpherson, K Spence, M Stirzaker
Mineral sands industry experience	Specific experience in the mineral sands industry, including an in depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology.	C Bwye, T Carstens, M Macpherson
Strategy	Identifying and critically assessing strategic opportunities and threats to an organisation and developing and implementing successful strategies in context to the organisation's policies and business objectives.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Mergers & acquisitions	Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Finance	Senior executive or other relevant experience in financial accounting and reporting, internal financial and risk controls, corporate finance and, restructuring corporate transactions and project financing.	T Carstens, D Radley, M Stirzaker, S Willis
Risk management	Experience working with and applying broad risk management frameworks in various country, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.	T Carstens, M Macpherson, D Radley, K Spence
Government relations	Senior management or equivalent experience working in diverse international political, cultural, regulatory and business environments.	T Carstens, K Spence
African business experience	Experience in the successful development and operation of reputable businesses in Africa.	C Bwye, T Carstens, M Macpherson, D Radley, M Stirzaker
Capital projects; management	Experience with projects involving contractual negotiations, project management, significant capital outlays and long investment horizons.	C Bwye, K Spence
Sustainable development	Senior management or equivalent experience in workplace health and safety, environmental and social responsibility, and community.	T Carstens, K Spence
Previous board experience and governance	Serving on boards of varying size and composition, in varying industries and for a range of organisations. Implementing the high standards of governance in a major organisation that is subject to rigorous governance standards and identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Executive leadership	Experience in evaluating the performance of senior management, overseeing strategic human capital planning, industrial relations, organisational change management and sustainable success in business at a senior level.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Remuneration	Remuneration and/or nomination committee membership or management experience in relation to succession planning, remuneration, talent management (including incentive programs, superannuation), and the legislative and contractual framework governing remuneration.	T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis

The diagram below further illustrates the Board's depth of coverage across its core competencies. As shown, the Board considers that collectively the Directors have the range of skills, knowledge, experience and competencies necessary to effectively direct the Company. That said, the Board will continue its ongoing education program targeting emerging issues identified through the course of the year.

Further details of the skills, experiences, expertise and period of service of each Director is set out on pages 29 to 33 of the Annual Report.



Director appointment, induction, training and continuing education

Newly appointed non-executive Directors are required to execute a letter of appointment which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities, envisioned time commitments and the Board's expectations with respect to committee work. Executive directors and all senior executives enter employment agreements which govern their terms of employment.

An induction plan is tailored for specific needs of new appointees to the Board. The induction process typically includes a comprehensive overview of the Company's governance policies and procedures, in-depth discussions with each member of EXCO and the executive management team and a site visit to the Company's key operating asset in Kwale, Kenya and development asset in Toliara, Madagascar. The induction materials provided to new appointees include information on the Company's governance and culture, including the "Base Way" (the set of core beliefs and principles that permeate every aspect of the Company's business and describes the Company's desired culture). Ms Radley's induction, as a new Board appointment during the year, was consistent with the process described in this paragraph.

Directors are expected to maintain the skills necessary to discharge their obligations to the Company and its shareholders. The Company provides the Board with regular information on industry-related matters and new developments with the potential to affect the Company and its business. When a need is identified (for example, arising from a Board function review or through the Remuneration & Nomination Committee's Board education oversight role), the Company will organise specific structured professional development opportunities for Directors.

The Board manages succession planning with the assistance of the Remuneration & Nomination Committee. Should a vacancy exist or should it otherwise become appropriate for Board changes to be implemented, it is the responsibility of the Remuneration & Nomination Committee (among other things) to identify and recommend to the Board candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills, experience, expertise and diversity, and after assessment of how the candidate can contribute to the strategic direction of the Company. The Board may engage an independent recruitment firm to undertake a search for suitable candidates. The Company undertakes appropriate background and screening checks prior to nominating an individual for election as a Director by shareholders, and provides shareholders all material information in its possession concerning a Director standing for election or re-election in the explanatory memorandum accompanying the relevant notice of meeting.

Following the vacancy on the Board that occurred early in the year, the Board engaged an independent recruitment firm to undertake a search for suitable candidates for Board appointment. This search focused on candidates with strong African business experience, senior leadership experience and prior experience in mergers and acquisitions, which were considered key skills and experiences for any new appointment. Following a short-listing of potential candidates, thorough background and screening checks were undertaken through independent sources, followed by a multi-staged interview process.

The outcome of this approximate four-month process resulted in the Board nominated appointment of Ms Radley as a director. In accordance with the Company's constitution, Ms Radley will automatically retire at the 2018 annual general meeting and will be eligible for election by shareholders.

Board performance evaluation

It is the Company's policy that once a year, the Board will review and critically evaluate the performance of the Board, the Board Committees and individual Directors. The Board sets the method and scope of the performance evaluation each year, which typically includes self-assessments designed to effectively review the performance of the Board and each of its Committees against the requirements of their specific charters and the individual performance of each Director. In appropriate circumstances, the Board performance evaluation may involve engagement of a third-party Board advisor. The process for this annual review is set out in further detail in the Board Charter.

A performance evaluation of the Board, its Committees and individual Directors was undertaken during the reporting period ended 30 June 2018. This review comprised of a questionnaire process completed by each Director designed to assess performance of the Board, the Chairman and each Committee and its respective Chairman. The key outcomes of the questionnaire process were analysed and considered at subsequent Board and Committee meetings. The Chairman also undertook separate review discussions with each individual Director. Overall, the results of the review process were pleasing, indicating that the Board, its Committees and individual Directors are considered to be performing their respective roles effectively. The review process also identified a few areas for improvement that will be addressed through the coming year. It is proposed that an externally facilitated Board review process will be undertaken in the coming year.

Director retirement and re-election

With the exception of the Managing Director, directors must retire at the third AGM following their last election or re-election. At least one Director must stand for election at each AGM. Any director appointed to fill a casual vacancy since the date of the previous AGM, as was the case with Ms Radley, retires at the next AGM and is eligible for election. Board support for a Director's election or re-election is not automatic and is subject to satisfactory Director performance. It is the role of the Remuneration & Nomination Committee to consider and recommend to the Board candidates for election or re-election to the Board.

Committees of the Board

The Company's Constitution provides that the Board may delegate its powers as it considers appropriate. The Board has established an Audit Committee, Remuneration & Nomination Committee and Risk Committee. The previously established ad hoc Taurus Refinancing Committee was dissolved in August 2017 following retirement of the Company's US\$20 million facility from Taurus Funds Management.

The Committees generally operate in a review or advisory capacity, except in limited circumstances where the Board's powers are specifically delegated to a Committee. Each Committee has a charter detailing its role, duties and membership requirements. These charters are reviewed regularly, and at least annually, and are updated as required.

Details of the skills, experiences and expertise of each member of the respective Committees of the Board is set out on pages 29 to 33 of the Annual Report. Details of the Committee meetings held during the year and attendances of members at those meetings is set out on page 33 of the Annual Report.

Audit Committee

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements and external audit function.

The Audit Committee members during the year were Mr Willis, Mr Spence, Mr Anderson (resigned 31 August 2017), Mr Macpherson and Ms Radley (appointed 1 February 2018). Following Mr Anderson's resignation, the Audit Committee consists of only independent non-executive Directors. Mr Willis, an independent non-executive Director, is Committee Chairman.

Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee with respect to remuneration matters is to assist the Board in fulfilling its oversight responsibilities in relation to the overall remuneration strategy of the Company, and its specific application to EXCO and the senior management team, and reviewing and approving equity based plans and other incentive schemes. This role is designed to assist in ensuring that the executive remuneration policy demonstrates a clear relationship between executive performance and remuneration.

The role of the Committee with respect to nomination matters is to support the Board in fulfilling its responsibilities by maintaining a Board that has an appropriate mix of skills and experience, developing the processes for evaluation of performance of the Board and its Committees, ensuring the Company's Diversity Policy is implemented in respect of the Board and managing the process for identifying and selecting new Directors.

The Remuneration & Nomination Committee has four members, all of whom are non-executive Directors and a majority of whom are independent. Members of the Committee were Mr Spence, Mr Willis, Mr Macpherson and Mr Stirzaker. Mr Spence, an independent non-executive Director, is Committee Chairman.

Risk Committee

The role of the Risk Committee is to assist the Board with identification and management of business and operational risks faced by the Company to a standard that considers the reasonable expectations of the Company's shareholders, employees, customers, suppliers, creditors and the broader community in which the Company operates.

The Risk Committee typically conducts a full review and update of the Company's material business risk register and risk management framework at each Committee meeting, and at least annually.

The Risk Committee has four members, all of whom are non-executive Directors and a majority of whom are independent. Members of the Committee during the period were Mr Macpherson, Mr Spence, Mr Willis, Mr Stirzaker and Ms Radley. Mr Stirzaker stepped down from the Committee and was replaced by Ms Radley with effect from 1 March 2018. Mr Macpherson, an independent non-executive Director, is Committee Chairman.

Taurus Refinancing Committee

In June 2016, the Board established the ad hoc Taurus Refinancing Committee which had the primary purpose of assisting the Board in assessing the available options for repayment or refinancing of the Company's US\$20 million facility from Taurus Funds Management. The Taurus Refinancing Committee was not a separately remunerated committee. Members of the Committee were Mr Willis, Mr Spence, Mr Carstens and the Company's Chief Financial Officer whom had been seconded to the Committee. Mr Willis, an independent non-executive Director, was Committee Chairman. As this facility was retired in July 2017, the Taurus Refinancing Committee was no longer required and was formally dissolved by the Board in August 2017.

Shareholder Communication

General

The Board recognises the importance of regular and proactive interaction with the market to ensure the Company's investors and key stakeholders remain informed about the Company's activities. The Company has an investor relations program designed to facilitate effective two-way communication with shareholders.

The Company's Continuous Disclosure and Market Communications Policy sets out the Company's commitment to:

- communicating effectively with shareholders through releases to the market via ASX and AIM, information mailed to shareholders (e.g. notices of meetings and explanatory material and periodic disclosure, such as annual, half yearly and quarterly reporting of exploration, production and corporate activities) and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; and
- making it easy for shareholders to participate in general meetings of the Company.

The Board further recognises the rights of shareholders and encourages the effective exercise of those rights through the following means:

- notices of meeting and other meeting materials are drafted in concise and clear language and are distributed in accordance with the provisions of the Corporations Act;
- shareholders are encouraged to use their attendance at meetings to ask questions on relevant matters, with time being specifically set aside at each meeting for shareholder questions;
- shareholders are encouraged to participate in voting on proposed resolutions by either attending the meeting or by way of lodgement of proxies, if shareholders are unable to attend the meeting;
- it is general practice for a presentation on the Company's recent activities to be made to shareholders at each annual general meeting; and
- at annual general meetings, it is both the Company's policy and the policy of the Company's auditor for the lead engagement partner to be present at the annual general meeting to answer any questions regarding the conduct of the audit and the preparation and content of the auditor's report.

The Company's website (www.baseresources.com.au) provides information about the Company generally for the benefit of its shareholders, market participants and key stakeholders. The Company's website is promptly updated with material released to ASX and AIM after confirmation of release by ASX. All information available on the Company's website is regularly reviewed and updated to ensure that information is current, or appropriately dated and archived. Of note, the Company's website includes the following sections which contain relevant information for shareholders:

- a governance section, which contains the Company's current Constitution, relevant governance policies and practices, Board and Board Committee Charters;
- a Board and management section, which contains the names and brief biographical information for each of the Directors and senior executives;
- a reports section, which contains copies of annual, half yearly and quarterly reports; and
- a market releases section containing ASX announcements (including full text of notices of meeting and explanatory material) and a presentations section containing power point presentations.

Further information about operations at the Kvale Project are made available from the website of the Company's wholly-owned operating subsidiary, Base Titanium (basetitanium.com). Further information about the Toliara Project are available from the Company's main website at baseresources.com.au.

The Company provides the opportunity for and encourages shareholders to receive communications from, and send communications to, the Company and its securities registry electronically. The Company makes available telephone, fax and email contact details on its website through which shareholders are welcomed to contact the Company.

Continuous disclosure and market communications

The Company is committed to ensuring that shareholders and the market are provided with full and timely information about the Company and its activities and that all investors have equal opportunity to receive externally available information issued by the Company.

The Company's Continuous Disclosure and Market Communications Policy provides that the Managing Director and the Company Secretary are primarily responsible for ensuring that the Company complies with its disclosure obligations and for overseeing and co-ordinating the disclosure of information to relevant stock exchanges, shareholders and applicable regulatory authorities. To assist in this process, it is the responsibility of every Director and employee to report to the Company Secretary any potentially price sensitive information which that person has obtained. To the full extent practical

(having regard to the requirement for immediate disclosure in certain circumstances), the Board is given the opportunity to review and comment on material announcements prior to their release.

Promoting responsible and ethical behaviours

The “Base Way”, Code of Conduct and Integrity System

The “Base Way” sets out the unifying set of beliefs and behavioural expectations for the Company and its employees, including the Company’s absolute commitment to conducting its business in a legal, honest and ethical manner.

The Company’s Code of Conduct provides an overview of the framework for decision making and actions in relation to ethical conduct in employment at the Company and its subsidiaries. The Code of Conduct summarises the key business systems (including relevant Policies and Standards) adopted by the Company that apply to the Company and its subsidiaries and their respective employees which underpin the Company’s commitment to integrity and fair dealing in its business affairs and to its duty of care to employees, customers and stakeholders. Breaches of the Code of Conduct may lead to disciplinary action, as outlined in the Company’s Unacceptable Performance and Misconduct System.

The Company’s Integrity Policy expands on the Company’s commitment to conducting its business in a legal, honest and ethical manner by:

- Prohibiting bribery and corruption in all forms. Employees must not commit, or be a party to, or be involved in bribery or corruption.
- Ensuring that gifts, entertainment, travel and per diem reimbursements are not given or received as a reward or encouragement for preferential treatment.
- The Company not participating in party politics. The Company does not make payments to political parties or individual politicians.
- Not making charitable donations or sponsorships that could be perceived as bribes or payments to gain an improper business advantage.
- Employees ensuring their personal activities and interests do not conflict with their responsibilities to the Company.
- Requiring third parties who act on the Company’s behalf to comply with the Integrity Policy and the Integrity Standard.
- Requiring all employees to confront inappropriate behaviour in others.
- Including demonstrating the “Base Way” as a specific accountability in every role description.

The Integrity Standard further sets out the responsibilities and limits of discretion of the Company’s personnel in observing and upholding the absolute prohibition on bribery, corruption and related improper conduct and provides information and guidance on how to recognise and deal with instances of potential bribery and corruption. A breach of the Integrity Standard by a member of the Company’s personnel will be regarded as serious misconduct, and will lead to disciplinary action which may include termination of employment. The Company also has a Whistleblower System providing a confidential mechanism for employees to hold their leaders and co-workers accountable if not behaving with absolute integrity.

The Company is a signatory to the Extractive Industries Transparency Initiative (EITI), which was launched in 2002 at the World Summit for Sustainable Development. The EITI has put in place a reporting system to encourage transparency and accountability in the receipt and use by Governments of revenues from extractive industries. EITI supports good governance through the verification and full publication of payments by companies and use of government revenues derived from oil, gas and mining. The Company provides these publications via the governance section of the Base Titanium website (www.basetitanium.com).

Securities ownership and dealing

The Company's Securities Trading Policy (which was last updated with effect from 1 September 2016) applies to Directors and employees of the Company and its subsidiaries. This policy provides summary of the law on insider trading and sets out the policy requirements for the sale, purchase and conversion/exercise of the Company's securities by Directors and employees. The purpose of the policy is to:

- assist Directors and employees to avoid conduct known as "insider trading";
- explain the type of conduct in relation to dealings in securities of the Company that is prohibited under the Corporations Act and the European Union's Market Abuse Regulation; and
- establish a procedure relating to dealing in the Company's securities that provides best practice protection to the Company, its Directors and employees against the misuse of unpublished information which could materially affect the price or value of the Company's securities.

Any dealing in the Company's securities by Directors is notified to ASX, and any dealing by directors or other persons discharging management responsibility is notified to AIM and the United Kingdom's Financial Conduct Authority, without delay. Directors and employees participating in equity-based incentive plans are also prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Strict compliance with the Securities Trading Policy is mandatory for all Directors and employees of the Company and its subsidiaries. Any breach of this policy is taken seriously and is subject to disciplinary action, including possible termination of a person's employment or appointment.

Risk management and internal controls

Approach to risk management internal controls

The Company recognises that risk is an integral and unavoidable component of its business and is characterised by both risk and opportunity. The effective management of risk enables the Company to enhance opportunities, reduce threats and in so doing represent a source of competitive advantage. The Company is committed to managing risk in a proactive manner that is integrated throughout the business and informs all decision making as part of day to day management.

Risk management roles and responsibilities

The Company established a Risk Committee of the Board in July 2015. The Risk Committee's role is to assist the Board in monitoring risk, with a full review and update of the Company's material business risk register and risk management framework typically occurring for each Committee meeting, and at least annually.

The Company does not have a formal internal audit function, however it has a well-established Risk Management Framework. The Risk Committee annually reviews the need for a formal internal audit function from a risk management perspective, which is also considered by the Audit Committee from an assurance perspective. When last considered at the June 2018 Audit Committee meeting and subsequently considered by the Board, it was determined that a formal internal audit process was not required or justifiable at this time. However, it was noted that current business practice includes significant external review and assurance of the Company's key risk areas. It was therefore determined to undertake a review of existing external assurances to understand the coverage and highlight any areas where further assurance may be warranted. This work will be conducted over the coming year.

The Risk Committee is responsible for reviewing and approving the Company's Risk Management Framework, Risk Policy and key risk parameters at least annually, with the Committee having reviewed the Company's Risk Management Framework during the year. The Risk Committee is responsible for (amongst other things):

- ensuring that management designs and implements a risk management and internal control system to manage the Company's material business risks;

- reviewing at least annually the Company's risk management and internal control system and reporting to the Board on its efficiency and effectiveness;
- reviewing the risk reports produced by management and reviewing the efficiency and effectiveness of that risk management and internal control system;
- developing and maintaining a risk register which identifies the material business risks to the Company and its operations (including economic, environmental and social sustainability risks) and assessing the likelihood of their occurrence;
- periodically reviewing the scope and adequacy of the Company's insurance, having regard to the Company's business and its associated insurable risks;
- overseeing the Company's operational and environmental risk management and occupational health and safety processes; and
- overseeing procedures for whistleblower protection.

Management is responsible for promoting and applying the Risk Policy, which involves establishing a risk-aware culture, identifying and assessing business and operational risks, developing and implementing appropriate risk strategies, systems and controls, monitoring the effectiveness of risk controls and reporting on risk management and performance. Management also maintains the Material Business Risk Register.

The Company is exposed to several risks across its business, which it seeks to manage in a manner consistent with its Risk Management Framework. These risks are categorised by the Company as strategic (e.g. the Company's ability to execute its growth strategy, access to exploration opportunities), financial (e.g. funding continuity), regulatory (e.g. political, mining and fiscal policy) or operational (e.g. community, safety, security, human resources and production).

The Company has identified that it has a material exposure to certain environmental and social sustainability risks associated with its operation of the Kwale Project and its development of the Toliara Project. Communities affected by the Kwale Project and the Toliara Project play an integral role in the Company's overall success, which the Company seeks to achieve through a structured and integrated community engagement approach. The Company strives to build lasting and beneficial relationships with the communities in which it operates. By supporting equitable development, the Company seeks to establish a model for future development opportunities in Kenya, Madagascar and beyond, in a manner that emphasises the value of local community participation and recognises their respective and diverse cultural heritage. The Company's Communities Policy is based on working together in a way that allows broad participation of affected people through mutual respect and demonstrates the Company's long-term commitment to delivering real, tangible and sustainable benefits. The Company's social management systems have been prepared to the highest international standards to guide the Company in achieving this objective.

The Company is also committed to undertaking its activities in a way that minimises impact on the environment. The Company's Environmental Policy and the "Base Way" drive the Company's commitment to preventing pollution, minimising impacts, contributing to protecting and conserving biodiversity and driving environmentally responsible behaviour.

The Company believes that good environmental performance contributes to business success. The Company empowers its employees to work in an environmentally responsible manner and encourages everyone to take responsibility in this regard. The Company works in partnership with its host communities, conservation groups and environmental experts to realise its objectives and regularly reviews environmental performance to achieve continuous improvement. A comprehensive understanding of the environmental impacts during design, construction, operations and ultimately closure of the Kwale Project and the Toliara Project direct the Company's environmental programs. Management of the Company's environmental function is based on an environmental management system as guided by the Environmental Policy. Refer to pages 11 to 15 of the Annual Report for more detail on the Company's current sustainability practices.

CEO and CFO assurance

The Board receives monthly reports on the group's financial and operational results. Before adoption by the Board of the 31 December 2017 half-year and 30 June 2018 full-year financial statements, the Audit Committee and the Board received written declarations from the Managing Director and the Chief Financial Officer that, in their opinion, the financial records of the Company had been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that their opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

Diversity

The Company values and encourages a diverse workforce and provides a work environment in which everyone is treated fairly, with respect and can realise their full potential. As set out further in the Company's Employment Policy, the Company seeks to achieve this by:

- Employing on the basis of job requirements and merit without discriminating on the grounds of age, ethnic or social origin, gender, sexual orientation, politics or religion.
- Ensuring its people are trained to work, and then working, in safe, healthy and environmentally responsible ways.
- Requiring managers to be models of the highest standards of behaviour and to demonstrate visible leadership. The Company's employees must treat each other and those they deal with externally with dignity, fairness and respect. The Company's employees must guard against harassment in the workplace.
- Maintaining codes of conduct and performance standards that establish sound conditions of work and disciplinary procedures in compliance with all applicable laws and which uphold human rights principles. Remuneration and incentive systems are equitable and transparent.
- Establishing and developing integrated employment management systems that seek to elevate employee engagement within the Company to a recognised competitive advantage.
- Including demonstrating the "Base Way" as a specific accountability in every employee's role description.

A key focus of the Company since before commencement of Kwale Project operations in late 2013 has been establishment of an operational workforce that delivers on commitments to maximise employment opportunities for local communities, whilst achieving the highest standards of operational and safety performance. As at 30 June 2018, the Company is pleased to report that it employed 97% Kenyan national employees at Kwale. This ratio evidences the effectiveness of the Company's systems which are designed to drive a structured transfer of skills over time. While the Company is in the early stages of the proposed development of the Toliara Project, there will be a similar focus on maximising employment opportunities for local communities against the backdrop of achieving the necessarily high standards of operational and safety performance.

While the primary focus to date has been on maximising local participation, workforce establishment and performance enhancement, in July 2015 the Company's Diversity Standard was revised to require that the Board set measurable objectives for achieving gender diversity, for those objectives to be reviewed annually and for the Board to assess annually progress in achieving those objectives.

The Board set the following measurable objectives which applied for the financial year ended 30 June 2018:

- Increase the overall percentage of women employed by the group.
- Maintain female representation in the intake for graduate and apprentice programs at or above one third, subject to the constraint of the operation of the Company's established system for prioritising employment opportunities to local communities.

- Subject to vacancies, increase the percentage of women in executive roles (Stratum III and above).
- Subject to vacancies, to consider diversity when reviewing Board succession plans with the aim to further balance gender representation and achieve greater diversity.

The above objectives were considered appropriate for the Company given its current state of operations, in particular reflecting the relative stability of the Company's workforce which naturally reduces the opportunities to increase gender diversity as rapidly going forward. However, this is something that will be considered further as the Company progresses development of its Toliara Project.

For the financial year ended 30 June 2018, the group met its objectives, achieving a slight increase in the overall percentage of women employed, maintained female representation in the intake for graduate and apprentice programmes at or above one third, increased the percentage of women in executive roles and increased Board gender diversity following the appointment of Ms Radley in February 2018.

The Company considers that, given the relatively low turnover of senior employees, the group's graduate and apprenticeship programmes continue to represent the greatest opportunity to increase female representation within the Company over time – particularly at executive level.

Shown below is the Company's performance in achieving its set objectives during the year ended 30 June 2018, as compared to the two prior periods.

Objective	FY2016 (%)	FY2017 (%)	FY2018 (%)	Change FY17 to FY18 (%)
Increase the overall percentage of women	112/684 16.4%	117/717 16.3%	139/829 16.8%	0.5%
Female representation in graduate and apprentice programs at or above one third	11/39 28.2%	10/21 47.6%	11/33 33.3%	(14.3)%
Women in executive roles (Stratum III and above)	3/21 14.3%	3/22 13.6%	4/28 14.3%	0.7%
Board gender diversity	0%	0%	14%	14%

The Board has determined to maintain the existing measurable objectives for the coming financial year. The Board will report progress in achieving the revised objectives in next year's corporate governance statement.

Availability of key corporate governance documents

The following suite of the Company's key corporate governance policies and procedures are available from the Company's website at <http://www.baseresources.com.au/company-profile/governance/>.

- Constitution
- Board Governance Plan (including Board Committee Charters)
- Code of Conduct
- Securities Trading Policy
- Continuous Disclosure and Market Communications Policy
- Risk Management Policy
- Environment Policy
- Communities Policy
- Employment Policy
- Diversity Standard
- Health and Safety Policy



FINANCIAL STATEMENTS AND NOTES

Lead Auditor's Independence Declaration



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



R Gambitta
Partner

Perth

25 August 2018

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Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	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: Basis of preparation".

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2018

	Notes	2018 US\$000s	2017 ⁽ⁱ⁾ US\$000s	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: Basis of preparation".

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

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 US\$000s	Accumulated Losses US\$000s	Share based payment reserve US\$000s	Foreign currency translation reserve US\$000s	Treasury shares reserve US\$000s	Total 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
<i>Transactions with owners, recognised directly in equity</i>						
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
<i>Transactions with owners, recognised directly in equity</i>						
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: Basis of preparation".

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	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: Basis of preparation".

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 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:

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.

Note: this is an example presentation.

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 Project	The Toliara 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 Project and exploration activities not directly related to Kwale Operations or the Toliara Project.

Reportable segment	2018				2017		
	Kwale Operation US\$000s	Toliara Project US\$000s	Other US\$000s	Total US\$000s	Kwale Operation US\$000s	Other US\$000s	Total 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

Reportable segment	2018				2017		
	Kwale Operation US\$000s	Toliara 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		
<i>in thousands of shares</i>	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		
<i>in thousands of shares</i>	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		
<i>Current income tax</i>		
Income tax expense	129	48
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	9,260	5,847
Income tax expense reported in comprehensive income	9,389	5,895
b) Reconciliation of income tax expense to prima facie tax payable		
<i>The prima facie tax payable on loss from ordinary activities before tax is reconciled to the income tax expense as follows:</i>		
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 recognised		
Tax losses Kenya	5,638	20,382
Other	1,543	1,198
	7,181	21,580
Deferred tax recognised		
Property, plant and equipment	(22,287)	(27,426)
Net deferred tax liability recognised	(15,106)	(5,846)
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:

1. 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;
2. The Group continues to comply with conditions for deductibility imposed by law; and
3. 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

	2018 US\$000s	2017 US\$000s	2016 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

	2018 US\$000s	2017 US\$000s	2016 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

	2018 US\$000s	2017 US\$000s	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

	2018 US\$000s	2017 US\$000s	2016 US\$000s
Toliara 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 Project acquisition: up-front consideration	75,000	-
Toliara Project deferred consideration recognised	17,000	-
Other exploration and evaluation expenditure during the period	3,077	935
	97,115	2,038

(a) Toliara Project - Madagascar

In January 2018, the Company completed the acquisition of the Toliara 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 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

	Plant & equipment US\$000s	Mine property and development US\$000s	Buildings US\$000s	Capital work in progress US\$000s	Total US\$000s
2018					
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					
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

	2018 US\$000s	2017 US\$000s	2016 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: Trade and other receivables"). 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

	2018 US\$000s	2017 US\$000s	2016 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

	2018 US\$000s	2017 US\$000s	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

	2018 US\$000s	2017 US\$000s	2016 US\$000s
Current			
Deferred consideration – Toliara acquisition	7,000	-	-
Other	58	646	658
	7,058	646	658
Non-current			
Deferred consideration – Toliara acquisition	10,000	-	-
	10,000	-	-

In January 2018, the Company completed the acquisition of the Toliara 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 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.

Notes to the consolidated financial statements

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Note 15: Issued capital

	2018 US\$000s	2017 US\$000s	2016 US\$000s
Ordinary share capital:			
Issued and fully paid	305,277	231,079	229,747
Date	Number		
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 A\$
Options outstanding as at 1 July 2016	61,425,061	0.40
Granted	-	-
Exercised	-	-
Lapsed	-	-
Options outstanding and exercisable as at 30 June 2017	61,425,061	0.40
Options outstanding as at 1 July 2017	61,425,061	0.40
Granted	-	-
Exercised	-	-
Lapsed	-	-
Options outstanding and exercisable as at 30 June 2018	61,425,061	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 A\$
1 October 2015	23,775,692	21,972,739	45,748,431	0.0380
1 October 2016	5,890,553	5,623,788	11,514,341	0.1625
1 October 2017	7,309,243	7,380,330	14,689,573	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.

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:

	Notes	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	2017 US\$000s	2018 US\$000s	2017 US\$000s
Variable rate instruments	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 US\$000s	2017 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 US\$000s	2017 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 US\$000s	2017 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						More than 5 years US\$000s
	Carrying amount US\$000s	Total US\$000s	2 months or less US\$000s	2-12 months US\$000s	1-2years US\$000s	2-5 years US\$000s	
30 June 2018							
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 US\$000s	2017 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

Notes to the consolidated financial statements

GROUP STRUCTURE AND OTHER INFORMATION

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 US\$000s	2017 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 US\$000s	2017 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: Borrowings" 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 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 Project on 22 January 2018.

Note 20: Related parties

KMP compensation:	2018 US\$000s	2017 US\$000s
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\$000s	2017 US\$000s
Audit services		
<i>KPMG Australia</i>		
Audit of financial report	132,407	101,810
<i>Overseas KPMG firms</i>		
Audit services	117,362	81,939
	249,769	183,749
Other services		
<i>KPMG Australia</i>		
Tax compliance and advisory services	59,491	74,401
Other services	8,727	8,296
<i>Overseas KPMG firms</i>		
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: Borrowings”), 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, 6005

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 64 to 93 and the Remuneration Report on pages 35 to 50 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:

A handwritten signature in black ink, appearing to be 'Keith Spence', with a stylized, looped initial 'K' and a trailing flourish.

Keith Spence

Chairman

DATED at PERTH this 25th day of August 2018

Independent auditor's report



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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.


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
<p>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:</p> <ul style="list-style-type: none"> • 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 <i>Business Combinations</i>), 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. <p>These conditions and associated complex acquisition accounting required significant audit effort and greater involvement of senior team members.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • 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.



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

R Gambitta
Partner

Perth

25 August 2018

Additional shareholder information

Base Resources is listed on the ASX and AIM under the code: BSE. The following additional information required by the ASX Listing Rules is current as at 28 September 2018.

Ordinary Shares

Distribution of shares	Holders	Units	%
1 – 1,000	134	12,065	
1,001 – 5,000	192	582,543	0.05
5,001 – 10,000	172	1,404,415	0.12
10,001 – 100,000	508	19,509,065	1.73
100,001 and over	210	1,106,066,926	98.09
	1,216	1,127,575,014	100.00

There were 163 holders of unmarketable parcels of shares (<A\$500) based on the closing share price of A\$0.265 as at 28 September 2018 comprising a total of 56,694 shares.

The voting rights attached to the ordinary shares are:

- at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

20 largest registered holders of shares	Number of Shares	%
1 HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	317,672,215	28.17
2 PACIFIC ROAD CAPITAL MANAGEMENT GP II LIMITED	213,122,088	18.90
3 J P MORGAN NOMINEES AUSTRALIA LIMITED	124,792,555	11.07
4 CITICORP NOMINEES PTY LIMITED	111,168,471	9.86
5 UBS NOMINEES PTY LTD	70,311,685	6.24
6 PACIFIC ROAD CAPITAL II PTY LIMITED	29,831,018	2.65
7 SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	20,127,140	1.78
8 TWYNAM AGRICULTURAL GROUP PTY LTD	18,350,020	1.63
9 COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	16,676,299	1.48
10 HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED - A/C 2	14,401,828	1.28
11 CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	13,979,183	1.24
12 BRISPTOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	13,662,520	1.21
13 BNP PARIBAS NOMS PTY LTD <DRP>	11,841,207	1.05
14 CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	10,088,123	0.89
15 NGE CAPITAL LIMITED	7,400,000	0.66
16 CPU SHARE PLANS PTY LTD <BSE LTR UNALLOCATED A/C>	6,700,405	0.59
17 WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	6,581,570	0.58
18 HARMANIS HOLDINGS PTY LTD <HARMAN FAMILY A/C>	5,850,000	0.52
19 NATIONAL NOMINEES LIMITED	4,996,372	0.44
20 AET CT PTY LIMITED <HENROTH PTY LIMITED>	4,500,000	0.40
	1,022,052,699	90.64

Substantial shareholdings

The substantial shareholders of the Company, and the number of securities in which those shareholders and their associates have a relevant interest, as disclosed in the substantial holding notices received by the Company are:

Name	Number of shares
Pacific Road Capital II Pty Ltd and Pacific Road Capital Management GP II Limited	242,953,106
Sustainable Capital Ltd	112,050,380
Regal Funds Management Pty Limited	85,134,838
Wellington Management Group LLP	69,515,366
Bank of America Corporation	59,323,736
UBS Group AG	60,523,212

Options

The following unlisted options are on issue. Options do not carry a right to vote. Voting rights will attach to any ordinary shares issued upon valid exercise of options.

Stream	Date of Expiry	Exercise Price	Number of Options	Number of Holders
1	31 December 2018	\$0.40	61,425,061	1
			61,425,061	

Holders of greater than 20% of any stream of options:

Stream 1: Taurus Funds Management Pty Ltd – 61,425,061 options.

Performance rights

The following unlisted performance rights are on issue. Performance rights do not carry a right to vote. Voting rights will attach to any ordinary shares issued upon vesting of performance rights in accordance with their terms of issue pursuant to the Base Resources Long Term Incentive Plan.

Cycle	Date of Vesting/Expiry	Number of performance rights	Number of Holders
2015	30 September 2018	45,748,431	19
2016	30 September 2019	11,514,341	21
2017	30 September 2020	14,018,889	21

During the reporting period, the trustee of the Base Resources Long Term Incentive Plan trust acquired 6,700,405 ordinary shares on-market at an average price of A\$0.297 per share. These shares will be allocated by the Trustee to participants upon vesting of performance rights pursuant to the Base Resources Long Term Incentive Plan.

Other information

There is no current on-market buy back taking place. There are no restricted securities or securities the subject of voluntary escrow on issue.

Glossary

AASB	Australian Accounting Standards Board
AIM	Alternative Investment Market
APES	Accounting Professional and Ethical Standards
ASIC	Australia Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
CTA	Common terms agreement for the Kwale Project Debt Facility
DMU	Dozer-trap mining unit
EBITDA	Earnings Before interest, taxes, depreciation, interest and amortisation
EITI	Extractive Industries Transparency Initiative
FY	Financial year
GoK	Government of Kenya
HM	Heavy mineral
HMC	Heavy mineral concentrate
HMU	Hydraulic mining unit
ILM	Ilmenite
IUCN	International Union for Conservation of Nature
JORC	Joint Ore Reserves Committee
KMP	Key management personnel
KP2	Kwale Phase 2 mine optimisation project
LIBOR	London Inter-bank Offered Rate
LTi	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long term incentive plan
MSP	Mineral separation plant

Mt	Million tonnes
NGOs	Non-governmental organisations
NPAT	Net profit after tax
NRV	Net realisable value
OS	Oversize material
PFS	Project feasibility study
PPE	Property, plant and equipment
RCF	Revolving credit facility
RUT	Rutile
SL	Slimes
SML	Special mining lease
SPL	Special prospecting license
STIP	Short term incentive plan
TFR	Total fixed remuneration
TiO2	Titanium dioxide
tph	Tonnes per hour
TRI	Total recordable injury
TRIFR	Total recordable injury frequency rate
TRP	Total remuneration package
TSF	Tailings storage facility
TSR	Total shareholder return
USD	United States dollar
VWAP	Volume weighted average price
WCP	Wet concentrator plant
ZIR	Zircon

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

Non-Executive Director – appointed 1 February 2018

Solicitors

Herbert Smith Freehills

Level 36, QV1

250 St Georges Terrace

Perth WA 6000

Share registry

ASX

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth WA 6000

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Numis Securities Limited

The London Stock Exchange Building

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London EC4M 7LT

Company secretary

Mr Chadwick Poletti

Principal place of business and registered office

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KPMG

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